Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Sections 14(1), 14(2), 14(3), 14(4)
Sponsoring Witness: Edwin R. Staton

Description of Filing Requirement:

Section 14(1)

- *Full name, mailing address, and e-mail address of applicant.*
- *A reference to the particular provision of law requiring Commission approval.*

Section 14(2)

- *If applicant is a corporation, the applicant shall identify in the application the state in which it is incorporated and the date of its incorporation, attest that it is currently in good standing in the state in which it is incorporated, and, if it is not a Kentucky corporation, state whether it is authorized to transact business in Kentucky.*

Section 14(3)

- *If applicant is a limited liability company, the applicant shall identify in the application the state in which it is organized and the date on which it was organized, attest that it is in good standing in the state in which it is organized, and, if it is not a Kentucky limited liability company, state whether it is authorized to transact business in Kentucky.*

Section 14(4)

- *If applicant is a limited partnership, a certified copy of its limited partnership agreement and all amendments, or a written statement that its partnership agreement and all amendments have been filed with the Commission in a prior proceeding and a reference to the case number of that proceeding.*

Response:

Section 14(1)
See Application Paragraph No. 1.

Section 14(2)
See Application Paragraph No. 3 and the attached Certificates.

Section 14(3)
KU is not a limited liability company and, therefore, compliance with this filing requirement is not necessary.

Section 14(4)
KU is not a limited partnership and, therefore, compliance with this filing requirement is not necessary.

Commonwealth of Kentucky
Alison Lundergan Grimes, Secretary of State

Alison Lundergan Grimes
Secretary of State
P. O. Box 718
Frankfort, KY 40602-0718
(502) 564-3490
http://www.sos.ky.gov

Certificate of Existence

Authentication number: 156854
Visit https://app.sos.ky.gov/ftshow/certvalidate.aspx to authenticate this certificate.

I, Alison Lundergan Grimes, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

KENTUCKY UTILITIES COMPANY

is a corporation duly incorporated and existing under KRS Chapter 14A and KRS Chapter 271B, whose date of incorporation is August 17, 1912 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that Articles of Dissolution have not been filed; and that the most recent annual report required by KRS 14A.6-010 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 5th day of November, 2014, in the 223rd year of the Commonwealth.

Alison Lundergan Grimes
Secretary of State
Commonwealth of Kentucky
156854/0028494

Commonwealth of Virginia

State Corporation Commission

CERTIFICATE OF GOOD STANDING

I Certify the Following from the Records of the Commission:

That KENTUCKY UTILITIES COMPANY is duly incorporated under the law of the Commonwealth of Virginia;

That the date of its incorporation is November 26, 1991;

That the period of its duration is perpetual; and

That the corporation is in existence and in good standing in the Commonwealth of Virginia as of the date set forth below.

Nothing more is hereby certified.

Signed and Sealed at Richmond on this Date:
November 5, 2014

Joel H. Peck

Joel H. Peck, Clerk of the Commission

CISECOM
Document Control Number: 1411055448

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(1)(b)(1)
Sponsoring Witness: Edwin R. Staton

Description of Filing Requirement:

A statement of the reason the adjustment is required.

Response:

See Application.

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(1)(b)(2)
Sponsoring Witness: Edwin R. Staton

Description of Filing Requirement:

A certified copy of a certificate of assumed name as required by KRS 365.015 or a statement that a certificate is not necessary.

Response:

The legal name of KU is Kentucky Utilities Company. It has never done business in Kentucky under an assumed name and has never filed a Certificate of Assumed Name as may be required by KRS 365.015. KU does business in Virginia under the name Old Dominion Power Company. Please see the attached certificate regarding the use by KU of the name Old Dominion Power Company in Virginia. KU has never done business in Tennessee under an assumed name.

CERTIFICATE OF FICTITIOUS NAME

This is to certify that Kentucky Utilities Company, a Virginia public service corporation, is the owner of the business to be conducted or transacted in the County of Wise, Virginia, trading under the name of:

Old Dominion Power Company

Kentucky Utilities Company
One Quality Street
Lexington, Kentucky 40507

By [signature]
President

STATE OF KENTUCKY:

COUNTY OF FAYETTE: To-wit:

I, George S. Brooks II, a Notary Public in and for the aforesaid state, do hereby certify that John T. Newton, whose name is signed to the above certificate this day appeared before me and acknowledged the same.

Given under my hand this 22nd day of November, 1991.

My Commission expires on the 19th day of January, 1993.

[signature]
Notary Public

The foregoing Certificate of Assumed Name was presented in the Office of the Clerk of the Circuit Court of the County of Wise on the 26 day of November, 1991, and admitted to record as the law directs.

[signature]
Clerk

This is to certify that this is a true and correct reproduction or abstract of the official record filed with the Circuit Court for the City or County of Wise County/ City of Norton, Virginia.

C. Gary Rakes, Clerk

Date Issued 11-26-91

[signature]
~~Clerk~~ or Deputy

(SEAL)

VOID IF ALTERED OR DOES NOT BEAR IMPRESSED SEAL OF COURT

VS3A - 9/03

CERTIFICATE OF FICTITIOUS NAME

This is to certify that Kentucky Utilities Company, a Virginia public service corporation, is the owner of the business to be conducted or transacted in the County of Scott, Virginia, trading under the name of:

Old Dominion Power Company

Kentucky Utilities Company
One Quality Street
Lexington, Kentucky 40507

By [signature]
President

STATE OF KENTUCKY:

COUNTY OF FAYETTE: To-wit:

I, George S. Brooks II, a Notary Public in and for the aforesaid state, do hereby certify that John T. Newton, whose name is signed to the above certificate this day appeared before me and acknowledged the same.

Given under my hand this 22nd day of November, 1991.

My Commission expires on the 19th day of January, 1993.

GEORGE S. BROOKS II NOTARY PUBLIC STATE AT LARGE, KY.

George S. Brooks II
Notary Public

COMMONWEALTH OF VIRGINIA:

The foregoing Certificate of Assumed Name was presented in the Office of the Clerk of the Circuit Court of the County of Scott on the 2nd day of December, 1991, and admitted to record as the law directs, at 8:00 A.M.

[signature]
Clerk

A TRUE COPY TESTE:
CIRCUIT COURT CLERK'S OFFICE
SCOTT COUNTY, VIRGINIA
[signature] CLERK

CERTIFICATE OF FICTITIOUS NAME

This is to certify that Kentucky Utilities Company, a Virginia public service corporation, is the owner of the business to be conducted or transacted in the County of Dickenson, Virginia, trading under the name of:

Old Dominion Power Company

Kentucky Utilities Company
One Quality Street
Lexington, Kentucky 40507

By John T. Newton
President

STATE OF KENTUCKY:

COUNTY OF FAYETTE: To-wit:

I, George S. Brooks II, a Notary Public in and for the aforesaid state, do hereby certify that John T. Newton, whose name is signed to the above certificate this day appeared before me and acknowledged the same.

Given under my hand this 22nd day of November, 1991.

My Commission expires on the 19th day of January, 1993.

George S. Brooks II
Notary Public

The foregoing Certificate of Assumed Name was presented in the Office of the Clerk of the Circuit Court of the County of Dickenson on the 26th day of November, 1991, and admitted to record as the law directs.

Lula Large, Deputy
Clerk

A COPY TESTE:
Lula Large DEPUTY CLERK

Book 2 page 363

CERTIFICATE OF FICTITIOUS NAME

This is to certify that Kentucky Utilities Company, a Virginia public service corporation, is the owner of the business to be conducted or transacted in the County of Lee, Virginia, trading under the name of:

Old Dominion Power Company

Kentucky Utilities Company
One Quality Street
Lexington, Kentucky 40507

By [signature]
President

STATE OF KENTUCKY:

COUNTY OF FAYETTE: To-wit:

I, George S. Brooks II, a Notary Public in and for the aforesaid state, do hereby certify that John T. Newton, whose name is signed to the above certificate this day appeared before me and acknowledged the same.

Given under my hand this 22nd day of November, 1991.

My Commission expires on the 19th day of January, 1993.

NOTARY PUBLIC STATE AT LARGE

George S. Brooks II
Notary Public

The foregoing Certificate of Assumed Name was presented in the Office of the Clerk of the Circuit Court of the County of Lee on the 26th day of November, 1991, and admitted to record as the law directs. 1:28 pm

Charles Calton Clerk
Clerk
By: Karen C. Jones DC.

A COPY TESTE:
CHARLES CALTON, CLERK
Karen C. Jones
Deputy Clerk

CERTIFICATE OF FICTITIOUS NAME

This is to certify that Kentucky Utilities Company, a Virginia public service corporation, is the owner of the business to be conducted or transacted in the County of Russell, Virginia, trading under the name of:

Old Dominion Power Company

Kentucky Utilities Company
One Quality Street
Lexington, Kentucky 40507

By John T. Newton
President

STATE OF KENTUCKY:

COUNTY OF FAYETTE: To-wit:

I, George S. Brooks II, a Notary Public in and for the aforesaid state, do hereby certify that John T. Newton, whose name is signed to the above certificate this day appeared before me and acknowledged the same.

Given under my hand this 22nd day of November, 1991.

My Commission expires on the 19th day of January, 1993.

George S. Brooks II
Notary Public

The foregoing Certificate of Assumed Name was presented in the Office of the Clerk of the Circuit Court of the County of Russell on the 26th day of November, 1991, and admitted to record as the law directs.

Perry Blevins
Clerk

A COPY TESTE
Joseph H. Gilmer, Clerk
Perry Blevins

Commonwealth of Virginia

State Corporation Commission

I Certify the Following from the Records of the Commission:

The foregoing is a true copy of an assumed or fictitious name certificate on file in the Clerk's Office of the Commission certifying that KENTUCKY UTILITIES COMPANY conducts business under the assumed or fictitious name of OLD DOMINION POWER COMPANY.

Nothing more is hereby certified.

Signed and Sealed at Richmond on this Date:
September 19, 2014

Joel H. Peck

Joel H. Peck, Clerk of the Commission

CIS0505

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(1)(b)(3)
Sponsoring Witness: Edwin R. Staton

Description of Filing Requirement:

New or revised tariff sheets, if applicable in a format that complies with 807 KAR 5:011 with an effective date not less than thirty (30) days from the date the application is filed.

Response:

See attached.

Kentucky Utilities Company

One Quality Street
Lexington, Kentucky
www.lge-ku.com

Rates, Terms and Conditions for Furnishing

ELECTRIC SERVICE

In seventy-seven counties in the Commonwealth of Kentucky
as depicted on territorial maps as filed with the

PUBLIC SERVICE COMMISSION

OF KENTUCKY

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

GENERAL INDEX
Standard Electric Rate Schedules – Terms and Conditions

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

GENERAL INDEX
Standard Electric Rate Schedules – Terms and Conditions

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Standard Rate **RS**

RESIDENTIAL SERVICE

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

Available for single phase secondary delivery to single family residential service subject to the terms and conditions on Sheet No. 100 of this Tariff. Three phase service under this rate schedule is restricted to those customers being billed on this rate schedule as of July 1, 2004. T

RATE

Basic Service Charge:	$18.00 per month	I
Plus an Energy Charge of:	$ 0.08057 per kWh	I

ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91
Home Energy Assistance Program	Sheet No. 92

MINIMUM CHARGE

The Basic Service Charge shall be the minimum charge.

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

If full payment is not received by the due date of the bill, a 3% late payment charge will be assessed on the current month's charges. Beginning October 1, 2010, residential customers who receive a pledge for or notice of low income energy assistance from an authorized agency will not be assessed or required to pay a late payment charge for the bill for which the pledge or notice is received, nor will they be assessed or required to pay a late payment charge in any of the eleven (11) months following receipt of such pledge or notice.

TERMS AND CONDITIONS

Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Standard Rate **RTOD-Energy** N

Residential Time-of-Day Energy Service

APPLICABLE

In the territory served.

AVAILABILITY OF SERVICE

RTOD-Energy shall be available as an option to customers otherwise served under rate schedule RS.

1) Service under this rate schedule is limited to a maximum of five hundred (500) customers taking service on RTOD-Energy and RTOD-Demand combined that are eligible for Rate RS . Company will accept customers on a first-come-first-served basis.
2) This service is also available to customers on rate schedule GS (where the GS service is used in conjunction with an RS service to provide service to a detached garage and energy usage is no more than 300 kWh per month) who demonstrate power delivered to such detached garage is consumed, in part, for the powering of low emission vehicles licensed for operation on public streets or highways. Such vehicles include:
   a) battery electric vehicles or plug-in hybrid electric vehicles recharged through a charging outlet at Customer's premises,
   b) natural gas vehicles refueled through an electric-powered refueling appliance at Customer's premises.
3) A customer electing to take service under this rate schedule who subsequently elects to take service under the standard Rate RS may not be allowed to return to this optional rate for 12 months from the date of exiting this rate schedule.

RATE

Basic Service Charge:	$18.00 per month
Plus an Energy Charge:	
Off Peak Hours:	$0.05100 per kWh
On Peak Hours:	$0.25874 per kWh

ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91
Home Energy Assistance Program	Sheet No. 92

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Standard Rate **RTOD-Energy** N
Residential Time-of-Day Energy Service

DETERMINATION OF PRICING PERIODS
Pricing periods are established in Eastern Standard Time year round by season for weekdays and weekends. The hours of the pricing periods for the price levels are as follows:

Summer Months of May through September

	Off-Peak	On-Peak
Weekdays	5 PM – 1 PM	1 PM - 5 PM
Weekends	All Hours	

All Other Months of October continuously through April

	Off Peak	On-Peak
Weekdays	11 AM - 7 AM	7 AM – 11 AM
Weekends	All Hours	

MINIMUM CHARGE
The Basic Service Charge shall be the minimum charge.

DUE DATE OF BILL
Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE
If full payment is not received by the due date of the bill, a 3% late payment charge will be assessed on the current month's charges.

TERMS AND CONDITIONS
Service will be furnished under Company's Terms and Conditions applicable hereto. Customers served under this optional residential rate will not be eligible for Company's Budget Payment Plan. Company shall install metering equipment capable of accommodating the Time of Use rate described herein.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Standard Rate **RTOD-Demand** N
Residential Time-of-Day Demand Service

APPLICABLE
In the territory served.

AVAILABILITY OF SERVICE
RTOD-Demand shall be available as an option to customers otherwise served under rate schedule RS.

1) Service under this rate schedule is limited to a maximum of five hundred (500) customers taking service on RTOD-Demand and RTOD-Energy combined that are eligible for Rate RS. Company will accept customers on a first-come-first-served basis.
2) This service is also available to customers on rate schedule GS (where the GS service is used in conjunction with an RS service to provide service to a detached garage and energy usage is no more than 300 kWh per month) who demonstrate power delivered to such detached garage is consumed, in part, for the powering of low emission vehicles licensed for operation on public streets or highways. Such vehicles include:
   a) battery electric vehicles or plug-in hybrid electric vehicles recharged through a charging outlet at Customer's premises,
   b) natural gas vehicles refueled through an electric-powered refueling appliance at Customer's premises.
3) A customer electing to take service under this rate schedule who subsequently elects to take service under the standard Rate RS may not be allowed to return to this optional rate for 12 months from the date of exiting this rate schedule.

RATE

Basic Service Charge:	$18.00 per month
Plus an Energy Charge:	$ 0.04008 per kWh
Plus a Demand Charge:	
Off Peak Hours:	$ 3.25 per kW
On Peak Hours:	$11.56 per kW

ADJUSTMENT CLAUSES
The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91
Home Energy Assistance Program	Sheet No. 92

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Standard Rate **RTOD-Demand** N
Residential Time-of-Day Demand Service

DETERMINATION OF PRICING PERIODS

Pricing periods are established in Eastern Standard Time year round by season for weekdays and weekends. The hours of the pricing periods for the price levels are as follows:

Summer Months of May through September

	Off-Peak	On-Peak
Weekdays	5 PM – 1 PM	1 PM - 5 PM
Weekends	All Hours	

All Other Months of October continuously through April

	Off Peak	On-Peak
Weekdays	11 AM - 7 AM	7 AM – 11 AM
Weekends	All Hours	

MINIMUM CHARGE

The Basic Service Charge shall be the minimum charge.

DETERMINATION OF MAXIMUM LOAD

The load will be measured and will be the average kW demand delivered to the customer during the 15-minute period of maximum use during the month.

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

If full payment is not received by the due date of the bill, a 3% late payment charge will be assessed on the current month's charges.

TERMS AND CONDITIONS

Service will be furnished under Company's Terms and Conditions applicable hereto. Customers served under this optional residential rate will not be eligible for Company's Budget Payment Plan. Company shall install metering equipment capable of accommodating the Time of Use rate described herein.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Standard Rate **VFD**

VOLUNTEER FIRE DEPARTMENT SERVICE

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

Available for single-phase delivery, in accordance with the provisions of KRS 278.172, to any volunteer fire department qualifying for aid under KRS 95A.262. Service under this rate schedule is at the option of the customer with the customer determining whether service will be provided under this schedule or any other schedule applicable to this load.

DEFINITION

To be eligible for this rate a volunteer fire department is defined as:

1) having at least 12 members and a chief,
2) having at least one firefighting apparatus, and
3) half the members must be volunteers

RATE

Basic Service Charge:	$18.00 per month	I
Plus an Energy Charge of:	$ 0.08057 per kWh	I

ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with:

Fuel Adjustment Clause	Sheet No. 85
Demand-Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

MINIMUM CHARGE

The Basic Service Charge shall be the minimum charge.

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

If full payment is not received by the due date of the bill, a 3% late payment charge will be assessed on the current month's charges.

TERMS AND CONDITIONS

Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Standard Rate **GS**

GENERAL SERVICE RATE

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

To general lighting and small power loads for secondary service.

Service under this schedule will be limited to customers whose 12-month-average monthly maximum loads do not exceed 50 kW. Existing customers with 12-month-average maximum monthly loads exceeding 50 kW who are receiving service under P.S.C. 13, Fourth Revision of Original Sheet No. 10 as of February 6, 2009, will continue to be served under this rate at their option. If Customer is taking service under this rate schedule and subsequently elects to take service under another rate schedule, Customer may not again take service under this rate schedule unless and until Customer meets the Availability requirements that would apply to a new customer.

RATE

Basic Service Charge:	$25.00 per month for single-phase service	I
	$40.00 per month for three-phase service	I
Plus an Energy Charge of:	$ 0.10055 per kWh	I

ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand-Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

DETERMINATION OF MAXIMUM LOAD

If Company determines based on Customer's usage history that Customer may be exceeding the maximum load permitted under Rate GS, Company may, at its discretion, equip Customer with a meter capable of measuring demand to determine Customer's continuing eligibility for Rate GS. If Customer is equipped with a demand-measuring meter, Customer's load will be measured and will be the average kW demand delivered to the customer during the 15-minute period of maximum use during the month.

MINIMUM CHARGE

The Basic Service Charge shall be the minimum charge.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

If full payment is not received by the due date of the bill, a 3% late payment charge will be assessed on the current month's charges.

TERMS AND CONDITIONS

Service will be furnished under Company's Terms and Conditions applicable hereto.

Standard Rate **AES**
ALL ELECTRIC SCHOOL

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Service under this rate is available for secondary and primary service to:
(1) a complex of school buildings on a central campus,
(2) an individual school building, or
(3) an addition to an existing school building.

School buildings, as referred to herein, shall be defined as buildings used as classrooms, laboratories, gymnasiums, libraries, cafeterias, school related offices or for other bona fide school purposes by duly constituted school authorities of Kentucky. Served electrically by Kentucky Utilities Company, such energy requirements include, but are not limited to, lighting, heating, cooling, and water heating. School buildings not receiving every energy requirement electrically shall be separately metered from the above defined service and served under the applicable rate. Other fuels may be used as incidental to and for instructional laboratory and other miscellaneous purposes without affecting the availability of this rate.

At those locations where the school owns its distribution system and makes the service connections to the various buildings and/or load centers, Company shall be given the option of providing service by use of the existing Customer-owned distribution system, or of constructing its own facilities in accordance with the Company's Overhead Construction Standards. In any event, Company's investment in the facilities it provides may be limited to an amount not exceeding twice the estimated annual revenue from Customer’s service. Should Company’s investment in the facilities required to provide service to Customer exceed twice the revenue anticipated from the service to Customer and at Customer’s option, Customer may make a contribution for the difference in the investment required in facilities necessary to provide service and twice the anticipated revenue, so as to receive service under this schedule.

This Rate Schedule is not available to privately operated kindergartens or daycare centers and is restricted to those customers who were qualified for and being served on Rate AES as of July 1, 2011. Because this rate schedule is closed to new customers, if Customer is taking service under this rate schedule and subsequently elects to take service under another rate schedule, Customer may not again take service under this rate schedule.

RATE

Basic Service Charge:	$25.00 per meter per month for single-phase service	I
	$40.00 per meter per month for three-phase service	I
Plus an Energy Charge of:	$ 0.08231 per kWh	I

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand-Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

MINIMUM CHARGE

The Basic Service Charge shall be the minimum charge.

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

If full payment is not received by the due date of the bill, a 3% late payment charge will be assessed on the current month's charges.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Standard Rate **PS**
POWER SERVICE

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This rate schedule is available for secondary or primary service.

Service under this schedule will be limited to customers whose 12-month-average monthly minimum secondary loads exceed 50 kW and whose 12-month-average monthly maximum loads do not exceed 250 kW. Secondary or primary customers receiving service under PSC 13, Fourth Revision of Original Sheet No. 20, Large Power Service, or Fourth Revision of Original Sheet No. 30, Mine Power Service, as of February 6, 2009, with loads not meeting these criteria will continue to be served under this rate at their option. If Customer is taking service under this rate schedule and subsequently elects to take service under another rate schedule, Customer may not again take service under this rate schedule unless and until Customer meets the Availability requirements that would apply to a new customer.

RATE

	Secondary	Primary	
Basic Service Charge per month:	$90.00	$200.00	I
Plus an Energy Charge per kWh of:	$ 0.03570	$ 0.03445	I
Plus a Demand Charge per kW of:			
Summer Rate:			
(Five Billing Periods of May through September)	$18.01	$ 18.50	I
Winter Rate:			
(All other months)	$15.91	$ 16.40	I

Where the monthly billing demand is the greater of:

a) the maximum measured load in the current billing period but not less than 50 kW for secondary service or 25 kW for primary service, or
b) a minimum of 50% of the highest billing demand in the preceding eleven (11) monthly billing periods, or
c) a minimum of 60% of the contract capacity based on the maximum expected load on the system or on facilities specified by Customer.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand-Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

DETERMINATION OF MAXIMUM LOAD

The load will be measured and will be the average kW demand delivered to the customer during the 15-minute period of maximum use during the month.

Company reserves the right to place a kVA meter and base the billing demand on the measured kVA. The charge will be computed based on the measured kVA times 90 percent of the applicable kW charge.

In lieu of placing a kVA meter, Company may adjust the measured maximum load for billing purposes when the power factor is less than 90 percent in accordance with the following formula: (BASED ON POWER FACTOR MEASURED AT THE TIME OF MAXIMUM LOAD).

$$\text{Adjusted Maximum kW Load for Billing Purposes} = \frac{\text{Maximum kW Load Measured X 90\%}}{\text{Power Factor (in percent)}}$$

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

If full payment is not received by the due date of the bill, a 1% late payment charge will be assessed on the current month’s charges.

TERM OF CONTRACT

Contracts under this rate shall be for an initial term of one (1) year, remaining in effect from month to month thereafter until terminated by notice of either party to the other.

TERMS AND CONDITIONS

Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

Standard Rate **TODS**
TIME-OF-DAY SECONDARY SERVICE

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This schedule is available for secondary service. Service under this schedule will be limited to customers whose 12-month-average monthly minimum loads exceed 250 kW and whose 12-month-average monthly maximum loads do not exceed 5,000 kW.

RATE

Basic Service Charge per month:	$200.00	
Plus an Energy Charge per kWh of:	$ 0.03526	I
Plus a Maximum Load Charge per kW of:		
Peak Demand Period	$ 5.92	I
Intermediate Demand Period	$ 4.32	I
Base Demand Period	$ 4.99	I

Where:
the monthly billing demand for the Peak and Intermediate Demand Periods is the greater of:
a) the maximum measured load in the current billing period, or
b) a minimum of 50% of the highest billing demand in the preceding eleven (11) monthly billing periods, and

the monthly billing demand for the Base Demand Period is the greater of:
a) the maximum measured load in the current billing period but not less than 250 kW, or
b) a minimum of 75% of the highest billing demand in the preceding eleven (11) monthly billing periods, or
c) a minimum of 75% of the contract capacity based on the maximum load expected on the system or on facilities specified by Customer.

ADJUSTMENT CLAUSES
The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand-Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

DETERMINATION OF MAXIMUM LOAD

The load will be measured and will be the average kW demand delivered to the customer during the 15-minute period of maximum use during the appropriate rating period each month. Company reserves the right to place a kVA meter and base the billing demand on the measured kVA. The charge will be computed based on the measured kVA times 90 percent, at the applicable kW charge.

In lieu of placing a kVA meter, Company may adjust the measured maximum load for billing purposes when the power factor is less than 90 percent in accordance with the following formula: (BASED ON POWER FACTOR MEASURED AT THE TIME OF MAXIMUM LOAD)

$$\text{Adjusted Maximum kW Load for Billing Purposes} = \frac{\text{Maximum kW Load Measured x 90\%}}{\text{Power Factor (in percent)}}$$

RATING PERIODS

The rating periods applicable to the Maximum Load charges are established in Eastern Standard Time year round by season for weekdays and weekends, throughout Company's service area, and shall be as follows:

Summer peak months of May through September

	Base	Intermediate	Peak
Weekdays	All Hours	10 A.M. – 10 P.M.	1 P.M. – 7 P.M.
Weekends	All Hours		

All other months of October continuously through April

	Base	Intermediate	Peak
Weekdays	All Hours	6 A.M. – 10 P.M.	6 A.M. – 12 Noon
Weekends	All Hours		

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

If full payment is not received by the due date of the bill, a 1% late payment charge will be assessed on the current month's charges.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

TERM OF CONTRACT

Service will be furnished under this schedule only under contract for a fixed term of not less than one (1) year, and for yearly periods thereafter until terminated by either party giving written notice to the other party 90 days prior to termination. Company, however, may require a longer fixed term of contract and termination notice because of conditions associated with the customer's requirements for service.

TERMS AND CONDITIONS

Service will be furnished under Company's Terms and Conditions applicable hereto.

Standard Rate **TODP**
TIME-OF-DAY PRIMARY SERVICE

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This schedule is available for primary service to any customer: (1) who has a 12-month-average monthly minimum demand exceeding 250 kVA; and (2) whose new or additional load receives any required approval of Company's transmission operator. T T T

RATE

Basic Service Charge per month:	$300.00	
Plus an Energy Charge per kWh of:	$ 0.03427	I
Plus a Maximum Load Charge per kVA of:		
Peak Demand Period	$ 5.76	I
Intermediate Demand Period	$ 4.26	I
Base Demand Period	$ 3.21	I

Where:
the monthly billing demand for the Peak and Intermediate Demand Periods is the greater of:
a) the maximum measured load in the current billing period, or
b) a minimum of 50% of the highest billing demand in the preceding eleven (11) monthly billing periods, and

the monthly billing demand for the Base Demand Period is the greater of:
a) the maximum measured load in the current billing period but not less than 250 kVA, or
b) a minimum of 75% of the highest billing demand in the preceding eleven (11) monthly billing periods, or
c) a minimum of 75% of the contract capacity based on the maximum load expected on the system or on facilities specified by Customer.

ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand-Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

DETERMINATION OF MAXIMUM LOAD

The load will be measured and will be the average kVA demand delivered to the customer during the 15-minute period of maximum use during the appropriate rating period each month.

RATING PERIODS

The rating periods applicable to the Maximum Load charges are established in Eastern Standard Time year round by season for weekdays and weekends, throughout Company's service area, and shall be as follows:

Summer peak months of May through September

	Base	Intermediate	Peak
Weekdays	All Hours	10 A.M. – 10 P.M.	1 P.M. – 7 P.M.
Weekends	All Hours		

All other months of October continuously through April

	Base	Intermediate	Peak
Weekdays	All Hours	6 A.M. – 10 P.M.	6 A.M. – 12 Noon
Weekends	All Hours		

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

DATE OF ISSUE: November 26, 2014

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State Regulation and Rates
Lexington, Kentucky

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LATE PAYMENT CHARGE
If full payment is not received by the due date of the bill, a 1% late payment charge will be assessed on the current month's charges.

TERM OF CONTRACT
Service will be furnished under this schedule only under contract for a fixed term of not less than one (1) year, and for yearly periods thereafter until terminated by either party giving written notice to the other party ninety (90) days prior to termination. Company, however, may require a longer fixed term of contract and termination notice because of conditions associated with the customer's requirements for service.

TERMS AND CONDITIONS
Service will be furnished under Company's Terms and Conditions applicable hereto.

Standard Rate **RTS**

RETAIL TRANSMISSION SERVICE

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

This schedule is available for transmission service to any customer: (1) who has a 12-month-average monthly minimum demand exceeding 250 kVA; and (2) whose new or additional load receives any required approval of Company's transmission operator T T T

RATE

Basic Service Charge per month:	$1,000.00	I
Plus an Energy Charge per kWh of:	$ 0.03352	I
Plus a Maximum Load Charge per kVA of:		
Peak Demand Period	$ 4.63	I
Intermediate Demand Period	$ 4.53	I
Base Demand Period	$ 3.00	I

Where:
the monthly billing demand for the Peak and Intermediate Demand Periods is the greater of:
- a) the maximum measured load in the current billing period, or
- b) a minimum of 50% of the highest billing demand in the preceding eleven (11) monthly billing periods, and

the monthly billing demand for the Base Demand Period is the greater of:
- a) the maximum measured load in the current billing period but not less than 250 kVA, or
- b) a minimum of 75% of the highest billing demand in the preceding eleven (11) monthly billing periods, or
- c) a minimum of 75% of the contract capacity based on the maximum load expected on the system or on facilities specified by Customer.

ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand-Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Standard Rate **RTS**
RETAIL TRANSMISSION SERVICE

DETERMINATION OF MAXIMUM LOAD

The load will be measured and will be the average kVA demand delivered to the customer during the 15-minute period of maximum use during the appropriate rating period each month.

RATING PERIODS

The rating periods applicable to the Maximum Load charges are established in Eastern Standard Time year round by season for weekdays and weekends, throughout Company's service area, and shall be as follows:

Summer peak months of May through September

	Base	Intermediate	Peak
Weekdays	All Hours	10 A.M. – 10 P.M.	1 P.M. – 7 P.M.
Weekends	All Hours		

All other months of October continuously through April

	Base	Intermediate	Peak
Weekdays	All Hours	6 A.M. – 10 P.M.	6 A.M. – 12 Noon
Weekends	All Hours		

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

If full payment is not received by the due date of the bill, a 1% late payment charge will be assessed on the current month's charges.

TERM OF CONTRACT

Service will be furnished under this schedule only under contract for a fixed term of not less than one (1) year and for yearly periods thereafter until terminated by either party giving written notice to the other party ninety (90) days prior to termination. Company, however, may require a longer fixed term of contract and termination notice because of conditions associated with the customer's requirements for service.

TERMS AND CONDITIONS

Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Standard Rate **FLS**
Fluctuating Load Service

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Available for primary or transmission service to customers up to an aggregate of two hundred (200) MVA for all customers taking service under this schedule and under the Fluctuating Load Service Rate FLS schedule of Louisville Gas and Electric Company. This schedule is restricted to individual customers whose monthly demand is twenty (20) MVA or greater. A customer is defined as a fluctuating load if that customer's load either increases or decreases twenty (20) MVA or more per minute or seventy (70) MVA or more in ten (10) minutes when such increases or decreases exceed one (1) occurrence per hour during any hour of the billing month.

Subject to the above aggregate limit of two hundred (200) MVA, this schedule is mandatory for all customers whose load is defined as fluctuating and not served on another standard rate schedule as of July 1, 2004.

BASE RATE

	Primary	Transmission	
Basic Service Charge per month:	$1,000.00	$1,000.00	I
Plus an Energy Charge per kWh of:	$ 0.03643	$ 0.03343	I
Plus a Maximum Load Charge per kVA of:			
Peak Demand Period	$ 2.86	$ 2.86	I
Intermediate Demand Period	$ 1.97	$ 1.97	I
Base Demand Period	$ 2.25	$ 1.50	I

Where:
the monthly billing demand for the Peak and Intermediate Demand Periods is the greater of:
a) the maximum measured load in the current billing period, or
b) a minimum of 50% of the highest billing demand in the preceding eleven (11) monthly billing periods, and

the monthly billing demand for the Base Demand Period is the greater of:
a) the maximum measured load in the current billing period but not less than 20,000 kVA, or
b) a minimum of 75% of the highest billing demand in the preceding eleven (11) monthly billing periods, or
c) a minimum of 75% of the contract capacity based on the maximum load expected on the system or on facilities specified by Customer.

Standard Rate **FLS**

Fluctuating Load Service

ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

DETERMINATION OF MAXIMUM LOAD

The load will be measured and will be the average kVA demand delivered to the customer during the 5-minute period of maximum use during the appropriate rating period each month.

RATING PERIODS

The rating periods applicable to the Maximum Load charges are established in Eastern Standard Time year round by season for weekdays and weekends, throughout Company's service area, and shall be as follows:

Summer peak months of May through September

	Base	Intermediate	Peak
Weekdays	All Hours	10 A.M. – 10 P.M.	1 P.M. – 7 P.M.
Weekends	All Hours		

All other months of October continuously through April

	Base	Intermediate	Peak
Weekdays	All Hours	6 A.M. – 10 P.M.	6 A.M. – 12 Noon
Weekends	All Hours		

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

If full payment is not received by the due date of the bill, a 1% late payment charge will be assessed on the current month's charges.

DATE OF ISSUE: November 26, 2014

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

TERM OF CONTRACT

Unless terminated by mutual agreement, the initial term of contract for service shall be for a fixed term of five years with successive one year term renewal until canceled by either party giving at least one (1) year written notice to the other prior to the end of the initial term or the then current annual renewal period, as applicable.

PROTECTION OF SERVICE

Where Customer's use of service is intermittent, subject to violent or extraordinary fluctuations, or produces unacceptable levels of harmonic current, in each case as determined by Company in its reasonable discretion, Company reserves the right to require Customer to furnish, at Customer's own expense, suitable equipment (as approved by Company in its reasonable discretion) to meter and limit such intermittence, fluctuation, or harmonics to the extent reasonably requested by Company. Without limiting the foregoing, Company may require such equipment if, at any time, the megavars, harmonics, and other undesirable electrical characteristics produced by the Customer exceed the limits set forth in the IEEE standards for such characteristics. In addition, if the Customer's use of Company's service under this schedule causes such undesirable electrical characteristics in an amount exceeding those IEEE standards, such use shall be deemed to cause a dangerous condition which could subject any person to imminent harm or result in substantial damage to the property of Company or others, and Company shall therefore terminate service to the Customer in accordance with 807 KAR 5:006, Section 15(1)(b). Such a termination of service shall not be considered a cancellation of the service agreement or relieve Customer of any minimum billing or other guarantees. Company shall be held harmless for any damages or economic loss resulting from such termination of service. If requested by Company, Customer shall provide all available information to Company that aids Company in enforcing its service standards. If Company at any time has a reasonable basis for believing that Customer's proposed or existing use of the service provided will not comply with the service standards for interference, fluctuations, or harmonics, Company may engage such experts and/or consultants as Company shall determine are appropriate to advise Company in ensuring that such interference, fluctuations, or harmonics are within acceptable standards. Should such experts and/or consultants determine Customer's use of service is unacceptable, Company's use of such experts and/or consultants will be at the Customer's expense.

SYSTEM CONTINGENCIES AND INDUSTRY SYSTEM PERFORMANCE CRITERIA

Company reserves the right to interrupt up to 95% of Customer's load to facilitate Company compliance with system contingencies and with industry performance criteria. Customer will permit Company to install electronic equipment and associated real-time metering to permit Company interruption of Customer's load. Such equipment will immediately notify Customer five (5) minutes before an electronically initiated interruption that will begin immediately thereafter and last no longer than ten (10) minutes nor shall the interruptions exceed twenty (20) per month. Such interruptions will not be accumulated nor credited against annual hours, if any, under the CURTAILABLE SERVICE RIDERS CSR10 AND CSR 30. Company's right to

Interrupt under this provision is restricted to responses to unplanned outage or de-rates of LG&E and KU Energy LLC System (LKE System) owned or purchased generation or when Automatic Reserve Sharing is invoked. LKE System, as used herein, shall consist of KU and LG&E. At customer's request, Company shall provide documentation of the need for interruption under this provision within sixty (60) days of the end of the applicable billing period.

LIABILITY

In no event shall Company have any liability to the Customer or any other party affected by the electrical service to the Customer for any consequential, indirect, incidental, special, or punitive damages, and such limitation of liability shall apply regardless of claim or theory. In addition, to the extent that Company acts within its rights as set forth herein and/or any applicable law or regulation, Company shall have no liability of any kind to the Customer or any other party. In the event that the Customer's use of Company's service causes damage to Company's property or injuries to persons, the Customer shall be responsible for such damage or injury and shall indemnify, defend, and hold Company harmless from any and all suits, claims, losses, and expenses associated therewith.

TERMS AND CONDITIONS

Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Standard Rate **LS**
Lighting Service

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

Service under this rate schedule is offered, under the conditions set out hereinafter, for lighting applications such as, but not limited to, the illumination of street, driveways, yards, lots, and other outdoor areas where secondary voltage of 120/240 is available.

Service will be provided under written contract, signed by customer prior to service commencing, when additional facilities are required.

Units marked with an asterisk (*) are not available for use in residential neighborhoods except by municipal authorities.

OVERHEAD SERVICE

Based on Customer's lighting choice, Company will furnish, own, install, and maintain the lighting unit. A basic overhead service includes lamp, fixture, photoelectric control, mast arm, and, if needed, up to 150 feet of conductor per fixture on existing wood poles (fixture only). Company will, upon request, furnish ornamental poles of Company's choosing, together with overhead wiring and all other equipment mentioned for basic overhead service.

RATE

Rate Code	Type of Fixture	Approximate Lumens	kW Per Light	Monthly Charge Fixture Only	Monthly Charge Ornamental	
High Pressure Sodium						
462/472	Cobra Head	5,800	0.083	$ 9.52	$12.75	I
463/473	Cobra Head	9,500	0.117	10.05	13.52	
464/474	Cobra Head	22,000*	0.242	15.67	19.14	
465/475	Cobra Head	50,000*	0.471	25.11	26.89	
487	Directional	9,500	0.117	$ 9.90		
488	Directional	22,000*	0.242	15.00		
489	Directional	50,000*	0.471	21.40		
428	Open Bottom	9,500	0.117	$ 8.62		
Metal Halide						
450	Directional	12,000*	0.150	$15.67		I
451	Directional	32,000*	0.350	22.21		I
452	Directional	107,800*	1.080	46.56		I

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DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

OVERHEAD SERVICE (continued)

Should Customer request underground service, Customer shall make a non-refundable cash contribution prior to the time of installation, or, at the option of company, make a work contribution to Company for the difference in the installed cost of the system requested and the cost of the overhead lighting system.

Where the location of existing poles is not suitable or where there are no existing poles for mounting of lights, and Customer requests service under these conditions, Company may furnish the requested facilities at an additional charge to be determined under the Excess Facilities Rider.

UNDERGROUND SERVICE

Based on Customer's lighting choice, Company will furnish, own, install, and maintain poles, fixtures, and any necessary circuitry up to 200 feet. All poles and fixtures furnished by Company will be standard stocked materials. Company may decline to install equipment and provide service thereto in locations deemed by Company as unsuitable for underground installation.

RATE

				Monthly Charge			
Rate Code	**Type of Fixture**	**Approximate Lumens**	**kW Per Light**	**Fixture Only**	**Decorative Smooth**	**Historic Fluted**	
High Pressure Sodium							
467	Colonial	5,800	0.083		$11.84		I
468	Colonial	9,500	0.117		12.27		
401/411	Acorn	5,800	0.083		$16.34	$23.51	
420/430	Acorn	9,500	0.117		16.89	24.19	
414	Victorian	5,800	0.083			$33.91	
415	Victorian	9,500	0.117			34.33	
492/476	Contemporary	5,800	0.083	$16.90	$18.46		
497/477	Contemporary	9,500	0.117	16.88	23.06		
498/478	Contemporary	22,000*	0.242	19.48	29.53		
499/479	Contemporary	50,000*	0.471	23.63	36.42		
300	Dark Sky	4,000	0.060		$24.73		T/I
301	Dark Sky	9,500	0.117		25.84		T/I

Standard Rate **LS**
Lighting Service

Rate Code	Type of Fixture	Approximate Lumens	kW Per Light	Monthly Charge Fixture Only	Decorative Smooth	Historic Fluted	
Metal Halide							T
490/494	Contemporary	12,000*	0.150	$17.01	$31.19		I
491/495	Contemporary	32,000*	0.350	24.11	38.30		I
493/496	Contemporary	107,800*	1.080	50.25	64.42		I

Customer shall make a non-refundable cash contribution prior to the time of installation, or, at the option of Company, make a work contribution to Company for the difference in the installed cost of the system requested and the cost of the conventional overhead lighting system.

Where Customer's location would require the installation of additional facilities, Company may furnish, own, and maintain the requested facilities at an additional charge per month to be determined under the Excess Facilities Rider.

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill. Billing for this service to be made a part of bill rendered for other electric service.

DETERMINATION OF ENERGY CONSUMPTION

The kilowatt-hours will be determined as set forth on Sheet No. 67 of this Tariff.

ADJUSTMENT CLAUSES T

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

TERM OF CONTRACT

For a fixed term of not less than five (5) years and for such time thereafter until terminated by either party giving thirty (30) days prior written notice to the other when additional facilities are required. Cancellation by Customer prior to the initial five-year term will require Customer to pay to Company a lump sum equal to the monthly charge times the number of months remaining on the original five (5) year term.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

T

TERMS AND CONDITIONS

1. Service shall be furnished under Company's Terms and Conditions, except as set out herein.

2. All service and maintenance will be performed only during regular scheduled working hours of Company. Customer will be responsible for reporting outages and other operating faults. Company shall initiate service corrections within two (2) business days after such notification by Customer.

3. Customer shall be responsible for the cost of fixture replacement or repairs where such replacement or repairs are caused from willful damage, vandalism, or causes other than normal burnouts. Company may decline to provide or continue service in locations where, in Company's judgment, such facilities will be subject to unusual hazards or risk of damage.

4. Company shall have the right to make other attachments and to further extend the conductors, when necessary, for the further extension of its electric service.

5. If any permit is required from any municipal or other governmental authority with respect to installation and use of any of the lighting units provided hereunder, Company will seek such permits, but the ultimate responsibility belongs with Customer

6. If Customer requests the removal of an existing lighting system, including, but not limited to, fixtures, poles, or other supporting facilities that were in service less than twenty years, and requests installation of replacement lighting within 5 years of removal, Customer agrees to pay to Company its cost of labor to install the replacement facilities.

7. Temporary suspension of lighting service is not permitted. Upon permanent discontinuance of service, lighting units and other supporting facilities solely associated with providing service under this tariff, except underground facilities and pedestals, will be removed.

Standard Rate **RLS**

Restricted Lighting Service

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

Service under this rate schedule is restricted to those lighting fixtures/poles in service as of January 1, 2013, except where a spot replacement maintains the continuity of multiple T fixtures/poles comprising a neighborhood lighting system or continuity is desired for a T subdivision being developed in phases. Spot placement of restricted fixtures/poles is contingent T on the restricted fixtures/poles being available from manufacturers. Spot replacement of restricted units will be made under the terms and conditions provided for under non-restricted Lighting Service Rate LS.

In the event restricted fixtures/poles fail and replacements are unavailable, Customer will be given the choice of having Company remove the failed fixture/pole or replacing the failed fixture/pole with other available fixture/pole.

OVERHEAD SERVICE

Based on Customer's lighting choice, Company has furnished, installed, and maintained the lighting unit complete with lamp, fixture, photoelectric control, mast arm, and, if needed, up to 150 feet of conductor per fixture on existing wood poles (fixture only). Company has, upon request, furnished poles, of Company's choosing, together with overhead wiring and all other equipment mentioned for overhead service.

RATE

Rate Code	Type of Fixture	Approximate Lumens	kW Per Light	Monthly Charge Fixture Only	Monthly Charge Fixture and Pole	
High Pressure Sodium						
461/471	Cobra Head	4,000	0.060	$ 8.29	$11.53	I
409	Cobra Head	50,000	0.471	12.88		
426	Open Bottom	5,800	0.083	8.18		
Metal Halide						
454	Directional	12,000	0.150		$20.51	
455	Directional	32,000	0.350		27.04	
459	Directional	107,800	1.080		51.39	
Mercury Vapor						
446/456	Cobra Head	7,000	0.207	$10.51	$13.05	
447/457	Cobra Head	10,000	0.294	12.45	14.69	
448/458	Cobra Head	20,000	0.453	14.08	16.58	
404	Open Bottom	7,000	0.207	11.62		

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

OVERHEAD SERVICE (continued)

Incandescent						
421	Tear Drop	1,000	0.102	$ 3.73		I
422	Tear Drop	2,500	0.201	4.99		I
424/434	Tear Drop	4,000	0.327	7.45	$ 8.51	I
425	Tear Drop	6,000	0.447	9.96		I

Where the location of existing poles was not suitable, or where there were no existing poles for mounting of lights, and Customer requested service under these conditions, Company may have furnished the requested facilities at an additional charge determined under the Excess Facilities Rider.

UNDERGROUND SERVICE

Based on Customer’s lighting choice, Company has furnished, installed, and maintained the lighting unit complete with lamp, fixture, photoelectric control, mast arm, and, if needed, up to 200 feet of conductor per fixture on appropriate poles.

RATE

				Monthly Charge			
Rate Code	**Type of Fixture**	**Approximate Lumens**	**kW Per Light**	**Wood Pole**	**Decorative Smooth**	**Historic Fluted**	
Metal Halide							
460	Directional	12,000	0.150		$29.85		I
469	Directional	32,000	0.350		36.39		
470	Directional	107,800	1.080		60.75		
High Pressure Sodium							
440/410	Acorn	4,000	0.060		$14.96	$22.28	
466	Colonial	4,000	0.060		$10.58		
412	Coach	5,800	0.083		$33.91		
413	Coach	9,500	0.117		34.33		

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

UNDERGROUND SERVICE (continued) T

RATE

Rate Code	Type of Fixture	Approximate Lumens	kW Per Light	Monthly Charge Decorative Smooth	Monthly Charge Historic Fluted	
						T T T
360	Granville	16,000	0.181	$60.84		T/I

Granville units are restricted to installations for the City of London. T

DUE DATE OF BILL

Payment is due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill. Billing for this service to be made a part of the bill rendered for other electric service.

DETERMINATION OF ENERGY CONSUMPTION

The kilowatt-hours will be determined as set forth on Sheet No. 67 of this Tariff.

ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

TERM OF CONTRACT

For a fixed term of not less than five (5) years and for such time thereafter until terminated by either party giving thirty (30) days prior written notice to the other when additional facilities are required. Cancellation by Customer prior to the initial five-year term will require Customer to pay to Company a lump sum equal to the monthly charge times the number of months remaining on the original five (5) year term.

TERMS AND CONDITIONS

1. Service shall be furnished under Company's Terms and Conditions, except as set out herein.

2. All service and maintenance will be performed only during regular scheduled working hours of Company. Customer will be responsible for reporting outages and other operating faults, and the Company shall initiate service corrections within two (2) business days after such notification by Customer.

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DATE OF ISSUE: November 26, 2014

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Standard Rate **RLS**
Restricted Lighting Service

TERMS AND CONDITIONS (Continued) T

3. Customer shall be responsible for the cost of fixture replacement or repairs where such replacement or repairs are caused from willful damage, vandalism, or causes other than normal burnouts. Company may decline to provide or continue service in locations where, in Company's judgment, such facilities will be subject to unusual hazards or risk of damage.

4. Company shall have the right to make other attachments and to further extend the conductors, when necessary, for the further extension of its electric service.

5. Temporary suspension of lighting service is not permitted. Upon permanent discontinuance of service, lighting units and other supporting facilities solely associated with providing service under this tariff, except underground facilities and pedestals, will be removed.

DATE OF ISSUE: November 26, 2014

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Standard Rate **LE**
Lighting Energy Service

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Available to municipalities, county governments, divisions or agencies of the state or Federal governments, civic associations, and other public or quasi-public agencies for service to public street and highway lighting systems, where the municipality or other agency owns and maintains all street lighting equipment and other facilities on its side of the point of delivery of the energy supplied hereunder.

RATE

$0.07020 per kWh I

ADJUSTMENT CLAUSES
The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

DUE DATE OF BILL
Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

CONDITIONS OF DELIVERY
a) Service hereunder will be metered except when, by mutual agreement of Company and customer, an unmetered installation will be more satisfactory from the standpoint of both parties. In the case of unmetered service, billing will be based on a calculated consumption taking into account the types of equipment served.

b) The location of the point of delivery of the energy supplied hereunder and the voltage at which such delivery is effected shall be mutually agreed upon by Company and the customer in consideration of the type and size of customer's street lighting system and the voltage which Company has available for delivery.

TERMS AND CONDITIONS
Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Standard Rate **TE**

Traffic Energy Service

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

Available to municipalities, county governments, divisions of the state or Federal governments or any other governmental agency for service on a 24-hour all-day every-day basis, where the governmental agency owns and maintains all equipment on its side of the point of delivery of the energy supplied hereunder. In the application of this rate each point of delivery will be considered as a separate customer.

This service is limited to traffic control devices including, signals, cameras, or other traffic lights and electronic communication devices.

RATE

Basic Service Charge:	$4.00 per delivery per month	I
Plus an Energy Charge of:	$0.08501 per kWh	I

ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

MINIMUM CHARGE

The Basic Service Charge shall be the minimum charge.

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

CONDITIONS OF SERVICE

1. Service hereunder will be metered except when, by mutual agreement of Company and customer, an unmetered installation will be more satisfactory from the standpoint of both parties. In the case of unmetered service, billing will be based on a calculated consumption, taking into account the size and characteristics of the load, or on meter readings obtained from a similar installation.

Standard Rate **TE**
Traffic Energy Service

CONDITIONS OF SERVICE (continued)

2. The location of each point of delivery of energy supplied hereunder shall be mutually agreed upon by Company and the customer. Where attachment of Customer's devices is made to Company facilities, Customer must have an attachment agreement with Company.

3. Loads not operated on an all-day every-day basis will be served under the appropriate rate.

TERMS AND CONDITIONS
Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Standard Rate **CTAC**
Cable Television Attachment Charges

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Where Company is willing to permit the attachments of cables, wires and appliances to its poles where, in Company's judgment, such attachments will not interfere with its electric service requirements and other prior licensees using Company's poles. Attachments will be permitted upon execution by both parties of a Cable Television Attachment Agreement supplied by Company.

ATTACHMENT CHARGE
$9.69 per year for each attachment to pole.

BILLING
Attachment Charges to be billed semi-annually based on the number of pole attachments being maintained on December 1 and June 1. Provided, however, that should the Agreement be terminated in accordance with the terms of the said Agreement, the Attachment Charges will be prorated to the date of such termination. Payment will be due within thirty (30) days from date of bill. Non-payment of bills shall constitute a default of the Agreement.

TERM OF AGREEMENT
The Cable Television Attachment Agreement shall become effective upon execution by both parties and shall continue in effect for not less than one (1) year, subject to provisions contained in the agreement. At any time thereafter, the Customer may terminate the agreement by giving not less than six (6) months' prior written notice. Upon termination of the agreement, Customer shall immediately remove its cables, wire, appliances and all other attachments from all poles of Company.

TERMS AND CONDITIONS OF POLE ATTACHMENTS
Pole attachments shall be permitted in accordance with this Schedule. Company's Terms and Conditions shall be applicable, to the extent they are not in conflict with or inconsistent with, the special provisions of this Schedule.

Upon written Agreement, Company is willing to permit, to the extent it may lawfully do so, the attachment of cables, wires and appliances to its poles by a cable television system operator, hereinafter "Customer," where, in its judgment, such use will not interfere with its electric service requirements and other prior licensees using Company's poles, including consideration of economy and safety, in accordance with this schedule approved by the Public Service Commission. The Terms and Conditions applicable to such service are as follows:

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated June 14, 2013

Standard Rate **CTAC**
Cable Television Attachment Charges

1. **ATTACHMENT APPLICATIONS AND PERMITS**
   Before making attachment to any pole or poles of Company, Customer shall make application and receive a permit therefore on a form to be supplied by Company. The information submitted by Customer with the application for a permit shall consist of drawings and associated descriptive matter which shall be adequate in all detail to enable Company to thoroughly check the proposed installation of Customer. Before the attachments are made, the permit must be approved by Company. Customer shall not build separate pole lines along existing facilities of Company and shall not place intermediate poles in spans of Company, unless authorized by Company in writing. Company shall have the right to remove unauthorized Customer attachments at Customer's expense after notice to Customer. In the event a pole attachment count does not correspond to the recorded attachment count, Customer will pay a back attachment fee for any excess attachments. The back attachment fee will be double the rate otherwise in effect over the time since last pole attachment count and shall be payable on demand.

2. **PERMITTED ATTACHMENTS**
   Customer shall be permitted to make only one bolt attachment for one messenger on tangent poles and two bolt attachments for two messengers on corner poles. A maximum of five individual coaxial cables may be supported by any single messenger if these cables are all attached to the messenger by suitable lashings or bindings, and so that the maximum overall dimension of the resulting cable bundle does not exceed two (2) inches. Any messenger attachment other than to tangent poles must be properly braced with guys and anchors provided by Customer to the satisfaction of Company. The use of existing Company anchors for this purpose must be specifically authorized in writing, subject to additional charge, and will not ordinarily be permitted. The use of crossarms or brackets shall not be permitted. In addition to messenger attachments, Customer will be permitted one Customer amplifier installation per pole and four service drops to be tapped on cable messenger strand and not on pole. Customer power supply installations shall be permitted, but only at pole locations specifically approved by Company. Any or all of the above are considered one attachment for billing purposes. Any additional attachments desired by Customer will be considered on an individual basis by Company, and as a separate attachment application.

3. **CONSTRUCTION AND MAINTENANCE REQUIREMENTS AND SPECIFICATIONS**
   Customer's cables, wires and appliances, in each and every location, shall be erected and maintained in accordance with the requirements and specifications of the National Electrical Safety Code, current edition, and Company's construction practices, or any amendments or revisions of said Code and in compliance with any rules or orders now in effect or that hereinafter may be issued by the Public Service Commission of Kentucky, or other authority having jurisdiction. In the event any of Customer's construction does not meet any of the foregoing requirements, Customer will correct same in fifteen work days after written notification. Company may make corrections and bill Customer for total costs incurred, if not corrected by Customer.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: August 1, 2010

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the
Public Service Commission in Case No.
2009-00548 dated July 30, 2010

4. MAINTENANCE OF ATTACHMENTS
Customer shall, at its own expense, make and maintain said attachments in safe condition and in thorough repair, and in a manner suitable to Company and so as not to conflict with the use of said poles by Company, or by other parties, firms, corporations, governmental units, etc., using said poles, pursuant to any license or permit by Company, or interfere with the working use of facilities thereon or which may, from time to time, be placed thereon. Customer shall promptly at any time, at its own expense, upon written notice from Company, relocate, replace or renew its facilities placed on said poles, and transfer them to substituted poles, or perform any other work in connection with said facilities that may be required by Company but in no case longer than 30 day after date of written request. In cases of emergency, however, Company may arrange to relocate, replace or renew the facilities placed on said poles by Customer, transfer them to substituted poles or perform any other work in connection with said facilities that may be required in the maintenance, replacement, removal or relocation of said poles, the facilities thereon or which may be placed thereon, or for the service needs of Company, or its other licensees, and Customer shall, on demand, reimburse Company for the expense thereby incurred.

5. COSTS ASSOCIATED WITH ATTACHMENTS
In the event that any pole or poles of Company to which Customer desires to make attachments are inadequate to support the additional facilities in accordance with the aforesaid specifications, Company will indicate on the application and permit form the changes necessary to provide adequate poles and the estimated cost thereof to Customer. If Customer still desires to make the attachments, Company will replace such inadequate poles with suitable poles and Customer will, on demand, reimburse Company for the total cost of pole replacement necessary to accommodate Customer attachments, less the salvage value of any pole that is removed, and the expense of transferring Company's facilities from the old to the new poles. Where Customer desired attachments can be accommodated on present poles of Company by rearranging Company's facilities thereon, Customer will compensate Company for the full expense incurred in completing such rearrangements, within ten days after receipt of Company's invoice for such expense. Customer will also, on demand, reimburse the owner or owners of other facilities attached to said poles for any expense incurred by it or them in transferring or rearranging said facilities. In the event Customer makes an unauthorized attachment which necessitates rearrangements when discovered, then Customer shall pay on demand twice the expense incurred in completing such rearrangements.

6. MAINTENANCE AND OPERATION OF COMPANY'S FACILITIES
Company reserves to itself, its successors and assigns, the right to maintain its poles and to operate its facilities thereon in such manner as will, in its own judgment, best enable it to fulfill its electric service requirements, but in accordance with the specifications herein before referred to. Company shall not be liable to Customer for any interruption to service to

Customer's subscribers or for interference with the operation of the cables, wires and appliances of Customer arising in any manner out of the use of Company's poles hereunder.

7. **FRANCHISES AND EASEMENTS**
Customer shall submit to Company evidence, satisfactory to Company, of Customer's authority to erect and maintain Customer's facilities within public streets, highways and other thoroughfares within the above described territory which is to be served and shall secure any necessary consent by way of franchise or other satisfactory license, permit or authority, acceptable to Company from State, County or municipal authorities or from the owners of property where necessary to construct and maintain facilities at the locations of poles of Company which it desires to use. Customer must secure its own easement rights on private property. Customer must, regardless of authority received or franchises given by governmental agencies, conform to all requirements of Terms and Conditions with regard to Company's property. Company's approval of attachments shall not constitute any representation or warranty by Company to Customer regarding Customer's right to occupy or use any public or private right-of-way.

8. **INSPECTION OF FACILITIES**
Company reserves the right to inspect each new installation of Customer on its poles and in the vicinity of its lines or appliances and to make periodic inspections, every two (2) years or more often as plant conditions warrant of the entire plant of Customer. Such inspections, made or not, shall not operate to relieve Customer of any responsibility, obligation or liability.

9. **PRECAUTIONS TO AVOID FACILITY DAMAGE**
Customer shall exercise precautions to avoid damage to facilities of Company and of others supported on said poles; and shall assume all responsibility of any and all loss for such damage caused by it. Customer shall make an immediate report to Company of the occurrence of any damage and shall reimburse Company for the expense incurred in making repairs.

10. **INDEMNITIES AND INSURANCE**
Customer shall defend, indemnify and save harmless Company from any and all damage, loss, claim, demand, suit, liability, penalty or forfeiture of every kind and nature-including but not limited to costs and expenses of defending against the same and payment of any settlement or judgment therefore, by reason of (a) injuries or deaths to persons, (b) damages to or destructions of properties, (c) pollutions, contaminations of or other adverse effects on the environment or (d) violations of governmental laws, regulations or orders whether suffered directly by Company it-self or indirectly by reason of claims, demands or suits against it by third parties, resulting or alleged to have resulted from acts or omissions of Customer, its employees, agents, or other representatives or from their presence on the premises of Company, either solely or in concurrence with any alleged joint negligence of Company.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: August 1, 2010

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Customer shall provide and maintain in an Insurance Company(s) authorized to do business in the Commonwealth of Kentucky, the following:

(a) Insurance protection for Customer employees to the extent required by the Workmen's Compensation Law of Kentucky and, where same is not applicable or if necessary to provide a defense for Company, Employer's Liability Protection (covering both Company and Customer) for Customer employees for no less than $100,000.00 per employee.

(b) Public Liability and Business Liability insurance with a minimum limit of $500,000.00 for each person injured and with a minimum total limit of $1,000,000.00 for each accident and a minimum limit of $100,000.00 for property damage for each accident.

(c) Public Liability and Property Damage insurance on all automotive equipment used by Customer on job to the extent of the amounts for Public Liability and Property Damage insurance set out in the preceding Paragraph (b).

(d) In the event that work covered by the Agreement includes work to be done in places or areas where the Maritime Laws are in effect, then and in that event additional insurance protection to the limits in Paragraph (b) above for liability arising out of said Maritime Laws.

(e) In the event the work covers fixed wing aircraft, rotor lift, lighter than air aircraft or any other form of aircraft, appropriate insurance will be carried affording protection to the limits prescribed in the preceding Paragraph (b).

(f) In the event the work covers blasting, explosives or operations underground, in trenches or other excavations, appropriate insurance will be carried affording protection to the limits prescribed in the preceding Paragraph (b), together with products hazard and completed operations insurance where applicable, affording protection to the limits above prescribed. Customer's liability insurance shall be written to eliminate XCU exclusions. Said insurance is to be kept in force for not less than one year after cancellation of the Agreement.

Before starting work, Customer shall furnish to Company a certificate(s) of insurance satisfactory to Company, evidencing the existence of the insurance required by the above provisions, and this insurance may not be canceled for any cause without sixty (60) days advance written notice being first given Company; provided, that failure of Company to require Customer to furnish any such certificate(s) shall not constitute a waiver by Company of Customer's obligation to maintain insurance as provided herein.

Each policy required hereunder shall contain a contractual endorsement written as follows: "The insurance provided herein shall also be for the benefit of Kentucky Utilities Company so to guarantee, within the policy limits, the performance by the named insured of the indemnity provisions of the Cable Television Attachment Agreement between the named insured and Kentucky Utilities Company. This insurance may not be canceled for any cause without sixty (60) days advance written notice being first given to Kentucky Utilities Company."

11. ATTACHMENT REMOVAL AND NOTICES

Customer may at any time voluntarily remove its attachments from any pole or poles of Company, but shall immediately give Company written notice of such removal on a form to be supplied by Company. No refund of any attachment charge will be due on account of such voluntary removal.

12. FORBIDDEN USE OF POLES

Prior to Customer's initial attachment, Company reserves the right due to engineering design requirements to refuse use by Customer of certain or specific poles or structures (such as normal transmission routes). Upon notice from Company to Customer that the use of any pole or poles is forbidden by municipal or other public authorities or by property owners, the permit covering the use of such pole or poles shall immediately terminate and Customer shall remove its facilities from the affected pole or poles at once. No refund of any attachment charge will be due on account of any removal resulting from such forbidden use.

13. NON-COMPLIANCE

If Customer shall fail to comply with any of the provisions of these Rules and Regulations or Terms and Conditions or default in any of its obligations under these Rules and Regulations or Terms and Conditions and shall fail within thirty (30) days after written notice from Company to correct such default or non-compliance, Company may, at its option, forthwith terminate the Agreement or the permit covering the poles as to which such default or non-compliance shall have occurred, by giving written notice to Customer of said termination. No refund of any rental will be due on account of such termination.

14. WAIVERS

Failure to enforce or insist upon compliance with any of these Rules and Regulations or Terms and Conditions or the Agreement shall not constitute a general waiver or relinquishment thereof, but the same shall be and remain at all times in full force and effect.

15. USE OF COMPANY'S FACILITIES BY OTHERS

Nothing herein contained shall be construed as affecting the rights or privileges previously conferred by Company, by contract or otherwise, to others, not parties to the Agreement, to use any poles covered by the Agreement; and Company shall have the right to continue and to extend such rights or privileges. The attachment privileges herein granted shall at all times be subject to such existing contracts and arrangements.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: August 1, 2010

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

**Issued by Authority of an Order of the
Public Service Commission in Case No.
2009-00548 dated July 30, 2010**

16. ASSIGNMENT

Customer shall not assign, transfer or sublet the privileges hereby granted and/or provided in the Agreement without the prior consent in writing of Company.

17. PROPERTY RIGHTS

No use, however extended, of Company poles under the Agreement shall create or vest in Customer any ownership or property rights in said poles, but Customer shall be and remain a customer only. Nothing herein contained shall be construed to compel Company to maintain any of said poles for a period longer than demanded by its electric service requirements.

18. FAILURE TO PROCEED

Customer agrees to proceed as expeditiously as practical with the work of providing the television cable service to the area described in the Agreement. Within ninety (90) days from the date of the Agreement, Customer shall make progress reasonably satisfactory to Company in the installation of its facilities or shall demonstrate, to the reasonable satisfaction of Company, its ability to proceed expeditiously.

19. TERMINATION

Upon termination of the Agreement in accordance with any of its terms, Customer shall immediately remove its cables, wires and appliances from all poles of Company. If not removed, Company shall have the right to remove them at the cost and expense of Customer.

20. SECURITY

Customer shall furnish bond for the purposes hereinafter specified as follows:

(a) during the period of Customer's initial installation of its facilities and at the time of any expansion involving more than seventy-five (75) poles, a bond in the amount of $2,000 for each 100 poles (or fraction thereof) to which Customer intends to attach its facilities;
(b) following the satisfactory completion of Customer's initial installation, the amount of bond shall be reduced to $1,000 for each 100 poles (or fraction thereof);
(c) after Customer has been a customer of Company pursuant to the Agreement and is not in default thereunder for a period of three years, the bond shall be reduced to $500 for each 100 poles (or fraction thereof).
(d) such bond shall contain the provision that it shall not be terminated prior to six (6) months' after receipt by Company of written notice of the desire of the bonding or insurance company to terminate such bond. This six (6) months' termination clause may be waived by Company if an acceptable replacement bond is received before the six (6) months has ended. Upon receipt of such termination notice, Company shall request Customer to immediately remove its cables, wires and all other facilities from all poles of Company. If

Customer should fail to complete the removal of all of its facilities from the poles of Company within thirty (30) days after receipt of such request from Company, then Company shall have the right to remove them at the cost and expense of Customer and without being liable for any damage to Customer's wires, cables, fixtures or appurtenances. Such bond shall guarantee the payment of any sums which may become due to Company for rentals, inspections or work performed for the benefit of Customer under the Agreement, including the removal of attachments upon termination of the Agreement by any of its provisions.

(e) Company in its sole discretion may agree in writing to accept other collateral (such as a cash deposit or an irrevocable bank letter of credit) in substitution for the bond required by, and subject to the other requirements of, this Section 20.

21. NOTICES

Any notice, or request, required by these Rules and Regulations or Terms and Conditions or the Agreement shall be deemed properly given if mailed, postage pre-paid, to Company, in the case of Company; or in the case of the Customer, to its representative designated in the Agreement. The designation of the person to be notified, and/or his address may be changed by Company or Customer at any time, or from time to time, by similar notice.

22. ADJUSTMENTS

Nothing contained herein or in any Agreement shall be construed as affecting in any way the right of Company, and Company shall at all times have the right, to unilaterally file with the Public Service Commission a change in rental charges for attachments to poles, other charges as provided for, any rule, regulation, condition or any other change required. Such change or changes to become effective upon approval of the Commission or applicable regulations or statutes, and shall constitute an amendment to the Agreement.

23. BINDING EFFECT

Subject to the provisions of Section 16 hereof, the Agreement and these Rules and Regulations or Terms and Conditions shall extend to and bind the successors and assigns of the parties hereto.

Special Charges

The following charges will be applied uniformly throughout Company's service territory. Each charge, as approved by the Public Service Commission, reflects only that revenue required to cover associated expenses.

RETURNED PAYMENT CHARGE

In those instances where a customer renders payment to Company which is not honored upon deposit by Company, the customer will be charged $10.00 to cover the additional processing costs.

METER TEST CHARGE

Where the test of a meter is performed during normal working hours upon the written request of a customer, pursuant to 807 KAR 5:006, Section 19, and the results show the meter is within the limits allowed by 807 KAR 5:041, Section 17(1), the customer will be charged $75.00 to cover the test and transportation costs.

DISCONNECT/RECONNECT SERVICE CHARGE

A charge of $28.00 will be made to cover disconnection and reconnection of electric service when discontinued for non-payment of bills or for violation of Company's Terms and Conditions, such charge to be made before reconnection is effected. No charge will be made for customers qualifying for service reconnection pursuant to 807 KAR 5:006, Section 16, Winter Hardship Reconnection.

Residential and general service customers may request and be granted temporary suspension of electric service. In the event of such temporary suspension, Company will make a charge of $28.00 to cover disconnection and reconnection of electric service, such charge to be made before reconnection is effected.

METER PULSE CHARGE

Where a customer desires and Company is willing to provide data meter pulses, a charge of $15.00 per month per installed set of pulse-generating equipment will be made to those data pulses. Time pulses will not be supplied.

METER DATA PROCESSING CHARGE

A charge of $2.75 per report will be made to cover the cost of processing, generating, and providing recorder metered customer with profile reports. If a customer is not recorder metered and desires to have such metering installed, the customer will pay all costs associated with installing the recorder meter.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 4, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Standard Rate Rider **CSR10**
Curtailable Service Rider 10

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

This rider shall be made available to customers served under applicable power schedules who contract for not less than 1,000 kVA individually. The aggregate service under CSR10 and CSR30 for Kentucky Utilities Company is limited to 100 MVA in addition to the contracted curtailable load under P.S.C. No. 14, CSR1 and CSR3 for Kentucky Utilities Company as of August 1, 2010. T T

CONTRACT OPTION

Customer may, at Customer's option, contract with Company to curtail service upon notification by Company. Requests for curtailment shall not exceed one hundred (100) hours per year nor shall any single request for curtailment be for less than thirty (30) minutes or for more than fourteen (14) hours per calendar day, with no more than two (2) requests for curtailment per calendar day within these parameters. A curtailment is a continuous event with a start and stop time. Company may request or cancel a curtailment at any time during any hour of the year, but shall give no less than ten (10) minutes notice when either requesting or canceling a curtailment. T T

Company may request at its sole discretion up to 100 hours of physical curtailment per year. Curtailable load and compliance with a request for curtailment shall be measured in one of the following ways: T T

Option A -- Customer may contract for a given amount of firm demand in kVA. During a request for physical curtailment, Customer shall reduce its demand to the firm demand designated in the contract. The measured kVA demand in excess of the firm load during each requested physical curtailment in the billing period shall be the measure of non-compliance. T

Option B -- Customer may contract for a given amount of curtailable load in kVA by which Customer shall agree to reduce its demand at any time by such Designated Curtailable Load. During a request for physical curtailment, Customer shall reduce its demand to a level equal to the maximum demand in kVA immediately prior to the curtailment less the designated curtailable load.

Non-compliance for each requested physical curtailment shall be the measured positive value in kVA determined by subtracting (i) Customer's designated curtailable load from (ii) Customer's maximum demand immediately preceding the curtailment and then subtracting such difference from (iii) the Customer's maximum demand during such curtailment.

T

RATE T

Customer will receive the following credits for curtailable service during the month:

Transmission Voltage Service	$ 5.40 per kVA of Curtailable Billing Demand
Primary Voltage Service	$ 5.50 per kVA of Curtailable Billing Demand
Non-Compliance Charge of:	$16.00 per kVA

Failure of Customer to curtail when requested to do so may result in termination of service under this rider. Customer will be charged for the portion of each requested curtailment not met at the applicable standard charges. The Company and Customer may arrange to have installed, at Customer's expense, the necessary telecommunication and control equipment to allow the Company to control Customers' curtailable load. Non-compliance charges will be waived if failure to curtail is a result of failure of Company's equipment; however, non-compliance charges will not be waived if failure to curtail is a result of Customer's equipment. If arrangements are made to have telecommunication and control equipment installed, then backup arrangements must also be established in the event either Company's or Customer's equipment fails. T T T

CURTAILABLE BILLING DEMAND T

For a Customer electing Option A, Curtailable Billing Demand shall be the difference between (a) the Customer's measured maximum demand during the billing period for any billing interval during the following time periods: (i) for the summer peak months of May through September, from 10 A.M. to 10 P.M,(EST) and (ii) for the months October continuously through April, from 6 A.M. to 10 P.M, (EST) and (b) the firm contract demand.

For a Customer electing Option B, Curtailable Billing Demand shall be the customer Designated Curtailable Load, as described above.

Standard Rate Rider **CSR10**
Curtailable Service Rider 10

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CERTIFICATION

Upon commencement of service hereunder, the Customer shall be required to demonstrate or certify to the Company's satisfaction the ability to comply with physical curtailment. On an annual basis, Customer will be required to certify continued capability to reduce its demand pursuant to the amount designated in the contract in the event of a request for curtailment. Failure to demonstrate or certify the capability to reduce demand pursuant to the amount designated in the contract may result in termination of service under this rider.

TERM OF CONTRACT

The minimum original contract period shall be one (1) year and thereafter until terminated by giving at least six (6) months previous written notice, but Company may require that contract be executed for a longer initial term when deemed reasonably necessary by the size of the load or other conditions.

TERMS AND CONDITIONS

When the Company requests curtailment, upon request by the Customer, the Company shall provide a good-faith, non-binding estimate of the duration of requested curtailment. In addition, upon request by the Company, the Customer shall provide to the Company a good-faith, non-binding short-term operational schedule for their facility T

Except as specified above, all other provisions of the power rate to which this schedule is a rider shall apply.

Standard Rate Rider **CSR30**
Curtailable Service Rider 30

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

This rider shall be made available to customers served under applicable power schedules who contract for not less than 1,000 kVA individually. The aggregate service under CSR10 and CSR30 for Kentucky Utilities Company is limited to 100 MVA in addition to the contracted curtailable load under P.S.C. No. 14, CSR1 and CSR3 for Kentucky Utilities Company as of August 1, 2010. T T

CONTRACT OPTION

Customer may, at Customer's option, contract with Company to curtail service upon notification by Company. Requests for curtailment shall not exceed one hundred (100) hours per year nor shall any single request for curtailment be for less than thirty (30) minutes or for more than fourteen (14) hours per calendar day, with no more than two (2) requests for curtailment per calendar day within these parameters. A curtailment is a continuous event with a start and stop time. Company may request or cancel a curtailment at any time during any hour of the year, but shall give no less than thirty (30) minutes notice when either requesting or canceling a curtailment. T T

Company may request at its sole discretion up to 100 hours of physical curtailment per year. Curtailable load and compliance with a request for curtailment shall be measured in one of the following ways: T T

Option A -- Customer may contract for a given amount of firm demand in kVA.. During a request for physical curtailment, Customer shall reduce its demand to the firm demand designated in the contract. The measured kVA demand in excess of the firm load during each requested physical curtailment in the billing period shall be the measure of non-compliance. T

Option B -- Customer may contract for a given amount of curtailable load in kVA by which Customer shall agree to reduce its demand at any time by such Designated Curtailable Load. During a request for physical curtailment, Customer shall reduce its demand to a level equal to the maximum demand in kVA immediately prior to the curtailment less the designated curtailable load.

Non-compliance for each requested physical curtailment shall be the measured positive value determined by subtracting (i) Customer's designated curtailable load from (ii) Customer's maximum demand immediately preceding the curtailment and then subtracting such difference from (iii) the Customer's maximum demand during such curtailment.

Standard Rate Rider **CSR30**
Curtailable Service Rider 30

RATE T

Customer will receive the following credits for curtailable service during the month:

Transmission Voltage Service	$ 4.30 per kVA of Curtailable Billing Demand
Primary Voltage Service	$ 4.40 per kVA of Curtailable Billing Demand
Non-Compliance Charge of:	$16.00 per kVA

Failure of Customer to curtail when requested to do so may result in termination of service under this rider. Customer will be charged for the portion of each requested curtailment not met at the applicable standard charges. The Company and Customer may arrange to have installed, at Customer's expense, the necessary telecommunication and control equipment to allow the Company to control Customers' curtailable load. Non-compliance charges will be waived if failure to curtail is a result of failure of Company's equipment; however, non-compliance charges will not be waived if failure to curtail is a result of Customer's equipment. If arrangements are made to have telecommunication and control equipment installed, then T
backup arrangements must also be established in the event either Company's or Customer's T
equipment fails. T

CURTAILABLE BILLING DEMAND T

For a Customer electing Option A, Curtailable Billing Demand shall be the difference between (a) the Customer's measured maximum demand during the billing period for any billing interval during the following time periods: (i) for the summer peak months of May through September, from 10 A.M. to 10 P.M. (EST) and (ii) for the months October continuously through April, from 6 A.M. to 10 P.M, (EST) and (b) the firm contract demand.

For a Customer electing Option B, Curtailable Billing Demand shall be the customer Designated Curtailable Load, as described above.

CERTIFICATION T

Upon commencement of service hereunder, the Customer shall be required to demonstrate or certify to the Company's satisfaction the ability to comply with physical curtailment. On an annual basis, Customer will be required to certify continued capability to reduce its demand pursuant to the amount designated in the contract in the event of a request for curtailment. Failure to demonstrate or certify the capability to reduce demand pursuant to the amount designated in the contract may result in termination of service under this rider.

TERM OF CONTRACT

The minimum original contract period shall be one (1) year and thereafter until terminated by giving at least six (6) months previous written notice, but Company may require that contract be executed for a longer initial term when deemed reasonably necessary by the size of the load or other conditions.

TERMS AND CONDITIONS

When the Company requests curtailment, upon request by the Customer, the Company shall provide a good-faith, non-binding estimate of the duration of requested curtailment. In addition, upon request by the Company, the Customer shall provide to the Company a good-faith, non-binding short-term operational schedule for their facility. T

Except as specified above, all other provisions of the power rate to which this schedule is a rider shall apply.

Standard Rate Rider SQF

Small Capacity Cogeneration and Small Power Production Qualifying Facilities

APPLICABLE:

In all territory served.

AVAILABILITY OF SERVICE

This rate and the terms and conditions set out herein are available for and applicable to Company's purchases of energy only from the owner of qualifying cogeneration or small power production facilities of 100 kW or less (such owner being hereafter called "Seller") installed on Seller's property to provide all or part of its requirements of electrical energy, or from which facilities Seller may elect to sell to Company all or part of such output of electrical energy.

Company will permit Seller's generating facilities to operate in parallel with Company's system under conditions set out below under "Parallel Operation".

Company will purchase such energy from Seller at the Rate, A or B, set out below and selected as hereafter provided, and under the terms and conditions stated herein. Company reserves the right to change the said Rates, upon proper filing with and acceptance by the jurisdictional Commission.

RATE A: TIME-DIFFERENTIATED RATE

1. For summer billing months of June, July, August and September, during the hours 9:01 A.M. thru 10:00 P.M. weekdays exclusive of holidays (on-peak hours),	$0.04041 per kWh
2. For winter billing months of December, January and February, during the hours 7:01 A.M. thru 10:00 P.M. weekdays exclusive of holidays (on-peak hours),	$0.03536 per kWh
3. During all other hours (off-peak hours)	$0.03327 per kWh

Determination of On-Peak and Off-Peak Hours: On-peak hours are defined as the hours of 9:01 A.M. through 10:00 P.M., E.D.T. (8:01 A.M. through 9:00 P.M., E.S.T.), Mondays through Fridays exclusive of holidays (under 1 above), and the hours of 7:01 A.M. through 10:00 P.M., E.D.T. (6:01 A.M. through 9:00 P.M., E.S.T.), Mondays through Fridays exclusive of holidays (under 2 above). Off-peak hours are defined as all hours other than those listed as on-peak (under 3 above). Company reserves the right to change the hours designated as on-peak from time to time as conditions indicate to be appropriate.

RATE B: NON-TIME-DIFFERENTIATED RATE

For all kWh purchased by Company,	$0.03443 per kWh

SELECTION OF RATE AND METERING

Subject to provisions hereafter in this Section relative to payment of costs of metering equipment, either Seller or Company may select Rate A, the Time-Differentiated Rate, for application to Company's said purchases of energy from Seller. If neither Seller nor Company selects Rate A, then Rate B, the Non-Time-Differentiated Rate, shall apply.

If neither Seller nor Company selects Rate A, and Rate B therefore is to apply to such purchases, Company, at Seller's cost, will install, own and operate a non-time-differentiated meter and associated equipment, at a location selected by Company, measuring energy, produced by Seller's generator, flowing into Company's system. Such meter will be tested at intervals prescribed by Commission Regulation, with Seller having a right to witness all such tests; and Seller will pay to Company its fixed cost on such meter and equipment, expense of such periodic tests of the meter and any other expenses (all such costs and expenses, together, being hereafter called "costs of non-time-differentiated metering").

If either Seller or Company selects Rate A to apply to Company's said purchases of energy from Seller, the party (Seller or Company) so selecting Rate A shall pay (a) the cost of a time-differentiated recording meter and associated equipment, at a location selected by Company, measuring energy, produced by Seller's generator, flowing into Company's system, required for the application of Rate A, in excess of (b) the costs of non-time-differentiated metering which shall continue to be paid by Seller.

In addition to metering referred to above, Company at its option and cost may install, own and operate, on Seller's generator, a recording meter to record the capacity, energy and reactive output of such generator at specified time intervals.

Company shall have access to all such meters at reasonable times during Seller's normal business hours, and shall regularly provide to Seller copies of all information provided by such meters.

PAYMENT

Any payment due from Company to Seller will be due be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from date of Company's reading of meter; provided, however, that, if Seller is a customer of Company, in lieu of such payment Company may offset its payment due to Seller hereunder, against Seller's next bill and payment due to Company for Company's service to Seller as customer.

PARALLEL OPERATION

Company hereby permits Seller to operate its generating facilities in parallel with Company's system, under the following conditions and any other conditions required by Company where unusual conditions not covered herein arise:

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

1. Prior to installation in Seller's system of any generator and associated facilities which are intended to be interconnected and operated in parallel with Company's system, or prior to the inter-connection to Company's system of any such generator and associated facilities already installed in Seller's system, Seller will provide to Company plans for such generator and facilities. Company may, but shall have no obligation to, examine such plans and disapprove them in whole or in part, to the extent Company believes that such plans and proposed facilities will not adequately assure the safety of Company's facilities or system. Seller acknowledges and agrees that the sole purpose of any Company examination of such plans is the satisfaction of Company's interest in the safety of Company's own facilities and system, and that Company shall have no responsibility of any kind to Seller or to any other party in connection with any such examination. If Seller thereafter proposes any change from such plans submitted to Company, prior to the implementation thereof Seller will provide to Company new plans setting out such proposed change(s).

2. Seller will own, install, operate and maintain all generating facilities on its plant site, such facilities to include, but not be limited to, (a) protective equipment between the systems of Seller and Company and (b) necessary control equipment to synchronize frequency and voltage between such two systems. Seller's voltage at the point of interconnection will be the same as Company's system voltage. Suitable circuit breakers or similar equipment, as specified by Company, will be furnished by Seller at a location designated by Company to enable the separation or disconnection of the two electrical systems. Except in emergencies, the circuit breakers, or similar equipment, will be operated only by, or at the express direction of, Company personnel and will be accessible to Company at all times. In addition, a circuit breaker or similar equipment shall be furnished and installed by Seller to separate or disconnect Seller's generator.

3. Seller will be responsible for operating the generator and all facilities owned by Seller, except as hereafter specified. Seller will maintain its system in synchronization with Company's system.

4. Seller will (a) pay Company for all damage to Company's equipment, facilities or system, and (b) save and hold Company harmless from all claims, demands and liabilities of every kind and nature for injury or damage to, or death of, persons and/or property of others, including costs and expenses of defending against the same, arising in any manner in connection with Seller's generator, equipment, facilities or system or the operation thereof.

5. Seller will construct any additional facilities, in addition to generating and associated (interface) facilities, required for interconnection unless Company and Seller agree to Company's constructing such facilities, at Seller's expense, where Seller is not a customer of Company. When Seller is a customer of Company and Company is required to construct facilities different than otherwise required to permit interconnection, Seller shall pay such additional cost of facilities. Seller agrees to reimburse Company, at the time of installation,

or, if agreed to by both parties, over a period of up to three (3) years, for any facilities including any hereafter required (but exclusive of metering equipment, elsewhere herein provided for) constructed by Company to permit Seller to operate interconnected with Company's system. When interconnection costs are repaid over a period of time, such payments will be made monthly and include interest on the unpaid balance at the percentage rate equal to the capital costs that Company would experience at such time by new financing, based on Company's then existing capital structure, with return on equity to be at the rate allowed in Company's immediately preceding rate case.

6. Company will have the continuing right to inspect and approve Seller's facilities, described herein, and to request and witness any tests necessary to determine that such facilities are installed and operating properly; but Company will have no obligation to inspect or approve facilities, or to request or witness tests; and Company will not in any manner be responsible for Seller's facilities or any operation thereof.

7. Seller assumes all responsibility for the electric service upon Seller's premises at and from the point of any delivery or flow of electricity from Company, and for the wires and equipment used in connection therewith; and Seller will protect and save Company harmless from all claims for injury or damage to persons or property, including but not limited to property of Seller, occurring on or about Seller's premises or at and from the point of delivery or flow of electricity from Company, occasioned by such electricity or said wires and equipment, except where said injury or damage is proved to have been caused solely by the negligence of Company.

8. Each, Seller and Company, will designate one or more Operating Representatives for the purpose of contacts and communications between the parties concerning operations of the two systems.

9. Seller will notify Company's Energy Control Center prior to each occasion of Seller's generator being brought into or (except in cases of emergencies) taken out of operation.

10. Company reserves the right to curtail a purchase from Seller when:
    (a) the purchase will result in costs to Company greater than would occur if the purchase were not made but instead Company, itself, generated an equivalent amount of energy; or
    (b) Company has a system emergency and purchases would (or could) contribute to such emergency.

    Seller will be notified of each curtailment.

TERMS AND CONDITIONS

Except as provided herein, conditions or operations will be as provided in Company's Terms and Conditions.

Standard Rate Rider **LQF**

Large Capacity Cogeneration and Small Power Production Qualifying Facilities

AVAILABILITY

In all territory served.

APPLICABILITY OF SERVICE

Applicable to any small power production or cogeneration "qualifying facility" with capacity over 100 kW as defined by the Kentucky Public Service Commission Regulation 807 KAR 5:054, and which contracts to sell energy or capacity or both to Company.

RATES FOR PURCHASES FROM QUALIFYING FACILITIES

Energy Component Payments

The hourly avoided energy cost (AEC) in $ per MWh, which is payable to a QF for delivery of energy, shall be equal to Company's actual variable fuel expenses, for Company-owned coal and natural gas-fired production facilities, divided by the associated megawatt-hours of generation, as determined for the previous month. The total amount of the avoided energy cost payment to be made to a QF in an hour is equal to [AEC x E_{QF}], where E_{QF} is the amount of megawatt-hours delivered by a QF in that hour and which are determined by suitable metering.

Capacity Component Payments

The hourly avoided capacity cost (ACC) in $ per MWh, which is payable to a QF for delivery of capacity, shall be equal to the effective purchase price for power available to Company from the inter-utility market (which includes both energy and capacity charges) less Company's actual variable fuel expense (AEC). The total amount of the avoided capacity cost payment to be made to a QF in an hour is equal to [ACC x CAP_i], where CAP_i, the capacity delivered by the QF, is determined on the basis of the system demand (D_i) and Company's need for capacity in that hour to adequately serve the load.

Determination of CAP_i

For the following determination of CAP_i, C_{KU} represents Company's installed or previously arranged capacity at the time a QF signs a contract to deliver capacity; C_{QF} represents the actual capacity provided by a QF, but no more than the contracted capacity; and C_M represents capacity purchased from the inter-utility market.

1. System demand is less than or equal to Company's capacity:
   $D_1 \leq C_{KU}$; $CAP_i = 0$
2. System demand is greater than Company's capacity but less than or equal to the total of Company's capacity and the capacity provided by a QF:

   $C_{KU} < D_i \leq [C_{KU} + C_{QF}]$; $CAP_i = C_M$

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: April 17, 1999

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

3. System demand is greater than the total of Company's capacity and the capacity provided by a QF:

   $D_i > [C_{KU} + C_{QF}]$; $CAP_i = C_{QF}$

PAYMENT

Company shall pay each bill for electric power rendered to it in accordance with the terms of the contract, within sixteen (16) business days (no less than twenty-two (22) calendar days) of the date the bill is rendered. In lieu of such payment plan, Company will, upon written request, credit the Customer's account for such purchases.

TERM OF CONTRACT

For contracts which cover the purchase of energy only, the term shall be one (1) year, and shall be self-renewing from year-to-year thereafter, unless canceled by either party on one (1) year's written notice.

For contracts which cover the purchase of capacity and energy, the term shall be five (5) years.

TERMS AND CONDITIONS

1. Qualifying facilities shall be required to pay for any additional interconnection costs, to the extent that such costs are in excess of those that Company would have incurred if the qualifying facility's output had not been purchased.

2. A qualifying facility operating in parallel with Company must demonstrate that its equipment is designed, installed, and operated in a manner that insures safe and reliable interconnected operation. A qualifying facility should contact Company for assistance in this regard.

3. The purchasing, supplying and billing for service, and all conditions applying hereto, shall be specified in the contract executed by the parties, and are subject to the jurisdiction of the Kentucky Public Service Commission, and to Company's Terms and Conditions currently in effect, as filed with the Commission.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: April 17, 1999

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Standard Rate Rider **NMS**
Net Metering Service

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

Available to any customer-generator who owns and operates a generating facility located on Customer's premises that generates electricity using solar, wind, biomass or biogas, or hydro energy in parallel with Company's electric distribution system to provide all or part of Customer's electrical requirements, and who executes Company's written Application for Interconnection and Net Metering. The generation facility shall be limited to a maximum rated capacity of 30 kilowatts. This Standard Rate Rider is intended to comply with all provisions of the Interconnection and Net Metering Guidelines approved by the Public Service Commission of Kentucky, which can be found on-line at www.psc.ky.gov as Appendix A to the January 8, 2009 Order in Administrative Case No. 2008-00169.

DEFINITIONS

"Billing period" shall be the time period between the dates on which Company issues the customer's bills. T

"Billing Period Credit" shall be the electricity generated by the customer that flows into the electric system and which exceeds the electricity supplied to the customer from the electric system during any billing period. A billing period credit is a kWh-denominated electricity credit only, not a monetary credit.

METERING AND BILLING

Net metering service shall be measured using a single meter or, as determined by Company, additional meters and shall be measured in accordance with standard metering practices by metering equipment capable of registering power flow in both directions for each time period defined by the applicable rate schedule. This net metering equipment shall be provided without any cost to the Customer. This provision does not relieve Customer's responsibility to pay metering costs embedded in the Company's Commission-approved base rates. Additional meters, requested by Customer, will be provided at Customer's expense.

If electricity generated by Customer and fed back to Company's system exceeds the electricity supplied to Customer from the system during a billing period, Customer shall receive a billing-period credit for the net delivery on Customer's bill for the succeeding billing periods. If Customer takes service under a time-of-use or time-of-day rate schedule, Company will apply billing-period credits Customer creates in a particular time-of-day or time-of-use block only to offset net energy consumption in the same time-of-day or time-of-use block in future billing periods; such credits will not be used to offset net energy consumption in other time-of-day or time-of-use blocks in any billing period. Any such unused excess billing-period credits will be carried forward and drawn on by Customer as needed. Unused excess billing-period credits existing at the time Customer's service is terminated end with Customer's account and are not transferrable between customers or locations. T

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DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

NET METERING SERVICE INTERCONNECTION GUIDELINES T

General – Customer shall operate the generating facility in parallel with Company's system under the following conditions and any other conditions required by Company where unusual circumstances arise not covered herein:

1. Customer to own, operate, and maintain all generating facilities on their premises. Such facilities shall include, but not be limited to, necessary control equipment to synchronize frequency, voltage, etc., between Customer's and Company's system as well as adequate protective equipment between the two systems. Customer's voltage at the point of interconnection will be the same as Company's system voltage.
2. Customer will be responsible for operating all generating facilities owned by Customer, except as specified hereinafter. Customer will maintain its system in synchronization with Company's system.
3. Customer will be responsible for any damage done to Company's equipment due to failure of Customer's control, safety, or other equipment.
4. Customer agrees to inform Company of any changes it wishes to make to its generating or associated facilities that differ from those initially installed and described to Company in writing and obtain prior approval from Company.
5. Company will have the right to inspect and approve Customer's facilities described herein, and to conduct any tests necessary to determine that such facilities are installed and operating properly; however, Company will have no obligation to inspect, witness tests, or in any manner be responsible for Customer's facilities or operation thereof.
6. Customer assumes all responsibility for the electric service on Customer's premises at and from the point of delivery of electricity from Company and for the wires and equipment used in connection therewith, and will protect and save Company harmless from all claims for injury or damage to persons or property occurring on Customer's premises or at and from the point of delivery of electricity from Company, occasioned by such electricity or said wires and equipment, except where said injury or damage will be shown to have been occasioned solely by the negligence or willful misconduct of Company.

Level 1 – A Level 1 installation is defined as an inverter-based generator certified as meeting the requirements of Underwriters Laboratories Standard 1741 and meeting the following conditions:

1. The aggregated net metering generation on a radial distribution circuit will not exceed 15% of the line section’s most recent one hour peak load. A line section is the smallest part of the primary distribution system the generating facility could remain connected to after operation of any sectionalizing devices.
2. The aggregated net metering generation on a shared singled-phase secondary will not exceed 20 kVA or the nameplate rating of the service transformer.
3. A single-phase net metering generator interconnected on the center tap neutral of a 240 volt service shall not create an imbalance between the two sides of the 240 volt service of more than 20% of the nameplate rating of the service transformer.

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NET METERING SERVICE INTERCONNECTION GUIDELINES (continued)

4. A net metering generator interconnected to Company's three-phase, three-wire primary distribution lines, shall appear as a phase-to-phase connection to Company's primary distribution line. T
5. A net metering generator interconnected to Company's three-phase, four-wire primary distribution lines, shall appear as an effectively grounded source to Company's primary distribution line.
6. A net metering generator will not be connected to an area or spot network.
7. There are no identified violations of the applicable provisions of IEEE 1547, "Standard for Interconnecting Distributed Resources with Electric Power Systems".
8. Company will not be required to construct any facilities on its own system to accommodate the net metering generator.

Customer desiring a Level 1 interconnection shall submit a "LEVEL 1 - Application for Interconnection and Net Metering." Company shall notify Customer within 20 business days as to whether the request is approved or, if denied, the reason(s) for denial. If additional information is required, the Company will notify Customer, and the time between notification and submission of the information shall not be counted towards the 20 business days. Approval is contingent upon an initial inspection and witness test at the discretion of Company.

Level 2 – A Level 2 installation is defined as generator that is not inverter-based; that uses equipment not certified as meeting the requirements of Underwriters Laboratories Standard 1741, or that does not meet one or more of the conditions required of a Level 1 net metering generator. A Level 2 Application will be approved if the generating facility meets the Company's technical interconnection requirements. Those requirements are available on line at www.lge-ku.com and upon request.

Customer desiring a Level 2 interconnection shall submit a "LEVEL 2 - Application for Interconnection and Net Metering." Company shall notify Customer within 30 business days as as to whether the request is approved or, if denied, the reason(s) for denial. If additional information is required, the Company will notify Customer, and the time between notification and submission of the information shall not be counted towards the 30 business days. Approval is contingent upon an initial inspection and witness test at the discretion of Company.

Customer submitting a "Level 2 - Application for Interconnection and Net Metering will provide a non-refundable inspection and processing fee of $100, and in the event that the Company determines an impact study to be necessary, shall be responsible for any reasonable costs of up to $1,000 of documented costs for the initial impact study.

Additional studies requested by Customer shall be at Customer's expense.

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CONDITIONS OF INTERCONNECTION T

Customer may operate his net metering generator in parallel with Company's system when complying with the following conditions:

1. Customer shall install, operate, and maintain, at Customer's sole cost and expense, any control, protective, or other equipment on Customer's system required by Company's technical interconnection requirements based on IEEE 1547, NEC, accredited testing laboratories, and the manufacturer's suggested practices for safe, efficient and reliable operation of the net metering generating facility in parallel with Company's system. Customer bears full responsibility for the installation, maintenance and safe operation of the net metering generating facility. Upon reasonable request from Company, Customer shall demonstrate compliance.
2. Customer shall represent and warrant compliance of the net metering generator with:
   a) any applicable safety and power standards established by IEEE and accredited testing laboratories;
   b) NEC, as may be revised from time-to-time;
   c) Company's rules and regulations and Terms and Conditions, as may be revised by time-to-time by the Public Service Commission of Kentucky;
   d) the rules and regulations of the Public Service Commission of Kentucky, as may be revised by time-to-time by the Public Service Commission of Kentucky:
   e) all other local, state, and federal codes and laws, as may be in effect from time-to-time.
3. Any changes or additions to Company's system required to accommodate the net metering generator shall be Customer's financial responsibility and Company shall be reimbursed for such changes or additions prior to construction.
4. Customer shall operate the net metering generator in such a manner as not to cause undue fluctuations in voltage, intermittent load characteristics or otherwise interfere with the operation of Company's electric system. Customer shall so operate the generating facility in such a manner that no adverse impacts will be produced thereby to the service quality rendered by Company to any of its other customers or to any electric system interconnected with Company's electric system.
5. Customer shall be responsible for protecting, at Customer's sole cost and expense, the net metering generating facility from any condition or disturbance on Company's electric system, including, but not limited to, voltage sags or swells, system faults, outages, loss of a single phase of supply, equipment failures, and lightning or switching surges, except that the Company shall be responsible for repair of damage caused to the net metering generator resulting solely from the negligence or willful misconduct on the part of the Company.
6. Following the initial testing and inspection of the generating facility and upon reasonable advance notice to Customer, Company shall have access at reasonable times to the generating facility to perform reasonable on-site inspections to verify that the installation, maintenance and operation of the net metering generator comply with the requirements of this rate schedule.

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DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

CONDITIONS OF INTERCONNECTION (continued)

7. Where required by the Company, Customer shall furnish and install on Customer's side of the point of interconnection a safety disconnect switch which shall be capable of fully disconnecting Customer's net metering generator from Company's electric service under the full rated conditions of Customer's net metering generator. The external disconnect switch (EDS) shall be located adjacent to Company's meters or the location of the EDS shall be noted by placing a sticker on the meter, and shall be of the visible break type in a metal enclosure which can be secured by a padlock. If the EDS is not located directly adjacent to the meter, Customer shall be responsible for ensuring the location of the EDS is properly and legibly identified for so long as the net metering generator is operational. T

   The disconnect switch shall be accessible to Company personnel at all times. Company may waive the requirement for an external disconnect switch for a net metering generator at its sole discretion, and on a case by case basis.
8. Company shall have the right and authority at Company's sole discretion to isolate the generating facility or require the Customer to discontinue operation of the net metering generator if Company believes that:
   a) continued interconnection and parallel operation of the net metering generator with Company's electric system creates or contributes (or may create or contribute) to a system emergency on either Company's or Customer's electric system;
   b) the net metering generator is not in compliance with the requirements of this rate schedule, and the non-compliance adversely affects the safety, reliability or power quality of Company's electric system; or
   c) the net metering generator interferes with the operation of Company's electric system.

   In non-emergency situations, Company shall give Customer notice of noncompliance including a description of the specific noncompliance condition and allow Customer a reasonable time to cure the noncompliance prior to isolating the Generating Facilities. In emergency situations, where the Company is unable to immediately isolate or cause Customer to isolate only the net metering generator, Company may isolate Customer's entire facility.
9. Customer agrees that, without the prior written permission from Company, no changes shall be made to the generating facility as initially approved. Increases in net metering generator capacity will require a new "Application for Interconnection and Net Metering" which will be evaluated on the same basis as any other new application. Repair and replacement of existing generating facility components with like components that meet UL 1741 certification requirements for Level 1 facilities and not resulting in increases in net metering generator capacity is allowed without approval.
10. Customer shall protect, indemnify and hold harmless Company and its directors, officers, employees, agents, representatives and contractors against and from all loss, claims, actions or suits, including costs and attorneys' fees, for or on account of any injury or death

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CONDITIONS OF INTERCONNECTION (continued)

of persons or damage to property caused by Customer or Customer's employees, agents, representatives and contractors in tampering with, repairing, maintaining or operating Customer's net metering generator or any related equipment or any facilities owned by Company except where such injury, death or damage was caused or contributed to by the fault or negligence of Company or its employees, agents, representatives or contractors. T

The liability of Company to Customer for injury to person and property shall be governed by the tariff(s) for the class of service under which Customer is taking service.

11. Customer shall maintain general liability insurance coverage (through a standard homeowner's, commercial or other policy) for generating facilities. Customer shall upon request provide Company with proof of such insurance at the time that application is made for net metering.
12. By entering into an Interconnection Agreement, or by inspection, if any, or by non-rejection, or by approval, or in any other way, Company does not give any warranty, express or implied, as to the adequacy, safety, compliance with applicable codes or requirements, or as to any other characteristics, of the generating facility equipment, controls, and protective relays and equipment.
13. Customer's generating facility is transferable to other persons or service locations only after notification to the Company has been made and verification that the installation is in compliance with this tariff. Upon written notification that an approved generating facility is being transferred to another person, customer, or location, the Company will verify that the installation is in compliance with this tariff and provide written notification to the customer(s) within 20 business days. If the installation is no longer in compliance with this tariff, the Company will notify Customer in writing and list what must be done to place the facility in compliance.
14. Customer shall retain any and all Renewable Energy Credits (RECs) generated by Customer's generating facilities.

TERMS AND CONDITIONS T

Except as provided herein, service will be furnished under Company's Terms and Conditions applicable hereto.

LEVEL 1

Application for Interconnection and Net Metering
*Use this application form only for a generating facility that is inverter based and certified by a nationally recognized testing laboratory to meet the requirements of **UL** 1741.*

Submit this Application to:

Kentucky Utilities Company, Attn: Customer Commitment, P. O. Box 32010, Louisville, KY 40232

If you have questions regarding this Application or its status, contact KU at:

502-627-2202 or customer.commitment@lge-ku.com

Customer Name: ______________________________ Account Number: ________________

Customer Address: ____

Customer Phone No.: __________ Customer E-mail Address: ______________________

Project Contact Person: ____

Phone No.**:** ____________ E-mail Address (Optional): ______________________

Provide names and contact information for other contractors, installers, or engineering firms involved in the design and installation of the generating facilities:

____

Energy Source: ____Solar ____Wind ____Hydro ____Biogas ____Biomass

Inverter Manufacturer and Model #: ____

Inverter Power Rating: ______________ Inverter Voltage Rating: ______________

Power Rating of Energy Source (i.e., solar panels, wind turbine): ______________________

Is Battery Storage Used: ____No _____Yes If Yes, Battery Power Rating: ______________

Attach documentation showing that inverter is certified by a nationally recognized testing laboratory to meet the requirements of **UL** 1741.

Attach site drawing or sketch showing location of Utility's meter, energy source, ***(optional: Utility accessible disconnect switch)*** and inverter.

Attach single line drawing showing all electrical equipment from the Utility's metering location to the energy source including switches, fuses, breakers, panels, transformers, inverters, energy source, wire size, equipment ratings, and transformer connections.

Expected Start-up Date: ______________________________

LEVEL 2

Application for Interconnection and Net Metering

*Use this application form when a generating facility is not inverter-based or is not certified by a nationally recognized testing laboratory to meet the requirements of **UL** 1741 or does not meet any of the additional conditions under Level 1.*

Submit this Application, along with an application fee of $100, to:

Kentucky Utilities Company, Attn: Customer Commitment, P. O. Box 32010, Louisville, KY 40232

If you have questions regarding this Application or its status, contact KU at:

502-627-2202 or customer.commitment@lge-ku.com

Customer Name: ______________________________ Account Number: ______________

Customer Address: ____

Project Contact Person: ____

Phone No.: ______________ E-mail Address (Optional): ______________________

Provide names and contact information for other contractors, installers, or engineering firms involved in the design and installation of the generating facilities:

____

____

____

Total Generating Capacity of Generating Facility: ____

Type of Generator: ____Inverter-Based ____Synchronous ____Induction

Power Source: ____Solar ____Wind ____Hydro ____Biogas ____Biomass

Adequate documentation and information must be submitted with this application to be considered complete. Typically this should include the following:

1. Single-line diagram of the customer's system showing all electrical equipment from the generator to the point *of* interconnection with the Utility's distribution system, including generators, transformers, switchgear, switches, breakers, fuses, voltage transformers, current transformers, wire sizes, equipment ratings, and transformer connections.
2. Control drawings for relays and breakers.
3. Site Plans showing the physical location of major equipment.
4. Relevant ratings of equipment. Transformer information should include capacity ratings, voltage ratings, winding arrangements, and impedance.
5. If protective relays are used, settings applicable to the interconnection protection. If programmable relays are used, a description of how the relay is programmed to operate as applicable to interconnection protection.
6. A description of how the generator system will be operated including all modes of operation.
7. For inverters, the manufacturer name, model number, and AC power rating. For certified inverters, attach documentation showing that inverter is certified by *a* nationally recognized testing laboratory to meet the requirements of **UL** 1741.
8. For synchronous generators, manufacturer and model number, nameplate ratings, and impedance data (Xd, Xd, & Xd).
9. For induction generators, manufacturer and model number, nameplate ratings, and locked rotor current.

Customer Signature: ______________________________ Date: ________________

Standard Rate Rider **EF**
Excess Facilities

APPLICABILITY
In all territory served.

AVAILABILITY OF SERVICE
This rider is available for nonstandard service facilities which are considered to be in excess of the standard facilities that would normally be provided by Company. This rider does not apply to line extensions or to other facilities which are necessary to provide basic electric service. Company reserves the right to decline to provide service hereunder for any project (a) that exceeds $100,000 or (b) where Company does not have sufficient expertise to install, operate, or maintain the facilities or (c) where the facilities do not meet Company's safety requirements, or (d) where the facilities are likely to become obsolete prior to the end of the initial contract term.

DEFINITION OF EXCESS FACILITIES
Excess facilities are lines and equipment which are installed in addition to or in substitution for the normal facilities required to render basic electric service and where such facilities are dedicated to a specific customer. Applications of excess facilities include, but are not limited to, emergency backup feeds, automatic transfer switches, redundant transformer capacity, and duplicate or check meters.

EXCESS FACILITIES CHARGE
Company shall provide normal operation and maintenance of the excess facilities. Should the facilities suffer failure, Company will provide for replacement of such facilities and the monthly charge will be adjusted to reflect the installed cost of the replacement facilities. No adjustment in the monthly charge for a replacement of facilities will be made during the initial five (5) year term of contract.

Customer shall pay for excess facilities by:

(a) making a monthly Excess Facilities Charge payment equal to the installed cost of the excess facilities times the following percentage:

Percentage With No Contribution–in-Aid-of-Construction	1.24%

(b) making a one-time Contribution-in-Aid-of-Construction equal to the installed cost of the excess facilities plus a monthly Excess Facilities Charge payment equal to the installed cost of the excess facilities times the following percentage:

Percentage With Contribution-in-Aid of-Construction	0.48%

PAYMENT

The Excess Facilities Charges shall be incorporated with the bill for electric service and will be subject to the same payment provisions.

TERM OF CONTRACT

The initial term of contract to the customer under this schedule shall be not less than five (5) years. The term shall continue automatically until terminated by either party upon at least one (1) month's written notice.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Standard Rate Rider **RC**
Redundant Capacity

APPLICABLE

This rate is applicable to customers served under Company's rate schedules which include a demand charge or a special contract including a demand charge.

AVAILABILITY

Available to customers requesting the reservation of capacity on Company's facilities which are shared by other customers when Company has and is willing to reserve such capacity. Such facilities represent a redundant delivery to provide electric service to the Customer's facility in the event that an emergency or unusual occurrence renders the Customer's principal delivery unavailable for providing service. Where Customer desires to split a load between multiple meters on multiple feeds and contract for Redundant Capacity on those feeds, service is contingent on the practicality of metering to measure any transferred load to the redundant feed.

RATE:

Capacity Reservation Charge

Secondary Distribution	$1.12 per kW/kVA per month	R
Primary Distribution	$1.11 per kW/kVA per month	R

Applicable to the greater of:

(1) the highest average load in kW/kVA (as is appropriate for the demand basis of the standard rate on which Customer is billed) recorded at either the principal distribution feed metering point or at the redundant distribution feed metering point during any 15-minute interval in the monthly billing period;

(2) 50% of the maximum demand similarly determined for any of the eleven (11) preceding months; or

(3) the contracted capacity reservation.

TERM OF CONTRACT

The minimum contract term shall be five (5) years and shall be renewed for one-year periods until either party provides the other with ninety (90) days written notice of a desire to terminate the arrangement. Company may require that a contract be executed for a longer initial term when deemed necessary by the difficulty and/or high cost associated with providing the redundant feed or other special conditions.

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DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Standard Rate Rider **SS**
Supplemental or Standby Service

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

This service is available as a rider to customers whose premises or equipment are regularly supplied with electric energy from generating facilities other than those of Company and who desire to contract with Company for reserve, breakdown, supplemental or standby service.

Where a customer-generator supplies all or part of the customer-generator's own load and desires Company to provide supplemental or standby service for that load, the customer-generator must contract for such service under Company's Supplemental or Standby Service Rider, otherwise Company has no obligation to supply the non-firm service. This requirement does not apply to Net Metering Service (Rider NMS).

RATE

	Secondary	Primary	Transmission	
Contract Demand per kW/kVA per Month	$12.84	$11.63	$10.58	I/R/R

CONTRACT DEMAND

Contract Demand is defined as the number of kW/kVA (as is appropriate for the demand basis of the standard rate on which Customer is billed) mutually agreed upon as representing customer's maximum service requirements and contracted for by customer; provided, however, if such number of kW/kVA (as is appropriate for the demand basis of the standard rate on which Customer is billed) is exceeded by a recorded demand, such recorded demand shall become the new contract demand commencing with the month in which recorded and continuing for the remaining term of the contract or until superseded by a higher recorded demand.

MINIMUM CHARGE

Company will bill Customer monthly for all of the charges under Customer's applicable rate schedule, including, but not limited to, the applicable basic service charge, energy charges, and adjustment clauses. In addition to those charges, Company will bill Customer monthly a demand charge that is the greater of: (1) the Customer's total demand charge calculated under the applicable rate schedule; or (2) the demand charge calculated using the applicable demand rate shown above applied to the Contract Demand. If Customer's applicable rate schedule does not contain a demand charge, the Customer's monthly demand charge will be the demand charge calculated using the applicable demand rate shown above applied to the Contract Demand. T

T

DUE DATE OF BILL T
Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill. T T

SPECIAL TERMS AND CONDITIONS

1) In order to protect its equipment from overload damage, Company may require customer to install at Customer's own expense an approved shunt trip type breaker and an approved automatic pole-mounted disconnect. Such circuit breakers shall be under the sole control of Company and will be set by Company to break the connection with its service in the event customer's demand materially exceeds that for which the customer contracted.

2) In the event customer's use of service is intermittent or subject to violent fluctuations, Company will require customer to install and maintain at Customer's own expense suitable equipment to satisfactorily limit such intermittence or fluctuations.

3) Customer's generating equipment shall not be operated in parallel with Company's service until the manner of such operation has been approved by Company and is in compliance with Company's operating standards for system reliability and safety.

TERM OF CONTRACT
The minimum contract period shall be one (1) year, but Company may require that a contract be executed for a longer initial term when deemed necessary by the size of load or special conditions.

TERMS AND CONDITIONS
Service will be furnished under Company's Terms and Conditions except as provided herein.

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DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Standard Rate Rider **IL**

Rider for Intermittent Loads

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

This schedule applies to all loads having a detrimental effect upon the electric service rendered to other customers of Company or upon Company's facilities.

Where Customer's use of service is intermittent, subject to violent or extraordinary fluctuations, or produces unacceptable levels of harmonic current, in each case as determined by Company, in its reasonable discretion, Company reserves the right to require Customer to furnish, at Customer's own expense, suitable equipment (as approved by Company in its reasonable discretion) to meter and limit such intermittence, fluctuation, or harmonics to the extent reasonably requested by Company. Without limiting the foregoing, Company may require such equipment if, at any time, the megavars, harmonics, and other desirable electrical characteristics produced by the Customer exceed the limits set forth in the IEEE standards for such characteristics. In addition, if the Customer's use of Company's service under this schedule causes such undesirable electrical characteristics in an amount exceeding those IEEE standards, such use shall be deemed to cause a dangerous condition which could subject any person to imminent harm or result in substantial damage to the property of Company or others, and Company shall therefore terminate service to the Customer in accordance with 807 KAR 5:006, Section 15(1)(b). Such a termination of service shall not be considered a cancellation of the service agreement or relieve Customer of any minimum billing or other guarantees. Company shall be held harmless for any damages or economic loss resulting from such termination of service. If requested by Company, Customer shall provide all available information to Company that aids Company in enforcing its service standards. If Company at any time has a reasonable basis for believing that Customer's proposed or existing use of the service provided will not comply with the service standards for interference, fluctuations, or harmonics, Company may engage such experts and/or consultants as Company shall determine are appropriate to advise Company in ensuring that such interference, fluctuations, or harmonics are within acceptable standards. Should such experts and/or consultants determine Customer's use of service is unacceptable, Company's use of such experts and/or consultants will be at the Customer's expense.

RATE

1. A contribution in aid of construction or an excess facilities charge shall be required for all special or added facilities, if any, necessary to serve such loads, as provided under the Excess Facilities Rider.

2. Plus the charges provided for under the rate schedule applicable, including any Basic Service Charge if applicable, Energy Charge, Maximum Load Charge (if load charge rate is used), Fuel Clause and the Minimum Charge under such rate adjusted in accordance with (a) or (b) herein.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 4, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Standard Rate Rider **IL**
Rider for Intermittent Loads

RATE (continued)

(a) If rate schedule calls for a minimum based on the total kW of connected load, each kVA of such special equipment shall be counted as one kW connected load for minimum billing purposes.

(b) If rate schedule calls for a minimum based on the 15-minute integrated load, and such loads operate only intermittently so that the kW registered on a standard 15-minute integrated demand meter is small in comparison to the instantaneous load such equipment is capable of imposing, each kVA of such special equipment shall be counted as one-third kW load for minimum billing purposes.

MINIMUM CHARGE

As determined by this Rider and the Rate Schedule to which it is attached.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Standard Rate Rider **TS**

Temporary and/or Seasonal Electric Service

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

This rider is available at the option of Company where: T

1. Customer's business does not require permanent installation of Company's facilities excluding service provided for construction of permanent delivery points for residences and commercial buildings, and is of such nature to require only seasonal service or temporary service; or
2. the service is over 50 kW, provided for construction purposes, and where in the judgment of Company the local and system electrical facility capacities are adequate to serve the load without impairment of service to other customers; or
3. where Customer has need for temporary intermittent use of Company facilities and Company has facilities it is willing to provide Customer for installation and operational testing of Customer's equipment. T T T

This service is available for not less than one (1) month (approximately thirty (30) days), but when service is used longer than one (1) month, any fraction of a month's use will be prorated for billing purposes. Where this service is provided under 2 or 3 above, the Company will determine the term of service, which shall not exceed one (1) year. T T

CONDITIONS

Company may permit such electric loads to be served on the rate schedule normally applicable, but without requiring a yearly contract and minimum, substituting therefor the following conditions and agreements:

1. Customer shall pay Company for all costs of making temporary connections, including cost of installing necessary transformers, meters, poles, wire and any other material, and any cost of material which cannot be salvaged, and the cost of removing such facilities when load has ceased.

2. Customer shall pay regular rate of the applicable electric rate schedule.

3. Where Customer is receiving service under a standard rate and has need for temporary use of Company facilities, Customer will pay for non-salvageable materials outlined in (1) above plus a monthly charge for the salvageable equipment at the Percentage With No Contribution -in-Aid-of-Construction specified on the Excess Facilities Rider, Rate Sheet No. 60.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Standard Rate Rider

Kilowatt-Hours Consumed By Lighting Units

APPLICABLE

Determination of energy set out below applies to the Company's non-metered lighting rate schedules.

DETERMINATION OF ENERGY CONSUMPTION

The applicable fuel clause charge or credit will be based on the kilowatt-hours calculated by multiplying the kilowatt load of each light times the number of hours that light is in use during the billing month. The kilowatt load of each light is shown in the section titled RATE. The number of hours a light will be in use during a given month is from dusk to dawn as shown in the following Hours Use Table.

HOURS USE TABLE

Month	Hours Light Is In Use
JAN	407
FEB	344
MAR	347
APR	301
MAY	281
JUN	257
JUL	273
AUG	299
SEP	322
OCT	368
NOV	386
DEC	415
TOTAL FOR YEAR	4,000 HRS.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: March 1, 2000

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Standard Rate Rider **SGE**

Small Green Energy Rider

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

Service under this rider is available to customers receiving service under Company's standard RS or GS rate schedules as an option to participate in Company's "Green Energy Program" whereby Company will aggregate the resources provided by the participating customers to develop green power, purchase green power, or purchase Renewable Energy Certificates.

DEFINITIONS

a) Green power is that electricity generated from renewable sources including but not limited to: solar, wind, hydroelectric, geothermal, landfill gas, biomass, biodiesel used to generate electricity, agricultural crops or waste, all animal and organic waste, all energy crops and other renewable resources deemed to be Green-e Certified.

b) A Renewable Energy Certificate ("REC") is the tradable unit which represents the commodity formed by unbundling the environmental-benefit attributes of a unit of green power from the underlying electricity. One REC is equivalent to the environmental-benefits attributes of one (1) MWh of green power.

RATE

Voluntary monthly contributions of any amount in $5.00 increments

TERMS AND CONDITIONS

a) Customers may contribute monthly as much as they like in $5.00 increments (e.g., $5.00, $10.00, $15.00, or more per month). An eligible customer may participate in Company's "Green Energy Program" by making a request to Company's Call Center or through Company's website enrollment form and may withdraw at any time through a request to Company's Call Center. Funds provided by Customer to Company are not refundable.

b) Customers may not owe any arrearage prior to entering the "Green Energy Program". Any customer failing to pay the amount the customer pledged to contribute may be removed from the "Green Energy Program." Any Customer removed from or withdrawing from the "Green Energy Program" will not be allowed to re-apply for one (1) year.

c) Customer will be billed monthly for the amount Customer has pledged to contribute to the "Green Energy Program." Such billing will be added to Customer's billing under any standard rate schedules plus applicable riders plus applicable adjustment clauses.

Large Green Energy Rider

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

Service under this rider is available to customers receiving service under Company's standard PS, TODS, TODP, RTS, or FLS rate schedules as an option to participate in Company's "Green Energy Program" whereby Company will aggregate the resources provided by the participating customers to develop green power, purchase green power, or purchase Renewable Energy Certificates.

DEFINITIONS

a) Green power is that electricity generated from renewable sources including but not limited to: solar, wind, hydroelectric, geothermal, landfill gas, biomass, biodiesel used to generate electricity, agricultural crops or waste, all animal and organic waste, all energy crops and other renewable resources deemed to be Green-e Certified.

b) A Renewable Energy Certificate ("REC") is the tradable unit which represents the commodity formed by unbundling the environmental-benefit attributes of a unit of green power from the underlying electricity. One REC is equivalent to the environmental-benefits attributes of one (1) MWh of green power.

RATE

Voluntary monthly contributions of any amount in $13.00 increments

TERMS AND CONDITIONS

a) Customers may contribute monthly as much as they like in $13.00 increments, (e.g., $13.00, $26.00, $39.00, or more per month). An eligible customer may participate in company's "Green Energy Program" by making a request to the Company and may withdraw at any time through a request to the Company. Funds provided by Customer to Company are not refundable.

b) Customers may not owe any arrearage prior to entering the "Green Energy Program". Any customer failing to pay the amount the customer pledged to contribute may be removed from the "Green Energy Program." Any customer removed from or withdrawing from the "Green Energy Program" will not be allowed to re-apply for one (1) year.

c) Customer will be billed monthly for the amount customer has pledged to contribute to the "Green Energy Program." Such billing will be added to Customer's billing under any standard rate schedules plus applicable riders plus applicable adjustment clauses.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the
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2012-00221 dated December 20, 2012

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

Available as a rider to customers to be served or being served under Company's Standard Rate Schedules TODS, TODP, and RTS to encourage Brownfield Development or Economic Development (as defined herein). Service under EDR is conditional on approval of a special contract for such service filed with and approved by the Public Service Commission of Kentucky.

RATE

A customer taking service under EDR shall be served according to all of the rates, terms, and conditions of the normally applicable rate schedule subject to the following:

a) for the twelve consecutive monthly billings of the first contract year, the Total Demand Charge shall be reduced by 50%;
b) for the twelve consecutive monthly billings of the second contract year, the Total Demand Charge shall be reduced by 40%;
c) for the twelve consecutive monthly billings of the third contract year, the Total Demand Charge shall be reduced by 30%;
d) for the twelve consecutive monthly billings of the fourth contract year, the Total Demand Charge shall be reduced by 20%;
e) for the twelve consecutive monthly billings of the fifth contract year, the Total Demand Charge shall be reduced by 10%; and
f) all subsequent billing shall be at the full charges stated in the applicable rate schedule.

"Total Demand Charge" is the sum of all demand charges, including any credits provided under any other demand applicable rider, before the EDR discounts described above are applied.

TERMS AND CONDITIONS

<u>Brownfield Development</u>

a) Service under EDR for Brownfield Development is available to customers locating at sites that have been submitted to, approved by, and added to the Brownfield Inventory maintained by the Kentucky Energy and Environment Cabinet (or by any successor entity created and authorized by the Commonwealth of Kentucky).
b) EDR for Brownfield Development is available only to minimum monthly billing loads of 500 kVA or greater where the customer takes service from existing Company facilities. T

<u>Economic Development</u>

c) Service under EDR for Economic Development is available to:
    1) new customers contracting for a minimum monthly billing load of 1,000 kVA; and T

Standard Rate Rider **EDR**
Economic Development Rider

TERMS AND CONDITIONS
Economic Development (continued)

2) existing customers contracting for a minimum monthly billing load of 1,000 kVA above their Existing Base Load, to be determined as follows: T
   i. Company and the existing customer will determine Customer's Existing Base Load by averaging Customer's previous three years' monthly billing loads, subject to any mutually agreed upon adjustments thereto.
   ii. Company and the existing customer must agree upon the Existing Base Load, which shall be an explicit term of the special contract submitted to the Commission for approval before the customer can take service under EDR. Once the Existing Base Load's value is thus established, it will not be subject to variation or eligible for service under EDR.
   iii. This provision is not intended to reduce or diminish in any way EDR service already being provided to all or a portion of a customer's Existing Base Load. Such EDR service would continue under the terms of the contract already existing between the Company and the customer concerning the affected portion of the customer's Existing Base Load.

d) A customer desiring service under EDR for Economic Development must submit an application for service that includes:
   1) a description of the new load to be served;
   2) the number of new employees, if any, Customer anticipates employing associated with the new load;
   3) the capital investment Customer anticipates making associated with the EDR load;
   4) a certification that Customer has been qualified by the Commonwealth of Kentucky for benefits under the Kentucky Business Investment Program (KBI), or the T Kentucky Industrial Revitalization Act (KIRA), or the Kentucky Jobs Retention Act T (KJRA), or other comparable programs approved by the Commonwealth of T Kentucky. T

e) Should Company determine a refundable contribution for the capital investment in Customer-specific facilities required by Company to serve the EDR load would ordinarily be required as set out under Company's Line Extension Plan, I. Special Cases, that amount shall be determined over a fifteen (15) year period and payable at the end of the fifteen (15) year period.

General

f) Company may offer EDR to qualifying new load only when Company has generating capacity available and the new load will not accelerate Company's plans for additional generating capacity over the life of the EDR contract.

g) Customer may request an EDR effective initial billing date that is no later than twelve (12) months after the date on which Company initiates service to Customer.

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DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

General (continued) T

h) Neither the demand charge reduction nor any unjustified capital investment in facilities will be borne by Company's other customers during the term of the EDR contract.
i) Company may offer differing terms, as appropriate, under special contract to which this rider is a part depending on the circumstances associated with providing service to a particular customer and subject to approval by the Public Service Commission of Kentucky.
j) In any billing month where Customer's metered load is less than the load required to be eligible for either Brownfield Development or Economic Development, no credit under EDR will be calculated or applied to Customer's billing.

TERM OF CONTRACT

Service will be furnished under the applicable standard rate schedule and this rider, filed as a special contract with the Commission for a fixed term of not less than ten (10) years and for such time thereafter under the terms stated in the standard rate schedule. A greater term of contract or termination notice may be required because of conditions associated with a Customer's requirements for service. Service will be continued under conditions provided for under the rate schedule to which this Rider is attached after the original term of contract.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This schedule is mandatory to all electric rate schedules.

(1) The charge per kWh delivered under the rate schedules to which this fuel clause is applicable shall be increased or decreased during each month in accordance with the following formula:

$$\text{Adjustment Factor} = \frac{F(m)}{S(m)} - \frac{F(b)}{S(b)}$$

where "F" is the expense of fossil fuel and "S" is the kWh sales in the base (b) and current (m) periods as defined in 807 KAR 5:056, all as set out below.

(2) Fuel costs (F) shall be the most recent actual monthly cost of:

(a) Fossil fuel consumed in the utility's own plants, plus the cost of fuel which would have been used in plants suffering forced generation or transmission outages, but less the cost of fuel related to substitute generation; plus

(b) The actual identifiable fossil and nuclear fuel costs associated with energy purchased for reasons other than identified in paragraph (c) below, but excluding the cost of fuel related to purchases to substitute for the forced outages; plus

(c) The net energy cost of energy purchases, exclusive of capacity or demand charges (irrespective of the designation assigned to such transaction) when such energy is purchased on an economic dispatch basis. Included therein may be such costs as the charges for economy energy purchases and the charges as a result of scheduled outages, all such kinds of energy being purchased by the buyer to substitute for its own higher cost energy; and less

(d) The cost of fossil fuel recovered through inter-system sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

(e) All fuel costs shall be based on weighted average inventory costing.

(3) Forced outages are all non-scheduled losses of generation or transmission which require substitute power for a continuous period in excess of six (6) hours. Where forced outages are not as a result of faulty equipment, faulty manufacture, faulty design, faulty installations, faulty operation, or faulty maintenance, but are Acts of God, riot, insurrection or acts of the public enemy, then the utility may, upon proper showing, with the approval of the Commission, include the fuel cost of substitute energy in the adjustment. Until such approval is obtained, in making the calculations of fuel cost (F) in subsection (2)(a) and (b) above, the forced outage costs to be subtracted shall be no less than the fuel cost related to the lost generation.

(4) Sales (S) shall be all kWh sold, excluding inter-system sales. Where, for any reason, billed system sales cannot be coordinated with fuel costs for the billing period, sales may be equated to the sum of (i) generation, (ii) purchases, (iii) interchange in, less (iv) energy associated with pumped storage operations, less (v) inter-system sales referred to in subsection (2)(d) above, less (vi) total system losses. Utility used energy shall not be excluded in the determination of sales (S).

(5) The cost of fossil fuel shall include no items other than the invoice price of fuel less any cash or other discounts. The invoice price of fuel includes the cost of the fuel itself and necessary charges for transportation of the fuel from the point of acquisition to the unloading point, as listed in Account 151 of FERC Uniform System of Accounts for Public Utilities and Licensees.

(6) Base (b) period shall be May 2011, and the base fuel factor is $0.02892 per kWh.

(7) Current (m) period shall be the second month preceding the month in which the Fuel Clause Adjustment Factor is billed.

(8) Pursuant to the Public Service Commission's Orders in Case No. 2012-00552 dated May 17, 2013, and May 29, 2013, the Fuel Adjustment Clause will become effective with bills rendered on and after the first billing cycle for July 2013, which begins June 26, 2013.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: With Bills Rendered On and After
June 26, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of Orders of the Public
Service Commission in Case No. 2012-00552
dated May 17, 2013 and May 29, 2013

Adjustment Clause **DSM**

Demand-Side Management Cost Recovery Mechanism

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

This schedule is mandatory to Residential Service Rate RS, Residential Time-of-Day Energy T
Rate RTOD-Energy, Residential Time-of-Day Demand Rate RTOD-Demand, Volunteer Fire T
Department Service Rate VFD, General Service Rate GS, All Electric School Rate AES, Power Service Rate PS, Time-of-Day Secondary Service Rate TODS, Time-of-Day Primary Service
Rate TODP, and Retail Transmission Service Rate RTS. Industrial customers who elect not to T
participate in a demand-side management program hereunder shall not be assessed a charge pursuant to this mechanism. For purposes of rate application hereunder, non-residential customers will be considered "industrial" if they are primarily engaged in a process or processes that create or change raw or unfinished materials into another form or product, and/or in accordance with the North American Industry Classification System, Sections 21, 22, 31, 32, and 33. All other non-residential customers will be defined as "commercial."

RATE

The monthly amount computed under each of the rate schedules to which this Demand-Side Management Cost Recovery Mechanism is applicable shall be increased or decreased by the DSM Cost Recovery Component (DSMRC) at a rate per kilowatt hour of monthly consumption in accordance with the following formula:

DSMRC = DCR + DRLS + DSMI + DBA + DCCR

Where:

DCR = DSM COST RECOVERY

The DCR shall include all expected costs that have been approved by the Commission for each twelve-month period for demand-side management programs that have been developed through a collaborative advisory process ("approved programs"). Such program costs shall include the cost of planning, developing, implementing, monitoring, and evaluating DSM programs. Program costs will be assigned for recovery purposes to the rate classes whose customers are directly participating in the program. In addition, all costs incurred by or on behalf of the collaborative process, including but not limited to costs for consultants, employees, and administrative expenses, will be recovered through the DCR. Administrative costs that are allocable to more than one rate class will be recovered from those classes and allocated by rate class on the basis of the estimated budget from each program. The cost of approved programs shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the DCR for each such rate class.

DRLS = DSM REVENUE FROM LOST SALES

Revenues from lost sales due to DSM programs implemented on and after the effective date of this tariff will be recovered as follows:

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Adjustment Clause **DSM**

Demand-Side Management Cost Recovery Mechanism

RATE (continued)

1) For each upcoming twelve-month period, the estimated reduction in customer usage (in kWh) as determined for the approved programs shall be multiplied by the non-variable revenue requirement per kWh for purposes of determining the lost revenue to be recovered hereunder from each customer class. The non-variable revenue requirement for the Residential, Residential Time-of-Day Energy Service, Volunteer Fire Department, General Service, and All Electric School customer classes is defined as the weighted average price per kWh of expected billings under the energy charges contained in the RS, RTOD-Energy, VFD, GS, and AES rate schedules in the upcoming twelve-month period after deducting the variable costs included in such energy charges. The non-variable revenue requirement for each of the customer classes that are billed under demand and energy rates (rate schedules RTOD-Demand, PS, TODS, TODP, and RTS) is defined as the weighted average price per kWh represented by the composite of the expected billings under the respective demand and energy charges in the upcoming twelve-month period, after deducting the variable costs included in the energy charges.

2) The lost revenues for each customer class shall then be divided by the estimated class sales (in kWh) for the upcoming twelve-month period to determine the applicable DRLS surcharge. Recovery of revenue from lost sales calculated for a twelve-month period shall be included in the DRLS for 36 months or until implementation of new rates pursuant to a general rate case, whichever comes first. Revenues from lost sales will be assigned for recovery purposes to the rate classes whose programs resulted in the lost sales.

Revenues collected hereunder are based on engineering estimates of energy savings, expected program participation, and estimated sales for the upcoming twelve-month period. At the end of each such period, any difference between the lost revenues actually collected hereunder and the lost revenues determined after any revisions of the engineering estimates and actual program participation are accounted for shall be reconciled in future billings under the DSM Balance Adjustment (DBA) component.

A program evaluation vendor will be selected to provide evaluation criteria against which energy savings will be estimated for that program. Each program will be evaluated after implementation and any revision of the original engineering estimates will be reflected in both (a) the retroactive true-up provided for under the DSM Balance Adjustment and (b) the prospective future lost revenues collected hereunder.

DSMI = DSM INCENTIVE

For all Energy Impact Programs except Direct Load Control, the DSM incentive amount shall be computed by multiplying the net resource savings expected from the approved

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State Regulation and Rates
Lexington, Kentucky

programs that are to be installed during the upcoming twelve-month period times fifteen (15) percent, not to exceed five (5) percent of program expenditures. Net resource savings are defined as program benefits less utility program costs and participant costs where program benefits will be calculated on the basis of the present value of Company's avoided costs over the expected life of the program, and will include both capacity and energy savings. For the Energy Education Program, the DSM incentive amount shall be computed by multiplying the annual cost of the approved program times five (5) percent. T

The DSM incentive amount related to programs for Residential Service Rate RS, Residential Time-of-Day Energy Service Rate RTOD-Energy, Residential Time-of-Day Demand Service Rate RTOD-Demand, Volunteer Fire Department Rate VFD, General Service Rate GS, All Electric School Rate AES, Power Service Rate PS, Time-of-day Secondary Service Rate TODS, Time-of-Day Primary Service Rate TODP, and Retail Transmission Service Rate RTS shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the DSMI for such rate class. DSM incentive amounts will be assigned for recovery purposes to the rate classes whose programs created the incentive. T

DBA = DSM BALANCE ADJUSTMENT

The DBA shall be calculated on a calendar-year basis and is used to reconcile the difference between the amount of revenues actually billed through the DCR, DRLS, DSMI, DCCR, and previous application of the DBA and the revenues that should have been billed, as follows:

1) For the DCR, the balance adjustment amount will be the difference between the amount billed in a twelve-month period from the application of the DCR unit charge and the actual cost of the approved programs during the same twelve-month period.
2) For the DRLS the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DRLS unit charge and the amount of lost revenues determined for the actual DSM measures implemented during the twelve-month period.
3) For the DSMI, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DSMI unit charge and the incentive amount determined for the actual DSM measures implemented during the twelve-month period.
4) For the DBA, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DBA and the balance adjustment amount established for the same twelve-month period.

T

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State Regulation and Rates
Lexington, Kentucky

The balance adjustment amounts determined on the basis of the above paragraphs (1)-(4) shall include interest applied to the monthly amounts, such interest to be calculated at a rate equal to the average of the "Three-Month Commercial Paper Rate" for the immediately preceding twelve-month period. The total of the balance adjustment amounts shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the DBA for such rate class. DSM balance adjustment amounts will be assigned for recovery purposes to the rate classes for which over- or under-recoveries of DSM amounts were realized. T

DCCR = DSM CAPITAL COST RECOVERY

The DCCR component is the means by which the Company recovers its capital investments made for DSM programs, as well as an approved rate of return on such capital investments. The Company calculates the DCCR component as follows:

$$DCCR = [(RB)\ (ROR + (ROR - DR)\ (TR / (1 - TR))] + OE$$

a) RB is the total rate base for DCCR projects.
b) ROR is the overall rate of return on DSM Rate Base (RB).
c) DR is the composite debt rate (i.e., the cost of short- and long-term debt) embedded in ROR.
d) TR is the composite federal and state income tax rate that applies to the equity return component of ROR.
e) OE is the sum of the capital-related operating expenses (i.e., depreciation and amortization expense, property taxes, and insurance expense) of the DSM projects to which DCCR applies.

The Company then allocates the DCCR component to the rate class(es) benefitting from the Company's various DSM-related capital investment(s).

CHANGES TO DSMRC

Modifications to components of the DSMRC shall be made at least thirty days prior to the effective period for billing. Each filing shall include the following information as applicable:

1) A detailed description of each DSM program developed by the collaborative process, the total cost of each program over the twelve-month period, an analysis of expected resource savings, information concerning the specific DSM or efficiency measures to be installed, and any applicable studies that have been performed, as available.
2) A statement setting forth the detailed calculation of the DCR, DRLS, DSMI, DBA, DCCR, and DSMRC.

Each change in the DSMRC shall be placed into effect with bills rendered on and after the effective date of such change.

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State Regulation and Rates
Lexington, Kentucky

PROGRAMMATIC CUSTOMER CHARGES

Residential Customer Program Participation Incentives:

The following Demand Side Management programs are available to residential customers receiving service from the Company on the RS, RTOD-Energy, RTOD-Demand, and VFD Standard Electric Rate Schedules. T

Residential Load Management / Demand Conservation
The Residential Load Management / Demand Conservation Program employ switches in homes to help reduce the demand for electricity during peak times. The program communicates with the switches to cycle central air conditioning units, heat pumps, electric water heaters, and pool pumps off and on through a predetermined sequence. This program has an approved flexible incentive structure. The current program offering is defined on Sheet No 86.8.

Residential Conservation / Home Energy Performance Program
The on-site audit offers a comprehensive audit from a certified auditor and incentives for residential customers to support the implementation of energy saving measures for a fee of $25. Customers are eligible for incentives of $500 or $1,000 based on customer purchased and installed energy efficiency measures and validated through a follow-up test.

Residential Low Income Weatherization Program (WeCare)
The Residential Low Income Weatherization Program (WeCare) is an education and weatherization program designed to reduce energy consumption of LG&E's low-income customers. The program provides energy audits, energy education, blower door tests, and installs weatherization and energy conservation measures. Qualified customers could receive energy conservation measures ranging from $0 to $2,100 based upon the customer's most recent twelve month energy usage and results of an energy audit.

Smart Energy Profile
The Smart Energy Profile Program provides a portion of KU's highest consuming residential customers with a customized report of tips, tools and energy efficiency programming recommendations based on individual household energy consumption. These reports are benchmarked against similar properties in locality. The report will help the customer understand and make better informed choices as it relates to energy usage and the associated costs. Information presented in the report will include a comparison of the customer's energy usage to that of similar houses (collectively) and a comparison to the customer's own energy usage in the prior year.

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Adjustment Clause **DSM**

Demand-Side Management Cost Recovery Mechanism

Residential Incentives Program

The Residential Incentives Program encourages customers to purchase and install various ENERGY STAR® appliances, HVAC equipment, or window films that meet certain requirements, qualifying them for an incentive as noted in the table below.

Category	Item	Incentive
Appliances	Heat Pump Water Heaters (HPWH)	$300 per qualifying item purchased
	Washing Machine	$75 per qualifying item purchased
	Refrigerator	$100 per qualifying item purchased
	Freezer	$50 per qualifying item purchased
	Dishwasher	$50 per qualifying item purchased
Window Film	Window Film	Up to 50% of materials cost only; max of $200 per customer account; product must meet applicable criteria.
HVAC	Central Air Conditioner	$100 per Energy Star item purchased plus an additional $100 per SEER improvement above minimum
	Electric Air-Source Heat Pump	$100 per Energy Star item purchased plus additional $100 per SEER improvement above minimum

Residential Refrigerator Removal Program

The Residential Refrigerator Removal Program is designed to provide removal and recycling of working, inefficient secondary refrigerators and freezers from KU customer households. Customers participating in this program will be provided a one-time incentive. This program has an approved flexible incentive structure. The current program offering is defined on Sheet No 86.8.

Residential High Efficiency Lighting Program

The Residential High Efficiency Lighting program promotes an increased use of ENERGY STAR® rated CFLs within the residential sector. The Residential High Efficiency Lighting Program distributes compact fluorescent bulbs through direct-mail.

Residential New Construction Program

The Residential New Construction program is designed to reduce residential energy usage and facilitate market transformation by creating a shift in builders' new home construction to include energy-efficient construction practices. Builders who are part of the program can take advantage of technical training classes, gain additional exposure to potential customers and receive incentives to help offset costs when including more energy-efficient features during home construction. KU will reimburse the cost of plan reviews and inspection costs related to an Energy Star or HERS home certification.

Residential HVAC Diagnostics and Tune Up Program
The Residential HVAC Diagnostic and Tune-up program targets customers with HVAC system performance issues. There are no incentives paid directly to customers. Customers are charged a discounted, fixed-fee for the diagnosis and if needed, a similar fee for implementation of corrective actions. Thus, the program pays the portion of diagnostic and tune-up cost in excess of the customer charge below. The customer cost is as follows:

- Customer cost is $35 per unit for diagnostics test
- Customer cost is $50 per unit for tune-up

Customer Education and Public Information
These programs help customers make sound energy-use decisions, increase control over energy bills and empower them to actively manage their energy usage. Customer Education and Public Information is accomplished through two processes: a mass-media campaign and an elementary- and middle-school program. The mass media campaign includes public-service advertisements that encourage customers to implement steps to reduce their energy usage. The elementary and middle school program provides professional development and innovative materials to K-8 schools to teach concepts such as basic energy and energy efficiency concepts.

Dealer Referral Network
The Dealer Referral Network assists customers in identifying qualified service providers to install energy efficiency improvements recommended and/ or subsidized by the various energy efficiency programs.

Commercial Customer Program Participation Incentives:
The following Demand Side Management programs are available to commercial customers receiving service from the Company on the GS, AES, PS, TODS, TODP, and RTS Standard Electric Rate Schedules. T

Commercial Load Management / Demand Conservation
The Commercial Load Management / Demand Conservation Program employ switches or interfaces to customer equipment, in small and large commercial businesses to help reduce the demand for electricity during peak times. The Program communicates with the switches or interface to cycle equipment. This program has an approved flexible incentive structure. The current program offering is defined on Sheet No 86.8.

Commercial Conservation (Energy Audits) / Commercial Incentives
The Commercial Conservation / Commercial Inventive Program is designed to provide energy efficiency opportunities for the Companies' commercial class customers through energy audits and to increase the implementation of energy efficiency measures by providing financial incentives to assist with the replacement of aging and less efficient equipment. Incentives available to all commercial customers are based upon a $100 per kW removed for calculated efficiency improvements. A prescriptive list provides customers with incentive values for various efficiency improvements projects. Additionally, a custom rebate is available based upon company engineering validation of sustainable KW removed.

- Maximum annual incentive per facility is $50,000
- Customers can receive multi-year incentives in a single year where such multi-year incentives do not exceed the aggregate of $100,000 per facility and no incentive was provided in the immediately preceding year
- Applicable for combined Prescriptive and Custom Rebates

Commercial HVAC Diagnostics and Tune Up Program

The Commercial HVAC Diagnostic and Tune-up program targets customers with HVAC system performance issues. There are no incentives paid directly to customers. Customers are charged a discounted, fixed-fee for the diagnosis and if needed, a similar fee for implementation of corrective actions. Thus, the program pays the portion of diagnostic and tune-up cost in excess of the customer charge below. The customer cost is as follows:

- Customer cost is $50 per unit for diagnostics test
- Customer cost is $100 per unit for tune-up

Customer Education and Public Information
These programs help customers make sound energy-use decisions, increase control over energy bills and empower them to actively manage their energy usage. Customer Education and Public Information is accomplished through two processes: a mass-media campaign and an elementary- and middle-school program. The mass media campaign includes public-service advertisements that encourage customers to implement steps to reduce their energy usage. The elementary and middle school program provides professional development and innovative materials to K-8 schools to teach concepts such as basic energy and energy efficiency concepts.

Dealer Referral Network
The Dealer Referral Network assists customers in identifying qualified service providers to install energy efficiency improvements recommended and/ or subsidized by the various energy efficiency programs.

School Energy Management Program
The School Energy Management program will facilitate the hiring and retention of qualified, trained energy specialists by public school districts to support facilitation of energy efficiency measures for public and independent schools under KRS 160.325.

Current Program Incentive Structures

Residential Load Management / Demand Conservation
Switch Option:

- $5/month bill credit for June, July, August, & September per air conditioning unit or heat pump on single family home.
- $2/month bill credit for June, July, August, & September per electric water heater (40 gallon minimum) or swimming pool pump on single family home.
- If new customer registers by May 31, 2014, then a $25 gift card per air-conditioning unit, heat pump, water-heater (40 gallon minimum) and/or swimming pool pump switch installed.
    - Customers in a tenant landlord relationship will receive the entire $25 new customer incentive.

Multi-family Option:

- Tenant - $2/month bill credit per customer for June, July, August, & September per air conditioning unit, heat pump, or electric water heater (40 gallon minimum).
- Entire Complex Enrollment – Property owner receives $2/month incentive per air conditioning or heat pump switch to the premise owner for June, July, August, & September.
- If new customer registers by May 31, 2014, then a $25 gift card per air-conditioning unit or heat pump installed, where:
    - Customers in a tenant/property owner relationship where the entire complex participates, the property owner will receive a $25 bonus incentive per air conditioning unit, heat pump, or water heater (40 gallon minimum).
    - Customers in a tenant landlord relationship where only a portion of the complex participates, the tenant will receive a $25 gift card new customer incentive.

Residential Refrigerator Removal Program
The program provides $50 per working refrigerator or freezer.

Commercial Load Management / Demand Conservation

Switch Option

- $5 per month bill credit for June, July, August, & September for air conditioning units up to 5 tons. An additional $1 per month bill credit for each additional ton of air conditioning above 5 tons based upon unit rated capacity.

Customer Equipment Interface Option

The Company will offer a Load Management / Demand Response program tailored to a commercial customer's ability to reduce load. Program participants must commit to a minimum of 50KW demand reduction per control event. The Company will continue to enroll program participants until10MW curtailable load is achieved.

- $25 per KW for verified load reduction during June, July, August, & September.
- The customer will have access to at least hourly load data for every month of the year which they remain enrolled in the program.
- Additional customer charges may be incurred for metering equipment necessary for this program at costs under other tariffs.

Kentucky Utilities Company

Adjustment Clause **DSM**

Demand-Side Management Cost Recovery Mechanism

Monthly Adjustment Factors

Residential Service Rate RS, Residential Time-of-Day Energy Service Rate RTOD-Energy, Residential Time-of-Day Demand Service Rate RTOD-Demand, and Volunteer Fire Department Service Rate VFD	Energy Charge	T T T T
DSM Cost Recovery Component (DCR)	$ 0.00178 per kWh	
DSM Revenues from Lost Sales (DRLS)	$ 0.00098 per kWh	
DSM Incentive (DSMI)	$ 0.00008 per kWh	
DSM Capital Cost Recovery Component (DCCR)	$ 0.00069 per kWh	
DSM Balance Adjustment (DBA)	$ 0.00041 per kWh	
Total DSMRC for Rates RS, RTOD-Energy, RTOD-Demand, and VFD	$ 0.00394 per kWh	T

General Service Rate GS*	Energy Charge	T
DSM Cost Recovery Component (DCR)	$ 0.00086 per kWh	
DSM Revenues from Lost Sales (DRLS)	$ 0.00151 per kWh	
DSM Incentive (DSMI)	$ 0.00004 per kWh	
DSM Capital Cost Recovery Component (DCCR)	$ 0.00003 per kWh	
DSM Balance Adjustment (DBA)	$ 0.00056 per kWh	
Total DSMRC for Rate GS	$ 0.00300 per kWh	T

All Electric School Rate AES	Energy Charge
DSM Cost Recovery Component (DCR)	$ 0.00029 per kWh
DSM Revenues from Lost Sales (DRLS)	$ 0.00048 per kWh
DSM Incentive (DSMI)	$ 0.00001 per kWh
DSM Capital Cost Recovery Component (DCCR)	$ 0.00014 per kWh
DSM Balance Adjustment (DBA)	$ 0.00031 per kWh
Total DSMRC for Rate AES	$ 0.00123 per kWh

Power Service Rate PS*, Time of Day Secondary Service Rate TODS*, Time-of-Day Primary Service Rate TODP*, and Retail Transmission Service Rate RTS*	Energy Charge	T T T
DSM Cost Recovery Component (DCR)	$ 0.00030 per kWh	
DSM Revenues from Lost Sales (DRLS)	$ 0.00049 per kWh	
DSM Incentive (DSMI)	$ 0.00001 per kWh	
DSM Capital Cost Recovery Component (DCCR)	$ 0.00006 per kWh	
DSM Balance Adjustment (DBA)	$ 0.00051 per kWh	
Total DSMRC for Rates PS, TODS, TODP and RTS	$ 0.00137 per kWh	T

* These charges do not apply to industrial customers taking service under these rates because the Company currently does not offer industrial DSM programs. T T

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Adjustment Clause **ECR**
Environmental Cost Recovery Surcharge

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

This schedule is mandatory to all Standard Electric Rate Schedules listed in Section 1 of the General Index except CTAC and Special Charges, all Pilot Programs listed in Section 3 of the General Index, and the FAC and DSM Adjustment Clauses. Standard Electric Rate Schedules subject to this schedule are divided into Group 1 or Group 2 as follows:

Group 1: Rate Schedules RS; RTOD-Energy; RTOD-Demand; VFD; AES; LS; RLS; LE; and TE. T
Group 2: Rate Schedules GS; PS; TODS; TODP; RTS; and FLS.

RATE

The monthly billing amount under each of the schedules to which this mechanism is applicable, shall be increased or decreased by a percentage factor calculated in accordance with the following formula.

Group Environmental Surcharge Billing Factor = Group E(m) / Group R(m)

As set forth below, Group E(m) is the sum of Jurisdictional E(m) of each approved environmental compliance plan revenue requirement of environmental compliance costs for the current expense month allocated to each of Group 1 and Group 2. Group R(m) for Group 1 is the 12-month average revenue for the current expense month and for Group 2 it is the 12-month average non-fuel revenue for the current expense month.

DEFINITIONS

1) For all Plans, E(m) = [(RB/12) (ROR + (ROR – DR) (TR / (1 – TR))] + OE – EAS + BR
   a) RB is the Total Environmental Compliance Rate Base.
   b) ROR is the Rate of Return on Environmental Compliance Rate Base, designated as the overall rate of return [cost of short-term debt, long-term debt, preferred stock, and common equity].
   c) DR is the Debt Rate [cost of short-term debt, and long-term debt].
   d) TR is the Composite Federal and State Income Tax Rate.
   e) OE is the Operating Expenses. OE includes operation and maintenance expense recovery authorized by the K.P.S.C. in all approved ECR Plan proceedings.
   f) EAS is the total proceeds from emission allowance sales.
   g) BR is the operation and maintenance expenses, and/or revenues if applicable, associated with Beneficial Reuse.
   h) Plans are the environmental surcharge compliance plans submitted to and approved by the Kentucky Public Service Commission pursuant to KRS 278.183.

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

DEFINITIONS (continued) T

2) Total E(m) (sum of each approved environmental compliance plan revenue requirement) is multiplied by the Jurisdictional Allocation Factor. Jurisdictional E(m) is adjusted for any (Over)/Under collection or prior period adjustment and by the subtraction of the Revenue Collected through Base Rates for the Current Expense month to arrive at Adjusted Net Jurisdictional E(m). Adjusted Net Jurisdictional E(m) is allocated to Group 1 and Group 2 on the basis of Revenue as a Percentage of Total Revenue for the 12 months ending with the Current Month to arrive at Group 1 E(m) and Group 2 E(m).

3) The Group 1 R(m) is the average of total Group 1 monthly base revenue for the 12 months ending with the current expense month. Base revenue includes the customer, energy, and lighting charges for each rate schedule included in Group 1 to which this mechanism is applicable and automatic adjustment clause revenues for the Fuel Adjustment Clause and the Demand-Side Management Cost Recovery Mechanism as applicable for each rate schedule in Group 1.

4) The Group 2 R(m) is the average of total Group 2 monthly base non-fuel revenue for the 12 months ending with the current expense month. Base non-fuel revenue includes the customer, non-fuel energy, and demand charges for each rate schedule included in Group 2 to which this mechanism is applicable and automatic adjustment clause revenues for the Demand-Side Management Cost Recovery Mechanism as applicable for each rate schedule in Group 2. Non-fuel energy is equal to the tariff energy rate for each rate schedule included in Group 2 less the base fuel factor as defined on Sheet No. 85.1, Paragraph 6.

5) Current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed.

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Adjustment Clause **FF**

Franchise Fee Rider

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

Available as an option for collection of revenues within governmental jurisdictions which impose on Company franchise fees, permitting fees, local taxes or other charges by ordinance, franchise, or other governmental directive and not otherwise collected in the charges of Company's base rate schedules.

DEFINITIONS

Base Year - the twelve month period ending November 30.
Collection Year - the full calendar year following the Base Year.
Base Year Amount -

1) a percentage of revenues, as determined in the franchise agreement, for the Base Year; and
2) license fees, permit fees, or other costs specifically borne by Company for the purpose of maintaining the franchise as incurred in the Base Year and applicable specifically to Company by ordinance or franchise for operation and maintenance of its facilities in the franchise area, including but not limited to costs incurred by Company as a result of governmental regulation or directives requiring construction or installation of facilities beyond that normally provided by Company in accordance with applicable Rules and Regulations approved by and under the direction of the Kentucky Public Service Commission; and
3) any adjustment for over or under collection of revenues associated with the amounts in 1) or 2).

RATE

The franchise percentage will be calculated by dividing the Base Year amount by the total revenues in the Base Year for the franchise area. The franchise percentage will be monitored during the Collection Year and adjusted to recover the Base Year Amount in the Collection Year as closely as possible.

BILLING

1) The franchise charge will be applied exclusively to the base rate and all riders of bills of customers receiving service within the franchising governmental jurisdiction, before taxes.
2) The franchise charge will appear as a separate line item on the Customer's bill and show the unit of government requiring the franchise.
3) Payment of the collected franchise charges will be made to the governmental franchising body as agreed to in the franchise agreement.
4) At its option, a governmental body imposing a franchise fee shall not be billed for that portion of a franchise fee, applied to services designated by the governmental body, that would ultimately be repaid to the governmental body.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: May 26, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

TERM OF CONTRACT

As agreed to in the franchise agreement. In the event such franchise agreement should lapse but payment of franchise fees, other local taxes, or permitting fees paid by Company by ordinance, franchise, or other governmental directive should continue, collection shall continue under this tariff.

TERMS AND CONDITIONS

Service will be furnished in accordance with the provisions of the franchise agreement in so far as those provisions do not conflict with the Terms and Conditions applicable to Company approved by and under the direction of the Kentucky Public Service Commission.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: October 16, 2003

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Adjustment Clause **ST**
School Tax

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This schedule is applied as a rate increase to all other schedules pursuant to KRS 160.617 for the recovery by the utility of school taxes in any county requiring a utility gross receipts license tax for schools under KRS 160.613.

RATE
The utility gross receipts license tax authorized under state law.

Adjustment Clause **HEA**
Home Energy Assistance Program

APPLICABLE
In all territory served.

AVAILABILITY
To all residential customers.

RATE
$0.25 per meter per month.

BILLING
The HEA charge shall be shown as a separate item on customer bills.

SERVICE PERIOD
The Home Energy Assistance charge will be applied to all residential electric bills rendered during the billing cycles commencing January 1, 2013 until the effective date of new base rates, or as otherwise directed by the Public Service Commission. The HEA program is approved through September 30, 2015. Proceeds from this charge will be used to fund residential low-income demand-side management Home Energy Assistance programs which have been designed through a collaborative advisory process and then filed with, and approved by, the Commission.

TERMS AND CONDITIONS

Customer Bill of Rights

As a residential customer of a regulated public utility in Kentucky, you are guaranteed the following rights subject to Kentucky Revised Statutes and the provisions of the Kentucky Public Service Commission Administrative Regulations:

- You have the right to service, provided you (or a member of your household whose debt was accumulated at your address) are not indebted to the utility.
- You have the right to inspect and review the utility's rates and tariffed operating procedures during the utility's normal office hours.
- You have the right to be present at any routine utility inspection of your service conditions.
- You must be provided a separate, distinct disconnect notice alerting you to a possible disconnection of your service, if payment is not received.
- You have the right to dispute the reasons for any announced termination of your service.
- You have the right to negotiate a partial payment plan when your service is threatened by disconnection for non-payment.
- You have the right to participate in equal, budget payment plans for your natural gas and electric service.
- You have the right to maintain your utility service for up to thirty (30) days upon presentation of a medical certificate issued by a health official.
- You have the right to prompt (within 24 hours) restoration of your service when the cause for discontinuance has been corrected.
- If you have not been disconnected, you have the right to maintain your natural gas and electric service for up to thirty (30) days, provided you present a Certificate of Need issued by the Kentucky Cabinet for Human Resources between the months of November and the end of March.
- If you have been disconnected due to non-payment, you have the right to have your natural gas or electric service reconnected between the months of November through March provided you:
  1) Present a Certificate of Need issued by the Kentucky Cabinet for Human Resources, and
  2) Pay one third (1/3) of your outstanding bill ($200 maximum), and
  3) Accept referral to the Human Resources' Weatherization Program, and
  4) Agree to a repayment schedule that will cause your bill to become current by October 15.
- You have the right to contact the Public Service Commission regarding any dispute that you have been unable to resolve with your utility (call Toll Free 1-800-772-4636).

TERMS AND CONDITIONS

General

COMMISSION RULES AND REGULATIONS

All electric service supplied by Company shall be in accordance with the applicable rules and regulations of the Public Service Commission of Kentucky.

COMPANY TERMS AND CONDITIONS

In addition to the rules and regulations of the Commission, all electric service supplied by Company shall be in accordance with these Terms and Conditions, which shall constitute a part of all applications and contracts for service.

COMPANY AS A FEDERAL CONTRACTOR T

The United Nations Convention on Contracts for the International Sale of Goods is specifically disclaimed and excluded and will not apply to or govern agreements between customers and Company.

To the extent Company is a federal contractor, Company and its subcontractors shall abide by the requirements of 41 CFR 60-741.5(a). This regulation prohibits discrimination against qualified individuals on the basis of disability, and requires affirmative action by covered prime contractors and subcontractors to employ and advance in employment qualified individuals with disabilities.

To the extent Company is a federal contractor, Company and its subcontractors shall abide by the requirements of 41 CFR 60-300.5(a). This regulation prohibits discrimination against qualified protected veterans, and requires affirmative action by covered prime contractors and subcontractors to employ and advance in employment qualified protected veterans.

RATES, TERMS AND CONDITIONS ON FILE

A copy of the rate schedules, terms, and conditions under which electric service is supplied is on file with the Public Service Commission of Kentucky. A copy of such rate schedules, terms and conditions, together with the law, rules, and regulations of the Commission, is available for public inspection in each office of Company where bills may be paid.

ASSIGNMENT

No order for service, agreement or contract for service may be assigned or transferred without the written consent of Company.

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TERMS AND CONDITIONS T

General

RENEWAL OF CONTRACT

If, upon the expiration of any service contract for a specified term, the customer continues to use the service, the contract (unless otherwise provided therein) will be automatically renewed for successive periods of one (1) year each, subject to termination at the end of any year upon thirty (30) days prior written notice by either party.

AGENTS CANNOT MODIFY AGREEMENT WITHOUT CONSENT OF P.S.C. OF KY.

No agent has power to amend, modify, alter, or waive any of these Terms and Conditions, or to bind Company by making any promises or representations not contained herein.

SUPERSEDE PREVIOUS TERMS AND CONDITIONS

These Terms and Conditions supersede all terms and conditions under which Company has previously supplied electric service.

TERMS AND CONDITIONS

Customer Responsibilities

APPLICATION FOR SERVICE

A written application or contract, properly executed, may be required before Company is obligated to render electric service. Company shall have the right to reject for valid reasons any such application or contract.

All applications for service shall be made in the legal name of the party desiring the service.

Where an unusual expenditure for construction or equipment is necessary or where the proposed manner of using electric service is clearly outside the scope of Company's standard rate schedules, Company may establish special contracts giving effect to such unusual circumstances. Customer accepts that non-standard service may result in the delay of required maintenance or, in the case of outages, restoration of service.

TRANSFER OF APPLICATION

Applications for electric service are not transferable and new occupants of premises will be required to make application for service before commencing the use of electricity. Customers who have been receiving electric service shall notify Company when discontinuance of service is desired, and shall pay for all electric service furnished until such notice has been given and final meter readings made by Company.

CONTRACTED DEMANDS

For rate applications where billing demand minimums are determined by the Contract Demand customer shall execute written Contract prior to rendering of service. At Company's sole discretion, in lieu of a written contract, a completed load data sheet or other written load specification, as provided by Customer, can be used to determine the maximum load on Company's system for determining Contract Demand minimum.

OPTIONAL RATES

If two or more rate schedules are available for the same class of service, it is Customer's responsibility to determine the options available and to designate the schedule under which customer desires to receive service.

Company will, at any time, upon request, advise any customer as to the most advantageous rate for existing or anticipated service requirements as defined by the customer, but Company does not assume responsibility for the selection of such rate or for the continuance of the lowest annual cost under the rate selected.

In those cases in which the most favorable rate is difficult to predetermine, Customer will be given the opportunity to change to another schedule, unless otherwise prevented by the rate schedule under which Customer is currently served, after trial of the schedule originally designated; however, after the first such change, Company shall not be required to make a change in schedule more often than once in twelve (12) months.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: August 1, 2010

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

TERMS AND CONDITIONS

Customer Responsibilities

From time to time, Customer should investigate Customer's operating conditions to determine a desirable change from one available rate to another. Company, lacking knowledge of changes that may occur at any time in Customer's operating conditions, does not assume responsibility that Customer will at all times be served under the most beneficial rate.

In no event will Company make refunds covering the difference between the charges under the rate in effect and those under any other rate applicable to the same class of service.

CUSTOMER'S EQUIPMENT AND INSTALLATION

Customer shall furnish, install, and maintain at Customer's expense all electrical apparatus and wiring to connect with Company's service drop or service line. All such apparatus and wiring shall be installed and maintained in conformity with applicable statutes, laws or ordinances and with the rules and regulations of the constituted authorities having jurisdiction. Customer shall not install wiring or connect and use any motor or other electricity-using device which in the opinion of Company is detrimental to its electric system or to the service of other customers of Company. Company assumes no responsibility whatsoever for the condition of Customer's electrical wiring, apparatus, or appliances, nor for the maintenance or removal of any portion thereof.

In the event Customer builds or extends its own transmission or distribution system over property Customer owns, controls, or has rights to, and said system extends or may extend into the service territory of another utility company, Customer will notify Company of their intention in advance of the commencement of construction.

OWNER'S CONSENT TO OCCUPY

Customer shall grant easements and rights-of-way on and across Customer's property at no cost to Company.

ACCESS TO PREMISES AND EQUIPMENT

Company shall have the right of access to Customer's premises at all reasonable times for the purpose of installing, meter reading, inspecting, repairing, or removing its equipment used in connection with its supply of electric service or for the purpose of turning on and shutting off the supply of electricity when necessary and for all other proper purposes. Customer shall not construct or permit the construction of any structure or device which will restrict the access of Company to its equipment for any of the above purposes.

PROTECTION OF COMPANY'S PROPERTY

Customers will be held responsible for tampering, interfering with, breaking of seals of meters, or other equipment of Company installed on Customer's premises, and will be held liable for same according to law. Customer hereby agrees that no one except the employees of Company shall be allowed to make any internal or external adjustments of any meter or any other piece of apparatus which shall be the property of Company.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: August 1, 2010

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

TERMS AND CONDITIONS

Customer Responsibilities

POWER FACTOR

Company installs facilities to supply power to Customer at or near unity power factor.

Company expects any customer to use apparatus which shall result in a power factor near unity. However, Company will permit the use of apparatus which shall result, during normal operation, in a power factor not lower than 90 percent either lagging or leading.

Where Customer’s power factor is less than 90 percent, Company reserves the right to require Customer to furnish, at Customer’s own expense, suitable corrective equipment to maintain a power factor of 90 percent or higher.

EXCLUSIVE SERVICE ON INSTALLATION CONNECTED

Except in cases where Customer has a contract with Company for reserve or auxiliary service, no other electric light or power service will be used by Customer on the same installation in conjunction with Company's service, either by means of a throw-over switch or any other connection.

LIABILITY

Customer assumes all responsibility for the electric service upon Customer's premises at and from the point of delivery of electricity and for the wires and equipment used in connection therewith, and will protect and save Company harmless from all claims for injury or damage to persons or property occurring on Customer's premises or at and from the point of delivery of electricity, occasioned by such electricity or said wires and equipment, except where said injury or damage will be shown to have been occasioned solely by the negligence of Company.

NOTICE TO COMPANY OF CHANGES IN CUSTOMER’S LOAD

The service connections, transformers, meters, and appurtenances supplied by Company for the rendition of electric service to its customers have a definite capacity which may not be exceeded without damage. In the event that Customer contemplates any material increase in Customer’s connected load, whether in a single increment or over an extended period, Customer shall immediately give Company written notice of this fact so as to enable it to enlarge the capacity of such equipment. In case of failure to give such notice Customer may be held liable for any damage done to meters, transformers, or other equipment of Company caused by such material increase in Customer's connected load. Should Customer make a permanent change in the operation of electrical equipment that materially reduces the maximum load required by Customer, Company may reduce Customer’s contract capacity.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

TERMS AND CONDITIONS

Customer Responsibilities

PERMITS

Customer shall obtain or cause to be obtained all permits, easements, or certificates, except street permits, necessary to give Company or its agents access to Customer's premises and equipment and to enable its service to be connected therewith. In case Customer is not the owner of the premises or of intervening property between the premises and Company's distribution lines the customer shall obtain from the proper owner or owners the necessary consent to the installation and maintenance in said premises and in or about such intervening property of all such wiring or other customer-owned electrical equipment as may be necessary or convenient for the supply of electric service to customer. Provided, however, to the extent permits, easements, or certificates are necessary for the installation and maintenance of Company-owned facilities, Company shall obtain the aforementioned consent.

The construction of electric facilities to provide service to a number of customers in a manner consistent with good engineering practice and the least public inconvenience sometimes requires that certain wires, guys, poles, or other appurtenances on a customer's premises be used to supply service to neighboring customers. Accordingly, each customer taking Company's electric service shall grant to Company such rights on or across his or her premises as may be necessary to furnish service to neighboring premises, such rights to be exercised by Company in a reasonable manner and with due regard for the convenience of Customer.

Company shall make or cause to be made application for any necessary street permits, and shall not be required to supply service under Customer's application until a reasonable time after such permits are granted.

CHANGES IN SERVICE T

Where Customer is receiving service and desires relocation or change in facilities not supported T
by additional load, Customer is responsible for the cost of the relocation or change in facilities T
through a Non-Refundable Advance. T

TERMS AND CONDITIONS

Company Responsibilities

METERING

The electricity used will be measured by a meter or meters to be furnished and installed by Company at its expense and all bills will be calculated upon the registration of said meters. When service is supplied by Company at more than one delivery point on the same premises, each delivery point will be metered and billed separately on the rate applicable. Meters include all measuring instruments. Meters will be located outside whenever possible. Otherwise, meters will be located as near as possible to the service entrance and on the ground floor of the building, in a clean, dry, safe and easily accessible place, free from vibration, agreed to by Company.

POINT OF DELIVERY OF ELECTRICITY

The point of delivery of electrical energy supplied by Company shall be at the point, as designated by Company, where Company's facilities are connected with the facilities of Customer, irrespective of the location of the meter.

EXTENSION OF SERVICE

The main transmission lines of Company, or branches thereof, will be extended to such points as provide sufficient load to justify such extensions or in lieu of sufficient load, Company may require such definite and written guarantees from a customer, or group of customers, in addition to any minimum payments required by the Tariff as may be necessary. This requirement may also be made covering the repayment, within a reasonable time, of the cost of tapping such existing lines for light or power service or both.

COMPANY’S EQUIPMENT AND INSTALLATION

Company will furnish, install, and maintain at its expense the necessary overhead service drop or service line required to deliver electricity at the voltage contracted for, to Customer's electric facilities.

Company will furnish, install, and maintain at its expense the necessary meter or meters. (The term meter as used here and elsewhere in these rules and regulations shall be considered to include all associated instruments and devices, such as current and potential transformers installed for the purpose of measuring deliveries of electricity to the customer.) Suitable provision for Company's meter, including an adequate protective enclosure for the same if required, shall be made by Customer. Title to the meter shall remain in Company, with the right to install, operate, maintain, and remove same. Customer shall protect such property of Company from loss or damage, and no one who is not an agent of Company shall be permitted to remove, damage, or tamper with the same. Customer shall execute such reasonable form of easement agreement as may be required by Company.

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DATE EFFECTIVE: February 6, 2009

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

TERMS AND CONDITIONS

Company Responsibilities

Notwithstanding the provisions of 807 KAR 5:006, Section 14(4), a reasonable time shall be allowed subsequent to Customer's service application to enable Company to construct or install the facilities required for such service. In order that Company may make suitable provision for enlargement, extension or alteration of its facilities, each applicant for commercial or industrial service shall furnish Company with realistic estimates of prospective electricity requirements.

COMPANY NOT LIABLE FOR INTERRUPTIONS

Company will exercise reasonable care and diligence in an endeavor to supply service continuously and without interruption but does not guarantee continuous service and shall not be liable for any loss or damage resulting from interruption, reduction, delay or failure of electric service not caused by the willful negligence of Company, or resulting from any cause or circumstance beyond the reasonable control of Company.

COMPANY NOT LIABLE FOR DAMAGE ON CUSTOMER’S PREMISES

Company is merely a supplier of electricity delivered to the point of connection of Company's and Customer's facilities, and shall not be liable for and shall be protected and held harmless for any injury or damage to persons or property of Customer or of third persons resulting from the presence, use or abuse of electricity on Customer's premises or resulting from defects in or accidents to any of Customer's wiring, equipment, apparatus, or appliances, or resulting from any cause whatsoever other than the negligence of Company

LIABILITY

In no event shall Company have any liability to Customer or any other party affected by the electrical service to Customer for any consequential, indirect, incidental, special, or punitive damages, and such limitation of liability shall apply regardless of claim or theory. In addition, to the extent that Company acts within its rights as set forth herein and/or any applicable law or regulation, Company shall have no liability of any kind to Customer or any other party. In the event that the customer’s use of Company’s service causes damage to Company’s property or injuries to persons, Customer shall be responsible for such damage or injury and shall indemnify, defend, and hold Company harmless from any and all suits, claims, losses, and expenses associated therewith.

FIRM SERVICE

Where a customer-generator supplies all or part of the customer-generator’s own load and desires Company to provide supplemental or standby service for that load, the customer-generator must contract for such service under Company’s Supplemental or Standby Service Rider, otherwise Company has no obligation to supply the non-firm service. This requirement does not apply to Net Metering Service (Rider NMS).

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

TERMS AND CONDITIONS

Character of Service

Electric service, under the rate schedules herein, will be 60 cycle, alternating current delivered from Company's various load centers and distribution lines at typical nominal voltages and phases, as available in a given location, as follows:

SECONDARY VOLTAGES

Residential Service -

Single phase 120/240 volts three-wire service or 120/208Y volts three-wire service where network system is available.

Non-Residential Service -

1) Single phase 120/240 volts three-wire service, or 120/208Y volts three-wire service where network system is available.
2) Three phase 240 volts three-wire service, 120/240 volts four-wire service, 480 volts three-wire service, 120-208Y volts four-wire service, or 277/480Y four-wire service.

PRIMARY VOLTAGES

According to location, 2,400/4160Y volts, 7,200/12,470Y volts, or 34,500 volts

TRANSMISSION VOLTAGES

According to location, 69,000 volts, 138,000 volts, or 345,000 volts.

The voltage available to any individual customer shall depend upon the voltage of Company’s lines serving the area in which Customer’s electric load is located.

RESTRICTIONS

1. Except for minor loads, with approval of company, two-wire service is restricted to those customers on service July 1, 2004.
2. To be eligible for the rate applicable to any delivery voltage other than secondary voltage, Customer must furnish and maintain complete substation structure, transformers, and other equipment necessary to take service at the primary or transmission voltage available at point of connection.
   a) In the event Company is required to provide transformation to reduce an available voltage to a lower voltage for delivery to a customer, Customer shall be served at the rate applicable to the lower voltage; provided, however, that if the same rate is applicable to both the available voltage and the delivery voltage, Customer may be required to make a non-refundable payment to reflect the additional investment required to provide service.
   b) The available voltage shall be the voltage on that distribution or transmission line which Company designates as being suitable from the standpoint of capacity and other operating characteristics for supplying the requirements of Customer.

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

TERMS AND CONDITIONS

Residential Rate Specific Terms and Conditions

Residential electric service is available for uses customarily associated with residential occupation, including lighting, cooking, heating, cooling, refrigeration, household appliances, and other domestic purposes.

1. **DEFINITION OF RESIDENTIAL RATE** - Residential rates are based on service to single family units served through a single meter. Such service may include incidental usage of electricity for home occupations, such as the office of a physician, surgeon, dentist, musician or artist when such occupation is practiced by Customer in Customer's residence. Service to both a single family unit and a detached structure may both be served through a single meter, regardless of the meter location, and qualify for the residential service provided the consumption in the non-residential portion of the detached structure is incidental. T

2. **DEFINITION OF SINGLE FAMILY UNIT** - A single family unit is a structure or part of a structure used or intended to be used as a home, residence, or sleeping place by one or more persons maintaining a common household. Residential service is not available to transient multi-family structures including, but not limited to, hotels, motels, studio apartments, college dormitories, or any structure without a permanent foundation or attached to sanitation facilities. Fraternity or sorority organizations associated with educational institutions may be classified as residential and billed at the residential rate.

3. **DETACHED STRUCTURES** - If Customer has detached structures that are located at such distance from Customer's residence as to make it impracticable to supply service through customer's residential meter, the separate meter required to measure service to the detached structures will be considered a separate service and billed as a separate customer.

4. **POWER REQUIREMENT -** Single-phase power service used for domestic purposes will be permitted under Residential Rate RS when measured through the residential meter subject to the conditions set forth below:

   (a) Single-phase motors may be served at 120 volts if the locked-rotor current at rated voltage does not exceed 50 amperes. Motors with locked-rotor current ratings in excess of 50 amperes must be served at 240 volts.

   (b) Single-phase motors of new central residential cooling installations with total locked-rotor ratings of not to exceed 125 amperes (inclusive of any auxiliary motors arranged for simultaneous starting with the compressor) may be connected for across-the-line starting provided the available capacity of Company's electric distribution facilities at desired point of supply is such that, in Company's judgment, the starting of such motors will not result in excessive voltage dips and undue disturbance of lighting service and television reception of

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

TERMS AND CONDITIONS

Residential Rate Specific Terms and Conditions

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nearby electric customers. However, except with Company's express written consent, no new single-phase central residential cooling unit having a total lock-rotor rating in excess of 125 amperes inclusive of auxiliary motors arranged for simultaneous starting with the compressor) shall hereafter be connected to Company's lines, or be eligible for electric service therefrom, unless it is equipped with an approved type of current-limiting device for starting which will reduce the initial and incremental starting current inrush to a maximum of 100 amperes per step. Company shall be furnished with reasonable advance notice of any proposed central residential cooling installation.

(c) In the case of multi-motored devices arranged for sequential starting of the motors, the above rules are considered to apply to the locked-rotor currents of the individual motors; if arranged for simultaneous starting of the motors, the rules apply to the sum of the locked-rotor currents of all motors so started.

(d) Any motor or motors served through a separate meter will be billed as a separate customer.

TERMS AND CONDITIONS

BILLING

METER READINGS AND BILLS

Each bill for utility service shall be issued in compliance with 807 KAR 5:006, Section 7.

All bills will be based upon meter readings made in accordance with Company's meter reading schedule. Company, except if prevented by reasons beyond its control, shall read customers meters at least quarterly, except that customer-read meters shall be read at least once during the calendar year.

In the case of opening and closing bills when the total period between regular and special meter readings is less than thirty days, the minimum charges of the applicable rate schedules will be prorated on the basis of the ratio of the actual number of days in such period to thirty days.

When Company is unable to read Customer's meter after reasonable effort, or when Company experiences circumstances which make actual meter readings impossible or impracticable, Customer may be billed on an estimated basis and the billing will be adjusted as necessary when the meter is read.

In the event Company's meter fails to register properly by reason of damage, accident, etc., Company shall have the right to estimate Customer's consumption during the period of failure on the basis of such factors as Customer's connected load, heating degree days, and consumption during a previous corresponding period and during a test period immediately following replacement of the defective meter.

Bills are due and payable at the office of Company during business hours, or at other locations designated by Company, within sixteen (16) business days (no less than twenty-two (22) calendar days) from date of rendition thereof. If full payment is not received by the due date of the bill, a late payment charge will be assessed on the current month’s charges. Beginning October 1, 2010, residential customers who receive a pledge for or notice of low income energy assistance from an authorized agency will not be assessed or required to pay a late payment charge for the bill for which the pledge or notice is received, nor will they be assessed or required to pay a late payment charge in any of the eleven (11) months following receipt of such pledge or notice. There will be no adverse credit impact on the customer’s payment and credit record, including credit scoring, both internally and externally, and the account will not be considered delinquent for any purpose if the Company receives the customer’s payment within fifteen days after the date on which the Company issues the customer’s bill.

Failure to receive a bill does not exempt Customer from these provisions of Company’s Terms and Conditions.

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

TERMS AND CONDITIONS

BILLING

READING OF SEPARATE METERS NOT COMBINED

For billing purposes, each meter upon Customer's premises will be considered separately and readings of two (2) or more meters will not be combined except where Company's operating convenience requires the installation of two (2) or more meters upon Customer's premises instead of one (1) meter.

CUSTOMER RATE ASSIGNMENT

If Customer takes service under a rate schedule the eligibility for which contains a minimum or maximum demand parameter (or both), Company will review Customer's demand and usage data at least once annually to determine the rate schedule under which Customer will take service until the next review and rate determination. Company will also conduct such a review and determination upon Customer's request. Company shall not be obligated to change Customer's rate determination based upon detection of a substantial deviation of Customer's demand or usage if, after consultation with Customer, Company determines in its sole discretion that such deviation is not indicative of Customer's likely long-term demand. Similarly, Company may assign Customer to a rate schedule for which Customer would not be eligible based solely on Customer's historical demand or usage, but Company may do so only as part of a review and rate determination that involves consulting with Customer about Customer's likely future demand, as well as Customer's special contract demand, if applicable.

Any such review and rate determination shall be deemed conclusively to be the correct rate determination for Customer for all purposes and for all periods until Company conducts the next such review and determination for Customer. Therefore, Company shall not be liable for any refunds to Customer based upon Customer's rate assignment, and Company shall not seek to back-bill Customer based upon Customer's rate assignment, for any periods between and including such reviews and determinations unless, and only in the event that, a particular review and rate determination are shown to have been materially erroneous at the time they were conducted, in which case Company may be liable for a refund, or may back-bill Customer, only for the period from the erroneous review and determination to the present or the next non-erroneous review and determination, whichever is shorter.

If Company determines during a review as described above that Customer is eligible to take service under more than one rate schedule and that Customer is then taking service under such a rate schedule, Company will not change Customer's rate assignment; it will remain Customer's responsibility to choose between optional rates, as stated in the Optional Rates section of Customer Responsibilities at Original Sheet Nos. 97 and 97.1.

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DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

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TERMS AND CONDITIONS

BILLING

If Company determines during a review as described above that Customer is eligible to take service under more than one rate schedule and that Customer is not then taking service under such a rate schedule, Company will (1) provide reasonable notice to Customer of the options available and (2) assign Customer to the rate schedule Company reasonably believes will be most financially beneficial to Customer based on Customer's historical demand and usage, which assignment Company will change upon Customer's request to take service under another rate schedule for which Customer is eligible. Company shall have no refund obligation or bear any other liability or responsibility for its initial assignment of Customer to a rate for which Customer is eligible; it is at all times Customer's responsibility to choose between optional rates, as stated in the Optional Rates section of Customer Responsibilities at Original Sheet Nos. 97 and 97.1.

Nothing in this section is intended to curtail or diminish Customer's responsibility to choose among optional rates, as stated in the Optional Rates section of Customer Responsibilities at Original Sheet Nos. 97 and 97.1. Likewise, except as explicitly stated in the paragraph above, nothing in this section creates an obligation or responsibility for Company to assign Customer to a particular rate schedule for which Customer is eligible if Customer is eligible for more than one rate schedule.

CUSTOMER RATE MIGRATION

A change from one rate to another will be effective with the first full billing period following a customer's request for such change, or with a rate change mandated by changes in a customer's load. In cases where a change from one rate to another necessitates a change in metering, the change from one rate to another will be effective with the first full billing period following the meter change.

CLASSIFICATION OF CUSTOMERS

For purposes of rate application hereunder, non-residential customers will be considered "industrial" if they are primarily engaged in a process or processes which create or change raw or unfinished materials into another form or product, and/or in accordance with the North American Industry Classification System, Sections 21, 22, 31, 32 and 33. All other non-residential customers will be defined as "commercial."

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

TERMS AND CONDITIONS

BILLING

MONITORING OF CUSTOMER USAGE

In order to detect unusual deviations in individual customer consumption, Company will monitor the usage of each customer at least once quarterly. In addition, Company may investigate usage deviations brought to its attention as a result of its ongoing meter reading or billing processor customer inquiry. Should an unusual deviation in Customer's consumption be found which cannot be attributed to a readily identified cause, Company may perform a detailed analysis of Customer's meter reading and billing records. If the cause for the usage deviation cannot be determined from analysis of Customer's meter reading and billing records, Company may contact Customer to determine whether there have been changes such as different number of household members or work staff, additional or different appliances, changes in business volume. Where the deviation is not otherwise explained, Company will test Customer's meter to determine whether the results show the meter is within the limits allowed by 807 KAR 5:041, Section 17(1). Company will notify Customer of the investigation, its findings, and any refunds or back-billing in accordance with 807 KAR 5:006, Section 11(4) and (5).

RESALE OF ELECTRIC ENERGY

Electric energy furnished under Company's standard application or contract is for the use of Customer only and Customer shall not resell such energy to any other person, firm, or corporation on the Customer's premises, or for use on any other premises. This does not preclude Customer from allocating Company’s billing to Customer to any other person, firm, or corporation provided the sum of such allocations does not exceed Company’s billing.

MINIMUM CHARGE

Without limiting the foregoing, the Demand Charge shall be due regardless of any event or occurrence that might limit (a) Customer’s ability or interest in operating Customer’s facility, including, but without limitation, any acts of God, fires, floods, earthquakes, acts of government, terrorism, severe weather, riot, embargo, changes in law, or strikes or (b) Company’s ability to serve customer.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 4, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

TERMS AND CONDITIONS

DEPOSITS

GENERAL

1) Company may require a cash deposit or other guaranty from customers to secure payment of bills in accordance with 807 KAR 5:006, Section 8, except for customers qualifying for service reconnection pursuant to 807 KAR 5:006, Section 16, Winter Hardship Reconnection.
2) Deposits may be required from all customers not meeting satisfactory credit and payment criteria. Satisfactory credit for customers will be determined by utilizing independent credit sources (primarily utilized with new customers having no prior history with Company), as well as historic and ongoing payment and credit history with Company.
   a) Examples of independent credit scoring resources include credit scoring services, public record financial information, financial scoring and modeling services, and information provided by independent credit/financial watch services.
   b) Satisfactory payment criteria with Company may be established by paying all bills rendered, having no disconnections for nonpayment, having no late notices, having no defaulted credit arrangements, having no returned payments, having no meter diversion or theft of service.
3) Company may offer residential or general service customers the option of paying all or a portion of their deposits in installments over a period not to exceed the first four (4) normal billing periods. Service may be refused or discontinued for failure to pay and/or maintain the requested deposit.
4) Interest on deposits will be calculated at the rate prescribed by law, from the date of deposit, and will be paid annually either by refund or credit to Customer's bills, except that no refund or credit will be made if Customer's bill is delinquent on the anniversary date of the deposit. If interest is paid or credited to Customer's bill prior to twelve (12) months from the date of deposit, the payment or credit will be on a prorated basis. Upon termination of service, the deposit, any principal amounts, and interest earned and owing will be credited to the final bill, with any remainder refunded to Customer.

RESIDENTIAL

1) Residential customers are those customers served under Residential Service Rate RS - T
   Sheet No. 5, Residential Time-of-Day Energy Service Rate RTOD-Energy - Sheet No. 6, and T
   Residential Time-of-Day Demand Service Rate RTOD-Demand - Sheet No. 7. T
2) The deposit for a residential customer is in the amount of $160.00, which is calculated in I
   accordance with 807 KAR 5:006, Section 8(1)(d)(2).
3) Company will retain Customer's deposit for a period not to exceed twelve (12) months, provided Customer has met satisfactory payment and credit criteria.
4) If a deposit is held longer than eighteen (18) months, the deposit will be recalculated at Customer's request, and based on Customer's actual usage. If the deposit on account differs from the recalculated amount by more than $10.00, Company may collect any underpayment and shall refund any overpayment by check or credit to Customer's bill. No refund will be made if Customer's bill is delinquent at the time of the recalculation.

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TERMS AND CONDITIONS

DEPOSITS

RESIDENTIAL (Continued) T

5) If Customer fails to maintain a satisfactory payment or credit record, or otherwise become a new or greater credit risk, as determined by Company in its sole discretion, Company may require a new or additional deposit from Customer. T T T

GENERAL SERVICE

1) General service customers are those customers served under General Service Rate GS, Sheet No. 10. T
2) The deposit for a general service customer is in the amount of $240.00, which is calculated in accordance with 807 KAR 5:006, Section 8(1)(d)(2). The deposit for a General Service customer may be waived when the General Service delivery is to a detached building used in conjunction with a Residential Service and the General Service usage is no more than 300 kWh per month. I
3) Company shall retain Customer's deposit as long as Customer remains on service.
4) For a deposit held longer than eighteen (18) months, the deposit will be recalculated, at Customer's request, and based on Customer's actual usage. If the deposit on account differs from the recalculated amount by more than ten (10%) percent, Company may collect any underpayment and shall refund any overpayment by check or credit to Customer's bill. No refund will be made if Customer's bill is delinquent at the time of the recalculation.
5) If Customer fails to maintain a satisfactory payment or credit record, or otherwise becomes a new or greater credit risk, as determined by Company in its sole discretion, Company may require a new or additional deposit from Customer.

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OTHER SERVICE

1) The deposit for all other customers, those not classified herein as residential or general service, shall not exceed 2/12 of Customer's actual or estimated annual bill where bills are rendered monthly in accordance with 807 KAR 5:006, Section 8(1)(d)(1).
2) For customers not meeting the parameters of GENERAL SERVICE ¶ 2, above, Company may retain Customer's deposit as long as Customer remains on service.
3) For a deposit held longer than eighteen (18) months, the deposit will be recalculated, at Customer's request, and based on Customer's actual usage. If the deposit on account differs from the recalculated amount by more than ten (10%) percent, Company may collect any underpayment and shall refund any overpayment by check or credit to Customer's bill. No refund will be made if Customer's bill is delinquent at the time of the recalculation.
4) If Customer fails to maintain a satisfactory payment or credit record, or otherwise become a new or greater credit risk, as determined by Company in its sole discretion, Company may require a new or additional deposit from Customer.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

TERMS AND CONDITIONS

Budget Payment Plan

Company's Budget Payment Plan is available to any residential customer served under Residential Service Rate RS or any general service customer served under General Service Rate GS. If a residential customer, who is currently served under Residential Service Rate RS and is currently enrolled in the Budget Payment Plan, elects to take service under Residential Time-of-Day Energy Service Rate RTOD-Energy or Residential Time-of-Day Demand Service Rate RTOD-Demand, such customer would be removed from the Budget Payment Plan and restored to regular billing. T

Under this plan, a customer may elect to pay, each billing period, a budgeted amount in lieu of billings for actual usage. A customer may enroll in this plan at any time.

The budgeted amount will be determined by Company and will be based on one-twelfth of Customer's usage for either an actual or estimated twelve (12) months. The budgeted amount will be subject to review and adjustment by Company at any time during Customer's budget year. If actual usage indicates Customer's account will not be current with the final payment in Customer's budget year, Customer will be required to pay their Budget Payment Plan account to $0 prior to the beginning of the customer's next budget year.

If a customer fails to pay bills as agreed under the Budget Payment Plan, Company reserves the right to remove the customer from the plan, restore the customer to regular billing, and require immediate payment of any deficiency. A customer removed from the Budget Payment Plan for non-payment may be prohibited from further participation in the plan for twelve (12) months.

Failure to receive a bill in no way exempts a customer from the provisions of these terms and conditions.

DATE OF ISSUE: November 26, 2014

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 104

TERMS AND CONDITIONS

Bill Format

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a PPL company

Customer Service:	**1-800-981-0600 (M-F, 7 a.m. to 7 p.m. ET)**
Telephone Payments:	**1-800-981-0600; press 1-2-3** (24 hours a day; $2.25 fee)
Walk-In Center:	Open Mon-Fri 8 a.m. to 5 p.m. ET
Online Customer Self-Service:	www.lge-ku.com (24 hours a day)

DUE DATE	Pay This Amount
10/24/14	$91.00

Late Payment Fees will be applied to current charges if the current amount due is not received in full by the payment due date on this bill even if payment arrangements have been made. Please have your account number available when calling to discuss your account.

Averages for Billing Period	This Year	Last Year
Average Temperature	70°	74°
Number of Days Billed	30	30
Electric/kwh per day	30.6	34.1

ACCOUNT INFORMATION

Account Number:	3000-2000-0000
Account Name:	KU CUSTOMER
Service Address:	200 State Street ANYTOWN KY
Next Read Will Occur:	10/28/14 - 10/30/14
Date Bill Mailed:	09/29/14 (Meter Read Portion 20)

BILLING SUMMARY

Previous Balance		99.78
Payment(s) Received 8/28 - 9/26		-99.78
Balance as of 9/26		0.00
Current Electric Charges	88.36	
Current Taxes and Fees	2.64	
Current Charges as of 9/26		91.00
Total Amount Due		**91.00**

ELECTRIC CHARGES

Rate Type: Residential Service

Basic Service Charge	10.75
Energy Charge ($0.07744 x 918 kWh)	71.09
Electric DSM ($0.00394 x 918 kWh)	3.62
Fuel Adjustment ($0.00004 x 918 kWh)	0.04
Environmental Surcharge (3.050% x $85.50)	2.61
Home Energy Assistance Fund Charge	0.25
Total Electric Charges	**$88.36**

Meter Reading Information

Meter # 2040621

Actual Reading on 9/26/14	14089
Previous Reading on 8/27/14	13171
Current kwh Usage	**918**
Meter Multiplier	1
Metered kwh Usage	**918**

TAXES AND FEES

Rate Increase For School Tax (3.00% x $88.11)	2.64
Total Taxes and Fees	**$2.64**

Please see reverse side for additional charges.

Customer Service 1-800-981-0600

PLEASE RETURN THIS PORTION WITH YOUR PAYMENT

Account Number
3000-2000-0000

Payment Due Date	Pay This Amount	Amount Due After Due Date	Winter Care Donation	Amount Enclosed
10/24/14	$91.00	$93.73		$

☐ **Check here if plan(s) requested on back of stub**

OFFICE USE ONLY:
MRU20161420, G000000
P99.78
PF:Y eB:P

#215296305 0#
KU CUSTOMER
2000 STATE RD
ANYTOWN KY 42000

PO BOX 9001954
LOUISVILLE, KY 40290-1954

PRINTED ON RECYCLED PAPER

Service Address: 200 State Street

0203000200000000000000000937300000000910000000000000019

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: */s/* Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

TERMS AND CONDITIONS

Bill Format

Account Number 3000-2000-0000 Page 2

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BILLING INFORMATION	
Late Charge to be Assessed After Due Date	$2.73

IMPORTANT INFORMATION

The power to save. It's in your hands. The amount of electricity you consumed during this billing cycle resulted in the production of approximately 1,836 pounds of CO2 (carbon). A typical residential customer uses 1,000 kilowatt hours of electricity per month, which would result in the production of 2,000 lbs. of carbon. Visit our website at www.lge-ku.com/savingenergy for energy-saving tips designed to help you better manage and lessen the environmental impact of your energy usage.

For a copy of your rate schedule, visit www.lge-ku.com or call our Customer Service Department.

New enrollment only - **Please check box(es) below and on front of stub.**

☐ Budget Plan

☐ Auto Pay (voided check must be provided). *Please note that any past due balance on your KU account will be debited from your bank account immediately upon enrollment in the Auto Pay program. To avoid unintended debits to your bank account, please make sure your KU account balance is current before enrolling in Auto Pay.*

Please deduct my Auto Pay Payment from my Checking Account.

I hereby authorize KU to debit my bank account for payment of my monthly bill. This authorization applies to all my current and future KU accounts, and will remain in effect until revoked by me or KU.

Signature: ______________________________

Date: ________________

Processing Auto Pay requests can take up to two billing cycles. Please continue making regular payments until you receive a bill that indicates the amount due will be deducted from your bank account on the payment due date.

TERMS AND CONDITIONS

Discontinuance of Service

In accordance with and subject to the rules and regulations of the Public Service Commission of Kentucky, Company shall have the right to refuse or discontinue service to an applicant or customer under the following conditions:

A. When Company's or Commission's rules and regulations have not been complied with. However, service may be discontinued or refused only after Company has made a reasonable effort to induce Customer to comply with its rules and then only after Customer has been given at least
ten (10) days written notice of such intention, mailed or otherwise delivered, including, but not T
limited to, electronic mail, to Customer’s last known address. T

B. When a dangerous condition is found to exist on Customer's or applicant's premises. In such case service will be discontinued without notice or refused, as the case might be. Company will notify Customer or applicant immediately of the reason for the discontinuance or refusal and the corrective action to be taken before service can be restored or initiated.

C. When Customer or Applicant refuses or neglects to provide reasonable access and/or easements T
to and on Customer’s or Applicant’s premises for the purposes of installation, operation, meter T
reading, maintenance, or removal of Company's property. Customer shall be given fifteen (15)
days written notice (either mailed or otherwise delivered, including, but not limited to, electronic T
mail) of Company's intention to discontinue or refuse service. T

D. When Applicant is indebted to Company for service furnished. Company may refuse to serve until indebtedness is paid.

E. When Customer or Applicant does not comply with state, municipal or other codes, rules and regulations applying to such service.

F. When directed to do so by governmental authority.

G. Service will not be supplied to any premises if Applicant or Customer is indebted to Company for service previously supplied at the same or any other premises until payment of such indebtedness shall have been made. Service will not be continued to any premises if Applicant or Customer is indebted to Company for service previously supplied at the same premises in accordance with 807 KAR 5:006, Section 15(1)(f). Unpaid balances of previously rendered Final Bills may be transferred to any account for which Customer has responsibility and may be included on initial or subsequent bills for the account to which the transfer was made. Such transferred Final Bills, if unpaid, will be a part of the past due balance of the account to which they are transferred. When there is no lapse in service, such transferred Final Bills will be subject to Company’s collections and disconnect procedures in accordance with 807 KAR 5:006, Section

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DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

TERMS AND CONDITIONS

Discontinuance of Service

15(1)(f). Final Bills transferred following a lapse in service will not be subject to disconnection unless: (1) such service was provided pursuant to a fraudulent application submitted by Customer; (2) Customer and Company have entered into a contractual agreement which allows for such a disconnection; or (3) the current account is subsequently disconnected for service supplied at that point of delivery, at which time, all unpaid and past due balances must be paid prior to reconnect. Company shall have the right to transfer Final Bills between residential and commercial with residential characteristics (e.g., service supplying common use facilities of any apartment building) revenue classifications. T T T

Service will not be supplied or continued to any premises if at the time of application for service Applicant is merely acting as an agent of a person or former customer who is indebted to Company for service previously supplied at the same or other premises until payment of such indebtedness shall have been made. Service will not be supplied where Applicant is a partnership or corporation whose general partner or controlling stockholder is a present or former customer who is indebted to Company for service previously supplied at the same premises until payment of such indebtedness shall have been made.

H. For non-payment of bills. Company shall have the right to discontinue service for non-payment of bills after Customer has been given at least ten days written notice separate from Customer's original bill. Cut-off may be effected not less than twenty-seven (27) days after the mailing date of original bills unless, prior to discontinuance, a residential customer presents to Company a written certificate, signed by a physician, registered nurse, or public health officer, that such discontinuance will aggravate an existing illness or infirmity on the affected premises, in which case discontinuance may be effected not less than thirty (30) days from the original date of discontinuance. Company shall notify Customer, in writing (either mailed or otherwise delivered, including, but not limited to, electronic mail), of state and federal programs which may be available to aid in payment of bills and the office to contact for such possible assistance. T T T

I. For fraudulent or illegal use of service. When Company discovers evidence that by fraudulent or illegal means Customer has obtained unauthorized service or has diverted the service for unauthorized use or has obtained service without same being properly measured, the service to Customer may be discontinued without notice. Within twenty-four (24) hours after such termination, Company shall send written notification to Customer of the reasons for such discontinuance of service and of Customer's right to challenge the termination by filing a formal complaint with the Public Service Commission of Kentucky. Company's right of termination is separate from and in addition to any other legal remedies which the utility may pursue for illegal

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TERMS AND CONDITIONS

Discontinuance of Service

use or theft of service. Company shall not be required to restore service until Customer has complied with all rules of Company and regulations of the Commission and Company has been reimbursed for the estimated amount of the service rendered and the cost to Company incurred by reason of the fraudulent use. T

When service has been discontinued for any of the above reasons, Company shall not be responsible for any damage that may result therefrom.

Discontinuance or refusal of service shall be in addition to, and not in lieu of, any other rights or remedies available to Company.

Company may defer written notice (either mailed or otherwise delivered, including, but not limited to, electronic mail) based on Customer's payment history provided Company continues to provide the required ten (10) days written notice prior to discontinuance of service. T T

TERMS AND CONDITIONS

Line Extension Plan

A. AVAILABILITY

In all territory served by where Company does not have existing facilities to meet Customer's electric service needs.

B. DEFINITIONS

1) "Company" shall mean Kentucky Utilities Company.
2) "Customer" shall mean the applicant for service. When more than one electric service is requested by an applicant on the same extension, such request shall be considered one customer under this plan when the additional service request(s) is only for incidental or minor convenience loads or when the applicant for service is the developer of a subdivision.
3) "Line Extension" shall mean the single phase facilities required to serve Customer by the shortest route most convenient to Company from the nearest existing adequate Company facilities to Customer's delivery point, approved by Company, and excluding transformers, service drop, and meters, if required and normally provided to like customers.
4) "Permanent Service" shall mean service contracted for under the terms of the applicable rate schedule but not less than one year and where the intended use is not seasonal, intermittent, or speculative in nature.
5) "Commission" shall mean the Public Service Commission of Kentucky.

C. GENERAL

1) All extensions of service will be made through the use of overhead facilities except as provided in these rules.
2) Customer requesting service which requires an extension(s) shall furnish to Company, at no cost, properly executed easement(s) for right-of-way across Customer's property to be served.
3) Customer requesting extension of service into a subdivision, subject to the jurisdiction of a public commission, board, committee, or other agency with authority to zone or otherwise regulate land use in the area and require a plat (or Plan) of the subdivision, Customer shall furnish, at no cost, Company with the plat (or plan) showing street and lot locations with utility easement and required restrictions. Plats (or plans) supplied shall have received final approval of the regulating body and recorded in the office of the appropriate County Court Clerk when required. Should no regulating body exist for the area into which service is to be extended, Customer shall furnish Company the required easement.
4) The title to all extensions, rights-of way, permits, and easements shall be and remain with Company.

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TERMS AND CONDITIONS

Line Extension Plan

C. GENERAL (continued)

5) Customer must agree in writing to take service when the extension is completed and have Customer's building or other permanent facility wired and ready for connection. T T
6) Nothing herein shall be construed as preventing Company from making electric line extensions under more favorable terms than herein prescribed provided the potential revenue is of such amount and permanency as to warrant such terms and render economically feasible the capital expenditure involved and provided such extensions are made to other customers under similar conditions. T
7) Company may require a non-refundable deposit in cases where Customer does not have a real need or in cases where the estimated revenue does not justify the investment. T
8) Company shall not be obligated to extend its lines in cases where such extensions, in the good judgment of Company, would be infeasible, impractical, or contrary to good engineering or operating practice, unless otherwise ordered by Commission. T

D. NORMAL LINE EXTENSIONS

1) In accordance with 807 KAR 5:041, Section 11(1), Company will provide, at no cost, a line extension of up to 1,000 feet to Customer requesting permanent service where the installed transformer capacity does not exceed 25 kVA.
2) Where Customer requires poly-phase service or transformer capacity in excess of 25 kVA and Company provides such facilities, Company may require Customer to pay, in advance, a non-refundable amount for the additional cost to Company in providing facilities above that required in NORMAL LINE EXTENSIONS ¶ 1 above.

E. OTHER LINE EXTENSIONS

1) In accordance with 807 KAR 5:041, Section 11(2), Company shall provide to Customer requesting permanent service a line extension in excess of 1,000 feet per customer but Company may require the total cost of the footage in excess of 1,000 feet per customer, based on the average cost per foot of the total extension, be deposited with Company by Customer.
2) Each year for ten (10) years Company shall refund to Customer, who made the deposit for excess footage, the cost of 1,000 feet of extension for each additional customer connected during that year directly to the original extension for which the deposit was made.
3) Each year for ten (10) years Company shall refund to Customer, who made the deposit for excess footage, the cost of 1,000 feet of extension less the length of the lateral or extension for each additional customer connected during that year by a lateral or extension to the original extension for which the deposit was made.
4) The total amount refunded shall not exceed the amount originally deposited nor shall any refund be made after the ten (10) year refund period ends. T

TERMS AND CONDITIONS

Line Extension Plan

E. OTHER LINE EXTENSIONS (continued)

5) Where Customer requires poly-phase service or transformer capacity above 25 kVA per customer and Company provides such facilities, Company may require Customer to pay, in advance, a non-refundable amount for the additional cost to Company in providing facilities above that required in OTHER LINE EXTENSIONS ¶ 1 above. T

F. OVERHEAD LINE EXTENSIONS TO SUBDIVISIONS

1) In accordance with 807 KAR 5:041, Section 11(3), Customer desiring service extended for and through a subdivision may be required by Company to deposit the total cost of the extension.
2) Each year for ten (10) years Company shall refund to Customer, the cost of 1,000 feet of extension for each additional customer connected during that year directly to the original extension for which the deposit was made.
3) The total amount refunded shall not exceed the amount originally deposited nor shall any refund be made after the ten-year refund period ends.

G. MOBILE HOME LINE EXTENSIONS

1) Company will make line extensions for service to mobile homes in accordance with 807 KAR 5:041, Section 12, and Commission's Orders. T
2) Company shall provide, at no cost, a line extension of up to 300 feet to Customer requesting permanent service for a mobile home.
3) Company shall provide to Customer requesting permanent service for a mobile home a line extension in excess of 300 feet and up to 1,000 feet but Company may require the total cost of the footage in excess of 300 feet, based on the average cost per foot of the total extension, be deposited with Company by Customer. Beyond 1,000 feet, the policies set forth in OTHER LINE EXTENSIONS shall apply.
4) Each year for four (4) years Company shall refund to Customer equal amounts of the deposit for the extension from 300 feet to 1,000 feet.
5) If service is disconnected for sixty (60) days, if the original mobile home is removed and not replaced by another mobile home or a permanent structure in sixty (60) days, the remainder of the deposit is forfeited.
6) No refund will be made except to the original customer.

H. UNDERGROUND LINE EXTENSIONS

General

1) Company will make underground line extensions for service to new residential customers and subdivisions in accordance with 807 KAR 5:041, Section 21.

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DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

TERMS AND CONDITIONS

Line Extension Plan

H. UNDERGROUND LILNE EXTENSIONS

General (continued)

2) In order that Company may make timely provision for materials, and supplies, Company may require Customer to execute a contract for an underground extension under these Terms and Conditions with Company at least six (6) months prior to the anticipated date service is needed and Company may require Customer to deposit with Company at least 10% of any amounts due under the contract at the time of execution. Customer shall deposit the balance of any amounts due under the contract with Company prior to ordering materials or commencement of actual construction by Company of facilities covered by the contract. T T T T
3) Customer shall give Company at least 120 days written notice prior to the anticipated date service is needed and Company will undertake to complete installation of its facilities at least thirty (30) days prior to that date. However, nothing herein shall be interpreted to require Company to extend service to portions of subdivisions not under active development.
4) At Company's discretion, Customer may perform a work contribution to Company's specifications, including but not limited to conduit, setting pads, or any required trenching and backfilling, and Company shall credit amounts due from Customer for underground service by Company's estimated cost for such work contribution.
5) Customer will provide, own, operate and maintain all electric facilities on Customer's side of the point of delivery with the exception of Company's meter. T
6) In consideration of Customer's underground service, Company shall credit any amounts due under the contract for each service at the rate of $50.00 or Company's average estimated installed cost for an overhead service whichever is greater.
7) Unit charges, where specified herein, are determined from Company's estimate of Company's average unit cost of such construction and the estimated cost differential between underground and overhead distribution systems in representative residential subdivisions.
8) Three phase primary required to supply either individual loads or the local distribution system may be overhead unless Customer chooses underground construction and deposits with Company a non-refundable deposit for the cost differential.

Individual Premises

Where Customer requests and Company agrees to supply underground service to an individual premise, Company may require Customer to pay, in advance, a non-refundable amount for the additional cost of the underground extension (including all associated facilities) over the cost of an overhead extension of equivalent capacity.

Medium Density Subdivisions

1) A medium density residential subdivision is defined as containing ten or more lots for the construction of new residential buildings each designed for less than five (5)-family occupancy.

TERMS AND CONDITIONS

Line Extension Plan

H. UNDERGROUND LINE EXTENSIONS (continued)

2) Customer shall provide any required trenching and backfilling or at Company's discretion be required to deposit with Company a non-refundable amount determined by a unit charge of $8.01 per aggregate lot front-foot along all streets contiguous to the lots to be served through an underground extension.

3) The Customer may be required to advance to the Company the Company's full estimated cost of construction of an underground electric distribution extension. Where Customer is required to provide trenching and backfilling, advance will be the Company's full estimate cost of construction. Where Customer is required to deposit with the Company a non-refundable advance in place of trenching and backfilling, advance will be determined by a unit charge of $21.77 per aggregate lot front-foot along all streets contiguous to the lots to be served through an underground extension.

4) Each year for ten (10) years Company shall refund to Customer an amount determined as follows:
   a. Where customer is required to provide trenching and backfilling, a refund of $5,000 for each customer connected during that year.
   b. Where customer is required to provide a non-refundable advance, 500 times the difference in the unit charge advance amount in 3) and the non-refundable unit charge advance in 2) for each customer connected during that year

5) In no case shall the refunds provided for herein exceed the amounts deposited less any non-refundable charges applicable to the project nor shall any refund be made after a ten-year refund period ends.

High Density Subdivisions

1) A high density residential subdivision is defined as building complexes consisting of two or more buildings each not more than three stories above grade and each designed for five (5) or more family occupancy.
2) Customer shall provide any required trenching and backfilling or at Company's discretion be required to deposit with Company a non-refundable amount for the additional cost of the underground extension (including all associated facilities) over the cost of an overhead extension of equivalent capacity.
3) The Customer may be required to advance to the Company the Company's full estimated cost of construction of an underground electric distribution extension.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: December 31, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

TERMS AND CONDITIONS

Line Extension Plan

High Density Subdivisions (continued)

i. Company shall refund to Customer any amounts due when permanent service is provided by Company to twenty (20%) percent of the family units in Customer's project.
ii. In no case shall the refunds provided for herein exceed the amounts deposited less any non-refundable charges applicable to the project nor shall any refund be made after a ten-year refund period ends.

Other Underground Subdivisions

In cases where a particular residential subdivision does not meet the conditions provided for above, Customer requests and Company agrees to supply underground service, Company may require Customer to pay, in advance, a non-refundable amount for the additional cost of the underground extension (including all associated facilities) over the cost of an overhead extension of equivalent capacity.

I. SPECIAL CASES

1) Where Customer requests service that is seasonal, intermittent, speculative in nature, at voltages of 34.5kV or greater, or where the facilities requested by Customer do not meet the Terms and Conditions outlined in previous sections of LINE EXTENSION PLAN and the anticipated revenues do not justify Company's installing facilities required to meet Customer's needs, Company may request that Customer deposit with Company a refundable amount to justify Company's investment.
2) Each year for ten (10) years Company shall refund to Customer, an amount calculated by:
   a. Adding the sum of Customer's annual base rate monthly electric demand billing for that year to the sum of the annual base rate monthly electric billing of the monthly electric demand billing for that year of any customer(s), who connects directly to the facilities provided for in this agreement and requiring no further investment by Company
   b. times the refundable amount divided by the estimated total ten-year base rate electric demand billing required to justify the investment.
3) The total amount refunded shall not exceed the amount originally deposited nor shall any refund be made after the ten-year refund period ends.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

TERMS AND CONDITIONS

Energy Curtailment and Service Restoration Procedures

PURPOSE

To provide procedures for reducing the consumption of electric energy on the Kentucky Utilities Company (Company) system in the event of a capacity shortage and to restore service following an outage. Notwithstanding any provisions of these Energy Curtailment and Service Restoration Procedures, the Company shall have the right to take whatever steps, with or without notice and without liability on Company's part, that the Company believes necessary, in whatever order consistent with good utility practices and not on an unduly discriminatory basis, to preserve system integrity and to prevent the collapse of the Company's electric system or interconnected electric network or to restore service following an outage. Such actions will be taken giving priority to maintaining service to the Company's retail and full requirements customers relative to other sales whenever feasible and as allowed by law.

ENERGY CURTAILMENT PROCEDURE

PRIORITY LEVELS

For the purpose of these procedures, the following Priority Levels have been established:

I. Essential Health and Safety Uses -- to be given special consideration in these procedures shall, insofar as the situation permits, include the following types of use

A. "Hospitals", which shall be limited to institutions providing medical care to patients.

B. "Life Support Equipment", which shall be limited to kidney machines, respirators, and similar equipment used to sustain the life of a person.

C. "Police Stations and Government Detention Institutions", which shall be limited to essential uses required for police activities and the operation of facilities used for the detention of persons.

D. "Fire Stations", which shall be limited to facilities housing mobile fire-fighting apparatus.

E. "Communication Services", which shall be limited to essential uses required for telephone, telegraph, television, radio and newspaper operations, and operation of state and local emergency services.

F. "Water and Sewage Services", which shall be limited to essential uses required for the supply of water to a community, flood pumping and sewage disposal.

TERMS AND CONDITIONS

Energy Curtailment and Service Restoration Procedures

PRIORITY LEVELS (continued)

G. "Transportation and Defense-related Services", which shall be limited to essential uses required for the operation, guidance control and navigation of air, rail and mass transit systems, including those uses essential to the national defense and operation of state and local emergency services. These uses shall include essential street, highway and signal-lighting services.

Although, when practical, these types of uses will be given special consideration when implementing the manual load-shedding provisions of this program, any customer may be affected by rotating or unplanned outages and should install emergency generation equipment if continuity of service is essential. Where the emergency is system-wide in nature, consideration will be given to the use of rotating outages as operationally practicable. In case of customers supplied from two utility sources, only one source will be given special consideration. Also, any other customers who, in their opinion, have critical equipment should install emergency generation equipment.

Company maintains lists of customers with life support equipment and other critical needs for the purpose of curtailments and service restorations. Company, lacking knowledge of changes that may occur at any time in customer's equipment, operation, and backup resources, does not assume the responsibility of identifying customers with priority needs. It shall, therefore, be the customer's responsibility to notify Company if Customer has critical needs.

II. Critical Commercial and Industrial Uses -- Except as described in Section III below, these uses shall include commercial or industrial operations requiring regimented shutdowns to prevent conditions hazardous to the general population, and to energy utilities and their support facilities critical to the production, transportation, and distribution of service to the general population. Company shall maintain a list of such customers for the purpose of curtailments and service restoration.

III. Residential Use -- The priority of residential use during certain weather conditions (for example severe winter weather) will receive precedence over critical commercial and industrial uses. The availability of Company service personnel and the circumstances associated with the outage will also be considered in the restoration of service.

IV. Non-critical commercial and industrial uses.

V. Nonessential Uses -- The following and similar types of uses of electric energy shall be considered nonessential for all customers:

TERMS AND CONDITIONS

Energy Curtailment and Service Restoration Procedures

PRIORITY LEVELS (continued)

A. Outdoor flood and advertising lighting, except for the minimum level to protect life and property, and a single illuminated sign identifying commercial facilities when operating after dark.

B. General interior lighting levels greater than minimum functional levels.

C. Show-window and display lighting.

D. Parking-lot lighting above minimum functional levels.

E. Energy use to lower the temperature below 78 degrees during operation of cooling equipment and above 65 degrees during operation of heating equipment.

F. Elevator and escalator use in excess of the minimum necessary for non-peak hours of use.

G. Energy use greater than that which is the minimum required for lighting, heating, or cooling of commercial or industrial facilities for maintenance cleaning or business-related activities during non-business hours.

Non-jurisdictional customers will be treated in a manner consistent with the curtailment procedures contained in the service agreement between the parties or the applicable tariff.

CURTAILMENT PROCEDURES

In the event Company's load exceeds internal generation, transmission, or distribution capacity, or other system disturbances exist, and internal efforts have failed to alleviate the problem, including emergency energy purchases, the following steps may be taken, individually or in combination, in the order necessary as time permits:

1. Customers having their own internal generation capacity will be curtailed, and customers on curtailable contracts will be curtailed for the maximum hours and load allowable under their contract. Nothing in this procedure shall limit Company's rights under the Curtailable Service Rider tariff.

2. Power output will be maximized at Company's generating units.

3. Company use of energy at its generating stations will be reduced to a minimum.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 8, 2007

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

TERMS AND CONDITIONS

Energy Curtailment and Service Restoration Procedures

CURTAILMENT PROCEDURES (continued)

4. Company's use of electric energy in the operation of its offices and other facilities will be reduced to a minimum.

5. The Kentucky Public Service Commission will be advised of the situation.

6. An appeal will be made to customers through the news media and/or personal contact to voluntarily curtail as much load as possible. The appeal will emphasize the defined priority levels as set forth above.

7. Customers will be advised through the use of the news media and personal contact that load interruption is imminent.

8. Implement procedures for interruption of selected distribution circuits.

SERVICE RESTORATION PROCEDURES

Where practical, priority uses will be considered in restoring service and service will be restored in the order I through IV as defined under PRIORITY LEVELS. However, because of the varieties of unpredictable circumstances which may exist or precipitate outages, it may be necessary to balance specific individual needs with infrastructure needs that affect a larger population. When practical, Company will attempt to provide estimates of repair times to aid customers in assessing the need for alternative power sources and temporary relocations.

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(1)(b)(4)
Sponsoring Witness: Edwin R. Staton

Description of Filing Requirement:

New or revised tariff sheets, if applicable, identified in compliance with 807 KAR 5:011, shown either by providing: (a) The present and proposed tariffs in comparative form on the same sheet side by side or on facing sheets side by side; or (b) A copy of the present tariff indicating proposed additions by italicized inserts or underscoring and striking over proposed deletions.

Response:

See attached present and proposed tariffs in comparative form on the same sheet side-by-side. Please note that on each sheet of the side-by-side comparison the present tariff is on the left and the proposed tariff is on the right.

P.S.C. No. 16
Canceling P.S.C. No. 15

Kentucky Utilities Company
One Quality Street
Lexington, Kentucky
www.lge-ku.com

Rates, Terms and Conditions for Furnishing

ELECTRIC SERVICE

In seventy-seven counties in the Commonwealth of Kentucky
as depicted on territorial maps as filed with the

PUBLIC SERVICE COMMISSION

OF KENTUCKY

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: ***/s/*** Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

P.S.C. No. 17
Canceling P.S.C. No. 16

Kentucky Utilities Company
One Quality Street
Lexington, Kentucky
www.lge-ku.com

Rates, Terms and Conditions for Furnishing

ELECTRIC SERVICE

In seventy-seven counties in the Commonwealth of Kentucky
as depicted on territorial maps as filed with the

PUBLIC SERVICE COMMISSION

OF KENTUCKY

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Fourth Revision of Original Sheet No. 1
Canceling P.S.C. No. 16, Third Revision of Original Sheet No. 1

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Standard Electric Rate Schedules – Terms and Conditions

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GS	General Service	10	12-31-13
AES	All Electric School	12	12-31-13
PS	Power Service	15	12-31-13
TODS	Time-of-Day Secondary Service	20	12-31-13
TODP	Time-of-Day Primary Service	22	12-31-13
RTS	Retail Transmission Service	25	12-31-13
FLS	Fluctuating Load Service	30	12-31-13
LS	Lighting Service	35	12-31-13
RLS	Restricted Lighting Service	36	12-31-13
LE	Lighting Energy Service	37	12-31-13
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SECTION 2 – Riders to Standard Rate Schedules			
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GER	Green Energy Riders	70	01-01-13
EDR	Economic Development Rider	71	08-11-11

DATE OF ISSUE: May 30, 2014

DATE EFFECTIVE: June 30, 2014

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 1

GENERAL INDEX
Standard Electric Rate Schedules – Terms and Conditions

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PS	Power Service	15	01-01-15	
TODS	Time-of-Day Secondary Service	20	01-01-15	
TODP	Time-of-Day Primary Service	22	01-01-15	
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RLS	Restricted Lighting Service	36	01-01-15	
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	Disconnect/Reconnect Service Charge			
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	Meter Data Processing Charge			
SECTION 2 – Riders to Standard Rate Schedules				
CSR10	Curtailable Service Rider 10	50	01-01-15	T
CSR30	Curtailable Service Rider 30	51	01-01-15	T
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LQF	Large Capacity Cogeneration Qualifying Facilities	56	04-17-99	
NMS	Net Metering Service	57	01-01-15	T
EF	Excess Facilities	60	01-01-15	
RC	Redundant Capacity	61	01-01-15	
SS	Supplemental/Stand-By Service	62	01-01-15	
IL	Intermittent Load Rider	65	01-01-13	
TS	Temporary/Seasonal Service Rider	66	01-01-15	T
KWH	Kilowatt-Hours Consumed By Lighting Unit	67	03-01-00	
GER	Green Energy Riders	70	01-01-13	
EDR	Economic Development Rider	71	01-01-15	T

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Fifth Revision of Original Sheet No. 1.1
Canceling P.S.C. No. 16, Fourth Revision of Original Sheet No. 1.1

GENERAL INDEX
Standard Electric Rate Schedules – Terms and Conditions

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DATE OF ISSUE: February 28, 2014

DATE EFFECTIVE: April 1, 2014

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 1.1

GENERAL INDEX
Standard Electric Rate Schedules – Terms and Conditions

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ST	School Tax	91	08-01-10	
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	Special Terms and Conditions Applicable to Rate RS	100	01-01-15	T
	Billing	101	01-01-15	T
	Deposits	102	01-01-15	T
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	Line Extension Plan	106	01-01-15	T
	Energy Curtailment and Restoration Procedures	107	08-01-10	

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Second Revision of Original Sheet No. 5
Canceling P.S.C. No. 16, First Revision of Original Sheet No. 5

Standard Rate **RS**
RESIDENTIAL SERVICE

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Available for single phase delivery to single family residential service subject to the terms and conditions on Sheet No. 100 of this Tariff. Three phase service under this rate schedule is restricted to those customers being billed on this rate schedule as of July 1, 2004.

RATE

Basic Service Charge:	$10.75 per month
Plus an Energy Charge of:	$ 0.07744 per kWh

ADJUSTMENT CLAUSES
The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91
Home Energy Assistance Program	Sheet No. 92

MINIMUM CHARGE
The Basic Service Charge shall be the minimum charge.

DUE DATE OF BILL
Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE
If full payment is not received by the due date of the bill, a 3% late payment charge will be assessed on the current month's charges. Beginning October 1, 2010, residential customers who receive a pledge for or notice of low income energy assistance from an authorized agency will not be assessed or required to pay a late payment charge for the bill for which the pledge or notice is received, nor will they be assessed or required to pay a late payment charge in any of the eleven (11) months following receipt of such pledge or notice.

TERMS AND CONDITIONS
Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: December 3, 2013

DATE EFFECTIVE: With Bills Rendered On and After December 31, 2013

ISSUED BY: */s/* Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of Orders of the Public Service Commission in Case No. 2013-00242 dated November 14, 2013

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 5

Standard Rate **RS**
RESIDENTIAL SERVICE

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Available for single phase secondary delivery to single family residential service subject to the terms and conditions on Sheet No. 100 of this Tariff. Three phase service under this rate schedule is restricted to those customers being billed on this rate schedule as of July 1, 2004. T

RATE

Basic Service Charge:	$18.00 per month	I
Plus an Energy Charge of:	$ 0.08057 per kWh	I

ADJUSTMENT CLAUSES
The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91
Home Energy Assistance Program	Sheet No. 92

MINIMUM CHARGE
The Basic Service Charge shall be the minimum charge.

DUE DATE OF BILL
Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE
If full payment is not received by the due date of the bill, a 3% late payment charge will be assessed on the current month's charges. Beginning October 1, 2010, residential customers who receive a pledge for or notice of low income energy assistance from an authorized agency will not be assessed or required to pay a late payment charge for the bill for which the pledge or notice is received, nor will they be assessed or required to pay a late payment charge in any of the eleven (11) months following receipt of such pledge or notice.

TERMS AND CONDITIONS
Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: */s/* Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

The proposed KU Residential Time-of-Day Energy Service Rate RTOD-Energy is not part of the current tariff.

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 6

Standard Rate **RTOD-Energy** N

Residential Time-of-Day Energy Service

APPLICABLE

In the territory served.

AVAILABILITY OF SERVICE

RTOD-Energy shall be available as an option to customers otherwise served under rate schedule RS.

1) Service under this rate schedule is limited to a maximum of five hundred (500) customers taking service on RTOD-Energy and RTOD-Demand combined that are eligible for Rate RS . Company will accept customers on a first-come-first-served basis.
2) This service is also available to customers on rate schedule GS (where the GS service is used in conjunction with an RS service to provide service to a detached garage and energy usage is no more than 300 kWh per month) who demonstrate power delivered to such detached garage is consumed, in part, for the powering of low emission vehicles licensed for operation on public streets or highways. Such vehicles include:
   a) battery electric vehicles or plug-in hybrid electric vehicles recharged through a charging outlet at Customer's premises,
   b) natural gas vehicles refueled through an electric-powered refueling appliance at Customer's premises.
3) A customer electing to take service under this rate schedule who subsequently elects to take service under the standard Rate RS may not be allowed to return to this optional rate for 12 months from the date of exiting this rate schedule.

RATE

Basic Service Charge:	$18.00 per month
Plus an Energy Charge:	
Off Peak Hours:	$0.05100 per kWh
On Peak Hours:	$0.25874 per kWh

ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91
Home Energy Assistance Program	Sheet No. 92

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

The proposed KU Residential Time-of-Day Energy Service Rate RTOD-Energy is not part of the current tariff.

Kentucky Utilities Company

Standard Rate **RTOD-Energy** N

Residential Time-of-Day Energy Service

DETERMINATION OF PRICING PERIODS

Pricing periods are established in Eastern Standard Time year round by season for weekdays and weekends. The hours of the pricing periods for the price levels are as follows:

Summer Months of May through September

	Off-Peak	On-Peak
Weekdays	5 PM – 1 PM	1 PM - 5 PM
Weekends	All Hours	

All Other Months of October continuously through April

	Off Peak	On-Peak
Weekdays	11 AM - 7 AM	7 AM – 11 AM
Weekends	All Hours	

MINIMUM CHARGE

The Basic Service Charge shall be the minimum charge.

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

If full payment is not received by the due date of the bill, a 3% late payment charge will be assessed on the current month's charges.

TERMS AND CONDITIONS

Service will be furnished under Company's Terms and Conditions applicable hereto. Customers served under this optional residential rate will not be eligible for Company's Budget Payment Plan. Company shall install metering equipment capable of accommodating the Time of Use rate described herein.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Second Revision of Original Sheet No. 7
Canceling P.S.C. No. 16, First Revision of Original Sheet No. 7

Standard Rate **VFD**

VOLUNTEER FIRE DEPARTMENT SERVICE

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

Available for single-phase delivery, in accordance with the provisions of KRS 278.172, to any volunteer fire department qualifying for aid under KRS 95A.262. Service under this rate schedule is at the option of the customer with the customer determining whether service will be provided under this schedule or any other schedule applicable to this load.

DEFINITION

To be eligible for this rate a volunteer fire department is defined as:

1) having at least 12 members and a chief,
2) having at least one firefighting apparatus, and
3) half the members must be volunteers

RATE

Basic Service Charge:	$10.75 per month
Plus an Energy Charge of:	$ 0.07744 per kWh

ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with:

Fuel Adjustment Clause	Sheet No. 85
Demand-Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

MINIMUM CHARGE

The Basic Service Charge shall be the minimum charge.

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

If full payment is not received by the due date of the bill, a 3% late payment charge will be assessed on the current month's charges.

TERMS AND CONDITIONS

Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: December 3, 2013

DATE EFFECTIVE: With Bills Rendered On and After
December 31, 2013

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of Orders of the
Public Service Commission in Case No.
2013-00242 dated November 14, 2013

The Volunteer Fire Department Service Rate VFD was previously located on Sheet No. 7, but is proposed to be moved to Sheet No. 9.

The proposed KU Residential Time-of-Day Demand Service Rate RTOD-Demand is not part of the current tariff.

Kentucky Utilities Company

Standard Rate **RTOD-Demand** N

Residential Time-of-Day Demand Service

APPLICABLE

In the territory served.

AVAILABILITY OF SERVICE

RTOD-Demand shall be available as an option to customers otherwise served under rate schedule RS.

1) Service under this rate schedule is limited to a maximum of five hundred (500) customers taking service on RTOD-Demand and RTOD-Energy combined that are eligible for Rate RS. Company will accept customers on a first-come-first-served basis.
2) This service is also available to customers on rate schedule GS (where the GS service is used in conjunction with an RS service to provide service to a detached garage and energy usage is no more than 300 kWh per month) who demonstrate power delivered to such detached garage is consumed, in part, for the powering of low emission vehicles licensed for operation on public streets or highways. Such vehicles include:
   a) battery electric vehicles or plug-in hybrid electric vehicles recharged through a charging outlet at Customer's premises,
   b) natural gas vehicles refueled through an electric-powered refueling appliance at Customer's premises.
3) A customer electing to take service under this rate schedule who subsequently elects to take service under the standard Rate RS may not be allowed to return to this optional rate for 12 months from the date of exiting this rate schedule.

RATE

Basic Service Charge:	$18.00 per month
Plus an Energy Charge:	$ 0.04008 per kWh
Plus a Demand Charge:	
Off Peak Hours:	$ 3.25 per kW
On Peak Hours:	$11.56 per kW

ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91
Home Energy Assistance Program	Sheet No. 92

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DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

The proposed KU Residential Time-of-Day Demand Service Rate RTOD-Demand is not part of the current tariff.

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 7.1

Standard Rate **RTOD-Demand** N

Residential Time-of-Day Demand Service

DETERMINATION OF PRICING PERIODS

Pricing periods are established in Eastern Standard Time year round by season for weekdays and weekends. The hours of the pricing periods for the price levels are as follows:

Summer Months of May through September

	Off-Peak	On-Peak
Weekdays	5 PM – 1 PM	1 PM - 5 PM
Weekends	All Hours	

All Other Months of October continuously through April

	Off Peak	On-Peak
Weekdays	11 AM - 7 AM	7 AM – 11 AM
Weekends	All Hours	

MINIMUM CHARGE

The Basic Service Charge shall be the minimum charge.

DETERMINATION OF MAXIMUM LOAD

The load will be measured and will be the average kW demand delivered to the customer during the 15-minute period of maximum use during the month.

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

If full payment is not received by the due date of the bill, a 3% late payment charge will be assessed on the current month's charges.

TERMS AND CONDITIONS

Service will be furnished under Company's Terms and Conditions applicable hereto. Customers served under this optional residential rate will not be eligible for Company's Budget Payment Plan. Company shall install metering equipment capable of accommodating the Time of Use rate described herein.

DATE OF ISSUE: November 26, 2014

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ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

The Volunteer Fire Department Service Rate VFD was previously located on Sheet No. 7, but is proposed to be moved to Sheet No. 9.

Standard Rate **VFD**

VOLUNTEER FIRE DEPARTMENT SERVICE

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

Available for single-phase delivery, in accordance with the provisions of KRS 278.172, to any volunteer fire department qualifying for aid under KRS 95A.262. Service under this rate schedule is at the option of the customer with the customer determining whether service will be provided under this schedule or any other schedule applicable to this load.

DEFINITION

To be eligible for this rate a volunteer fire department is defined as:

1) having at least 12 members and a chief,
2) having at least one firefighting apparatus, and
3) half the members must be volunteers

RATE

Basic Service Charge:	$18.00 per month	I
Plus an Energy Charge of:	$ 0.08057 per kWh	I

ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with:

Fuel Adjustment Clause	Sheet No. 85
Demand-Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

MINIMUM CHARGE

The Basic Service Charge shall be the minimum charge.

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

If full payment is not received by the due date of the bill, a 3% late payment charge will be assessed on the current month's charges.

TERMS AND CONDITIONS

Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: November 26, 2014

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ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Second Revision of Original Sheet No. 10
Canceling P.S.C. No. 16, First Revision of Original Sheet No. 10

Standard Rate **GS**

GENERAL SERVICE RATE

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
To general lighting and small power loads for secondary service.

Service under this schedule will be limited to customers whose 12-month-average monthly maximum loads do not exceed 50 kW. Existing customers with 12-month-average maximum monthly loads exceeding 50 kW who are receiving service under P.S.C. 13, Fourth Revision of Original Sheet No. 10 as of February 6, 2009, will continue to be served under this rate at their option. If Customer is taking service under this rate schedule and subsequently elects to take service under another rate schedule, Customer may not again take service under this rate schedule unless and until Customer meets the Availability requirements that would apply to a new customer.

RATE

Basic Service Charge:	$20.00 per month for single-phase service
	$35.00 per month for three-phase service
Plus an Energy Charge of:	$ 0.09225 per kWh

ADJUSTMENT CLAUSES
The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand-Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

DETERMINATION OF MAXIMUM LOAD
If Company determines based on Customer's usage history that Customer may be exceeding the maximum load permitted under Rate GS, Company may, at its discretion, equip Customer with a meter capable of measuring demand to determine Customer's continuing eligibility for Rate GS. If Customer is equipped with a demand-measuring meter, Customer's load will be measured and will be the average kW demand delivered to the customer during the 15-minute period of maximum use during the month.

MINIMUM CHARGE
The Basic Service Charge shall be the minimum charge.

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Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 10

Standard Rate **GS**

GENERAL SERVICE RATE

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
To general lighting and small power loads for secondary service.

Service under this schedule will be limited to customers whose 12-month-average monthly maximum loads do not exceed 50 kW. Existing customers with 12-month-average maximum monthly loads exceeding 50 kW who are receiving service under P.S.C. 13, Fourth Revision of Original Sheet No. 10 as of February 6, 2009, will continue to be served under this rate at their option. If Customer is taking service under this rate schedule and subsequently elects to take service under another rate schedule, Customer may not again take service under this rate schedule unless and until Customer meets the Availability requirements that would apply to a new customer.

RATE

Basic Service Charge:	$25.00 per month for single-phase service	I
	$40.00 per month for three-phase service	I
Plus an Energy Charge of:	$ 0.10055 per kWh	I

ADJUSTMENT CLAUSES
The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand-Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

DETERMINATION OF MAXIMUM LOAD
If Company determines based on Customer's usage history that Customer may be exceeding the maximum load permitted under Rate GS, Company may, at its discretion, equip Customer with a meter capable of measuring demand to determine Customer's continuing eligibility for Rate GS. If Customer is equipped with a demand-measuring meter, Customer's load will be measured and will be the average kW demand delivered to the customer during the 15-minute period of maximum use during the month.

MINIMUM CHARGE
The Basic Service Charge shall be the minimum charge.

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ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 10.1

Standard Rate **GS**

GENERAL SERVICE RATE

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

If full payment is not received by the due date of the bill, a 3% late payment charge will be assessed on the current month's charges.

TERMS AND CONDITIONS

Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 10.1

Standard Rate **GS**

GENERAL SERVICE RATE

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

If full payment is not received by the due date of the bill, a 3% late payment charge will be assessed on the current month's charges.

TERMS AND CONDITIONS

Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: November 26, 2014

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Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 16, Second Revision of Original Sheet No. 12
Canceling P.S.C. No. 16, First Revision of Original Sheet No. 12

Standard Rate **AES**
ALL ELECTRIC SCHOOL

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Service under this rate is available for secondary and primary service to:
(1) a complex of school buildings on a central campus,
(2) an individual school building, or
(3) an addition to an existing school building.

School buildings, as referred to herein, shall be defined as buildings used as classrooms, laboratories, gymnasiums, libraries, cafeterias, school related offices or for other bona fide school purposes by duly constituted school authorities of Kentucky. Served electrically by Kentucky Utilities Company, such energy requirements include, but are not limited to, lighting, heating, cooling, and water heating. School buildings not receiving every energy requirement electrically shall be separately metered from the above defined service and served under the applicable rate. Other fuels may be used as incidental to and for instructional laboratory and other miscellaneous purposes without affecting the availability of this rate.

At those locations where the school owns its distribution system and makes the service connections to the various buildings and/or load centers, Company shall be given the option of providing service by use of the existing Customer-owned distribution system, or of constructing its own facilities in accordance with the Company's Overhead Construction Standards. In any event, Company's investment in the facilities it provides may be limited to an amount not exceeding twice the estimated annual revenue from Customer's service. Should Company's investment in the facilities required to provide service to Customer exceed twice the revenue anticipated from the service to Customer and at Customer's option, Customer may make a contribution for the difference in the investment required in facilities necessary to provide service and twice the anticipated revenue, so as to receive service under this schedule.

This Rate Schedule is not available to privately operated kindergartens or daycare centers and is restricted to those customers who were qualified for and being served on Rate AES as of July 1, 2011. Because this rate schedule is closed to new customers, if Customer is taking service under this rate schedule and subsequently elects to take service under another rate schedule, Customer may not again take service under this rate schedule.

RATE

Basic Service Charge:	$20.00 per meter per month for single-phase service $35.00 per meter per month for three-phase service
Plus an Energy Charge of:	$ 0.07440 per kWh

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State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 12

Standard Rate **AES**
ALL ELECTRIC SCHOOL

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Service under this rate is available for secondary and primary service to:
(1) a complex of school buildings on a central campus,
(2) an individual school building, or
(3) an addition to an existing school building.

School buildings, as referred to herein, shall be defined as buildings used as classrooms, laboratories, gymnasiums, libraries, cafeterias, school related offices or for other bona fide school purposes by duly constituted school authorities of Kentucky. Served electrically by Kentucky Utilities Company, such energy requirements include, but are not limited to, lighting, heating, cooling, and water heating. School buildings not receiving every energy requirement electrically shall be separately metered from the above defined service and served under the applicable rate. Other fuels may be used as incidental to and for instructional laboratory and other miscellaneous purposes without affecting the availability of this rate.

At those locations where the school owns its distribution system and makes the service connections to the various buildings and/or load centers, Company shall be given the option of providing service by use of the existing Customer-owned distribution system, or of constructing its own facilities in accordance with the Company's Overhead Construction Standards. In any event, Company's investment in the facilities it provides may be limited to an amount not exceeding twice the estimated annual revenue from Customer's service. Should Company's investment in the facilities required to provide service to Customer exceed twice the revenue anticipated from the service to Customer and at Customer's option, Customer may make a contribution for the difference in the investment required in facilities necessary to provide service and twice the anticipated revenue, so as to receive service under this schedule.

This Rate Schedule is not available to privately operated kindergartens or daycare centers and is restricted to those customers who were qualified for and being served on Rate AES as of July 1, 2011. Because this rate schedule is closed to new customers, if Customer is taking service under this rate schedule and subsequently elects to take service under another rate schedule, Customer may not again take service under this rate schedule.

RATE

Basic Service Charge:	$25.00 per meter per month for single-phase service $40.00 per meter per month for three-phase service	I I
Plus an Energy Charge of:	$ 0.08231 per kWh	I

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ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 12.1

Standard Rate **A.E.S.**

ALL ELECTRIC SCHOOL

ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand-Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

MINIMUM CHARGE

The Basic Service Charge shall be the minimum charge.

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

If full payment is not received by the due date of the bill, a 3% late payment charge will be assessed on the current month's charges.

DATE OF ISSUE: January 31, 2013

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State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 12.1

Standard Rate **AES**

ALL ELECTRIC SCHOOL

ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand-Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

MINIMUM CHARGE

The Basic Service Charge shall be the minimum charge.

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

If full payment is not received by the due date of the bill, a 3% late payment charge will be assessed on the current month's charges.

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State Regulation and Rates
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Kentucky Utilities Company

P.S.C. No. 16, Third Revision of Original Sheet No. 15
Canceling P.S.C. No. 16, Second Revision of Original Sheet No. 15

Standard Rate **PS**
POWER SERVICE

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This rate schedule is available for secondary or primary service.

Service under this schedule will be limited to customers whose 12-month-average monthly minimum secondary loads exceed 50 kW and whose 12-month-average monthly maximum loads do not exceed 250 kW. Secondary or primary customers receiving service under PSC 13, Fourth Revision of Original Sheet No. 20, Large Power Service, or Fourth Revision of Original Sheet No. 30, Mine Power Service, as of February 6, 2009, with loads not meeting these criteria will continue to be served under this rate at their option. If Customer is taking service under this rate schedule and subsequently elects to take service under another rate schedule, Customer may not again take service under this rate schedule unless and until Customer meets the Availability requirements that would apply to a new customer.

RATE

	Secondary	Primary
Basic Service Charge per month:	$90.00	$170.00
Plus an Energy Charge per kWh of:	$ 0.03564	$ 0.03562
Plus a Demand Charge per kW of:		
Summer Rate:		
(Five Billing Periods of May through September)	$15.30	$ 15.28
Winter Rate:		
(All other months)	$13.20	$ 13.18

Where the monthly billing demand is the greater of:

a) the maximum measured load in the current billing period but not less than 50 kW for secondary service or 25 kW for primary service, or
b) a minimum of 50% of the highest billing demand in the preceding eleven (11) monthly billing periods, or
c) a minimum of 60% of the contract capacity based on the maximum expected load on the system or on facilities specified by Customer.

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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 15

Standard Rate **PS**
POWER SERVICE

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This rate schedule is available for secondary or primary service.

Service under this schedule will be limited to customers whose 12-month-average monthly minimum secondary loads exceed 50 kW and whose 12-month-average monthly maximum loads do not exceed 250 kW. Secondary or primary customers receiving service under PSC 13, Fourth Revision of Original Sheet No. 20, Large Power Service, or Fourth Revision of Original Sheet No. 30, Mine Power Service, as of February 6, 2009, with loads not meeting these criteria will continue to be served under this rate at their option. If Customer is taking service under this rate schedule and subsequently elects to take service under another rate schedule, Customer may not again take service under this rate schedule unless and until Customer meets the Availability requirements that would apply to a new customer.

RATE

	Secondary	Primary	
Basic Service Charge per month:	$90.00	$200.00	I
Plus an Energy Charge per kWh of:	$ 0.03570	$ 0.03445	I
Plus a Demand Charge per kW of:			
Summer Rate:			
(Five Billing Periods of May through September)	$18.01	$ 18.50	I
Winter Rate:			
(All other months)	$15.91	$ 16.40	I

Where the monthly billing demand is the greater of:

a) the maximum measured load in the current billing period but not less than 50 kW for secondary service or 25 kW for primary service, or
b) a minimum of 50% of the highest billing demand in the preceding eleven (11) monthly billing periods, or
c) a minimum of 60% of the contract capacity based on the maximum expected load on the system or on facilities specified by Customer.

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State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 15.1
Canceling P.S.C. No. 16, Original Sheet No. 15.1

Standard Rate **PS**
POWER SERVICE

ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand-Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

DETERMINATION OF MAXIMUM LOAD

The load will be measured and will be the average kW demand delivered to the customer during the 15-minute period of maximum use during the month.

Company reserves the right to place a kVA meter and base the billing demand on the measured kVA. The charge will be computed based on the measured kVA times 90 percent of the applicable kW charge.

In lieu of placing a kVA meter, Company may adjust the measured maximum load for billing purposes when the power factor is less than 90 percent in accordance with the following formula: (BASED ON POWER FACTOR MEASURED AT THE TIME OF MAXIMUM LOAD).

$$\text{Adjusted Maximum kW Load for Billing Purposes} = \frac{\text{Maximum kW Load Measured X 90\%}}{\text{Power Factor (in percent)}}$$

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

If full payment is not received by the due date of the bill, a 1% late payment charge will be assessed on the current month's charges.

TERM OF CONTRACT

Contracts under this rate shall be for an initial term of one (1) year, remaining in effect from month to month thereafter until terminated by notice of either party to the other.

TERMS AND CONDITIONS

Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: January 31, 2013

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Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 15.1

Standard Rate **PS**
POWER SERVICE

ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand-Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

DETERMINATION OF MAXIMUM LOAD

The load will be measured and will be the average kW demand delivered to the customer during the 15-minute period of maximum use during the month.

Company reserves the right to place a kVA meter and base the billing demand on the measured kVA. The charge will be computed based on the measured kVA times 90 percent of the applicable kW charge.

In lieu of placing a kVA meter, Company may adjust the measured maximum load for billing purposes when the power factor is less than 90 percent in accordance with the following formula: (BASED ON POWER FACTOR MEASURED AT THE TIME OF MAXIMUM LOAD).

$$\text{Adjusted Maximum kW Load for Billing Purposes} = \frac{\text{Maximum kW Load Measured X 90\%}}{\text{Power Factor (in percent)}}$$

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

If full payment is not received by the due date of the bill, a 1% late payment charge will be assessed on the current month's charges.

TERM OF CONTRACT

Contracts under this rate shall be for an initial term of one (1) year, remaining in effect from month to month thereafter until terminated by notice of either party to the other.

TERMS AND CONDITIONS

Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: November 26, 2014

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Kentucky Utilities Company

P.S.C. No. 16, Third Revision of Original Sheet No. 20
Canceling P.S.C. No. 16, Second Revision of Original Sheet No. 20

Standard Rate **TODS**
TIME-OF-DAY SECONDARY SERVICE

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This schedule is available for secondary service. Service under this schedule will be limited to customers whose 12-month-average monthly minimum average loads exceed 250 kW and whose 12-month-average monthly maximum average loads do not exceed 5,000 kW.

RATE

Basic Service Charge per month: $200.00

Plus an Energy Charge per kWh of: $ 0.03773

Plus a Maximum Load Charge per kW of:
Peak Demand Period .... $ 4.55
Intermediate Demand Period .... $ 2.95
Base Demand Period .... $ 3.62

Where:
the monthly billing demand for the Peak and Intermediate Demand Periods is the greater of:
a) the maximum measured load in the current billing period, or
b) a minimum of 50% of the highest billing demand in the preceding eleven (11) monthly billing periods, and

the monthly billing demand for the Base Demand Period is the greater of:
a) the maximum measured load in the current billing period but not less than 250 kW, or
b) a minimum of 75% of the highest billing demand in the preceding eleven (11) monthly billing periods, or
c) a minimum of 75% of the contract capacity based on the maximum load expected on the system or on facilities specified by Customer.

ADJUSTMENT CLAUSES
The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand-Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 20

Standard Rate **TODS**
TIME-OF-DAY SECONDARY SERVICE

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This schedule is available for secondary service. Service under this schedule will be limited to customers whose 12-month-average monthly minimum loads exceed 250 kW and whose 12-month-average monthly maximum loads do not exceed 5,000 kW.

RATE

Basic Service Charge per month: $200.00

Plus an Energy Charge per kWh of: $ 0.03526 I

Plus a Maximum Load Charge per kW of:
Peak Demand Period .... $ 5.92 I
Intermediate Demand Period .... $ 4.32 I
Base Demand Period .... $ 4.99 I

Where:
the monthly billing demand for the Peak and Intermediate Demand Periods is the greater of:
a) the maximum measured load in the current billing period, or
b) a minimum of 50% of the highest billing demand in the preceding eleven (11) monthly billing periods, and

the monthly billing demand for the Base Demand Period is the greater of:
a) the maximum measured load in the current billing period but not less than 250 kW, or
b) a minimum of 75% of the highest billing demand in the preceding eleven (11) monthly billing periods, or
c) a minimum of 75% of the contract capacity based on the maximum load expected on the system or on facilities specified by Customer.

ADJUSTMENT CLAUSES
The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand-Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Standard Rate **TODS**
TIME-OF-DAY SECONDARY SERVICE

DETERMINATION OF MAXIMUM LOAD

The load will be measured and will be the average kW demand delivered to the customer during the 15-minute period of maximum use during the appropriate rating period each month. Company reserves the right to place a kVA meter and base the billing demand on the measured kVA. The charge will be computed based on the measured kVA times 90 percent, at the applicable kW charge.

In lieu of placing a kVA meter, Company may adjust the measured maximum load for billing purposes when the power factor is less than 90 percent in accordance with the following formula: (BASED ON POWER FACTOR MEASURED AT THE TIME OF MAXIMUM LOAD)

$$\text{Adjusted Maximum kW Load for Billing Purposes} = \frac{\text{Maximum kW Load Measured x 90\%}}{\text{Power Factor (in percent)}}$$

RATING PERIODS

The rating periods applicable to the Maximum Load charges are established in Eastern Standard Time year round by season for weekdays and weekends, throughout Company's service area, and shall be as follows:

Summer peak months of May through September

	Base	Intermediate	Peak
Weekdays	All Hours	10 A.M. – 10 P.M.	1 P.M. – 7 P.M.
Weekends	All Hours		

All other months of October continuously through April

	Base	Intermediate	Peak
Weekdays	All Hours	6 A.M. – 10 P.M.	6 A.M. – 12 Noon
Weekends	All Hours		

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

If full payment is not received by the due date of the bill, a 1% late payment charge will be assessed on the current month's charges.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Standard Rate **TODS**
TIME-OF-DAY SECONDARY SERVICE

DETERMINATION OF MAXIMUM LOAD

The load will be measured and will be the average kW demand delivered to the customer during the 15-minute period of maximum use during the appropriate rating period each month. Company reserves the right to place a kVA meter and base the billing demand on the measured kVA. The charge will be computed based on the measured kVA times 90 percent, at the applicable kW charge.

In lieu of placing a kVA meter, Company may adjust the measured maximum load for billing purposes when the power factor is less than 90 percent in accordance with the following formula: (BASED ON POWER FACTOR MEASURED AT THE TIME OF MAXIMUM LOAD)

$$\text{Adjusted Maximum kW Load for Billing Purposes} = \frac{\text{Maximum kW Load Measured x 90\%}}{\text{Power Factor (in percent)}}$$

RATING PERIODS

The rating periods applicable to the Maximum Load charges are established in Eastern Standard Time year round by season for weekdays and weekends, throughout Company's service area, and shall be as follows:

Summer peak months of May through September

	Base	Intermediate	Peak
Weekdays	All Hours	10 A.M. – 10 P.M.	1 P.M. – 7 P.M.
Weekends	All Hours		

All other months of October continuously through April

	Base	Intermediate	Peak
Weekdays	All Hours	6 A.M. – 10 P.M.	6 A.M. – 12 Noon
Weekends	All Hours		

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

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DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 20.2

Standard Rate **TODS**
TIME-OF-DAY SECONDARY SERVICE

TERM OF CONTRACT
Service will be furnished under this schedule only under contract for a fixed term of not less than one (1) year, and for yearly periods thereafter until terminated by either party giving written notice to the other party 90 days prior to termination. Company, however, may require a longer fixed term of contract and termination notice because of conditions associated with the customer's requirements for service.

TERMS AND CONDITIONS
Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 20.2

Standard Rate **TODS**
TIME-OF-DAY SECONDARY SERVICE

TERM OF CONTRACT
Service will be furnished under this schedule only under contract for a fixed term of not less than one (1) year, and for yearly periods thereafter until terminated by either party giving written notice to the other party 90 days prior to termination. Company, however, may require a longer fixed term of contract and termination notice because of conditions associated with the customer's requirements for service.

TERMS AND CONDITIONS
Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 16, Third Revision of Original Sheet No. 22
Canceling P.S.C. No. 16, Second Revision of Original Sheet No. 22

Standard Rate **TODP**
TIME-OF-DAY PRIMARY SERVICE

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This schedule is available for primary service. Service under this schedule will be limited to customers whose 12-month-average monthly minimum average loads exceed 250 kVA and whose 12-month-average monthly maximum new loads do not exceed 50,000 kVA. Existing customers may increase loads to a 12-month-average monthly maximum of 75,000 kVA by up to 2,000 kVA per year or in greater increments with approval of Company's transmission operator.

RATE

Basic Service Charge per month:	$300.00
Plus an Energy Charge per kWh of:	$ 0.03765
Plus a Maximum Load Charge per kVA of:	
Peak Demand Period	$ 4.26
Intermediate Demand Period	$ 2.76
Base Demand Period	$ 1.71

Where:
the monthly billing demand for the Peak and Intermediate Demand Periods is the greater of:
a) the maximum measured load in the current billing period, or
b) a minimum of 50% of the highest billing demand in the preceding eleven (11) monthly billing periods, and
the monthly billing demand for the Base Demand Period is the greater of:
a) the maximum measured load in the current billing period but not less than 250 kVA, or
b) a minimum of 75% of the highest billing demand in the preceding eleven (11) monthly billing periods, or
c) a minimum of 75% of the contract capacity based on the maximum load expected on the system or on facilities specified by Customer.

DATE OF ISSUE: December 3, 2013

DATE EFFECTIVE: With Bills Rendered On and After December 31, 2013

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of Orders of the Public Service Commission in Case No. 2013-00242 dated November 14, 2013

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 22

Standard Rate **TODP**
TIME-OF-DAY PRIMARY SERVICE

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This schedule is available for primary service to any customer: (1) who has a 12-month-average monthly minimum demand exceeding 250 kVA; and (2) whose new or additional load receives any required approval of Company's transmission operator. T T T

RATE

Basic Service Charge per month:	$300.00	
Plus an Energy Charge per kWh of:	$ 0.03427	I
Plus a Maximum Load Charge per kVA of:		
Peak Demand Period	$ 5.76	I
Intermediate Demand Period	$ 4.26	I
Base Demand Period	$ 3.21	I

Where:
the monthly billing demand for the Peak and Intermediate Demand Periods is the greater of:
a) the maximum measured load in the current billing period, or
b) a minimum of 50% of the highest billing demand in the preceding eleven (11) monthly billing periods, and
the monthly billing demand for the Base Demand Period is the greater of:
a) the maximum measured load in the current billing period but not less than 250 kVA, or
b) a minimum of 75% of the highest billing demand in the preceding eleven (11) monthly billing periods, or
c) a minimum of 75% of the contract capacity based on the maximum load expected on the system or on facilities specified by Customer.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 22.1
Canceling P.S.C. No. 16, Original Sheet No. 22.1

Standard Rate **TODP**
TIME-OF-DAY PRIMARY SERVICE

ADJUSTMENT CLAUSES
The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand-Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

DETERMINATION OF MAXIMUM LOAD
The load will be measured and will be the average kVA demand delivered to the customer during the 15-minute period of maximum use during the appropriate rating period each month.

RATING PERIODS
The rating periods applicable to the Maximum Load charges are established in Eastern Standard Time year round by season for weekdays and weekends, throughout Company's service area, and shall be as follows:

Summer peak months of May through September

	Base	Intermediate	Peak
Weekdays	All Hours	10 A.M. – 10 P.M.	1 P.M. – 7 P.M.
Weekends	All Hours		

All other months of October continuously through April

	Base	Intermediate	Peak
Weekdays	All Hours	6 A.M. – 10 P.M.	6 A.M. – 12 Noon
Weekends	All Hours		

DUE DATE OF BILL
Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 22.1

Standard Rate **TODP**
TIME-OF-DAY PRIMARY SERVICE

ADJUSTMENT CLAUSES
The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand-Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

DETERMINATION OF MAXIMUM LOAD
The load will be measured and will be the average kVA demand delivered to the customer during the 15-minute period of maximum use during the appropriate rating period each month.

RATING PERIODS
The rating periods applicable to the Maximum Load charges are established in Eastern Standard Time year round by season for weekdays and weekends, throughout Company's service area, and shall be as follows:

Summer peak months of May through September

	Base	Intermediate	Peak
Weekdays	All Hours	10 A.M. – 10 P.M.	1 P.M. – 7 P.M.
Weekends	All Hours		

All other months of October continuously through April

	Base	Intermediate	Peak
Weekdays	All Hours	6 A.M. – 10 P.M.	6 A.M. – 12 Noon
Weekends	All Hours		

DUE DATE OF BILL
Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 22.2

Standard Rate **TODP**
TIME-OF-DAY PRIMARY SERVICE

LATE PAYMENT CHARGE
If full payment is not received by the due date of the bill, a 1% late payment charge will be assessed on the current month's charges.

TERM OF CONTRACT
Service will be furnished under this schedule only under contract for a fixed term of not less than one (1) year, and for yearly periods thereafter until terminated by either party giving written notice to the other party ninety (90) days prior to termination. Company, however, may require a longer fixed term of contract and termination notice because of conditions associated with the customer's requirements for service.

TERMS AND CONDITIONS
Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: ***/s/*** Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 22.2

Standard Rate **TODP**
TIME-OF-DAY PRIMARY SERVICE

LATE PAYMENT CHARGE
If full payment is not received by the due date of the bill, a 1% late payment charge will be assessed on the current month's charges.

TERM OF CONTRACT
Service will be furnished under this schedule only under contract for a fixed term of not less than one (1) year, and for yearly periods thereafter until terminated by either party giving written notice to the other party ninety (90) days prior to termination. Company, however, may require a longer fixed term of contract and termination notice because of conditions associated with the customer's requirements for service.

TERMS AND CONDITIONS
Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: November 26, 2014

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State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 16, Second Revision of Original Sheet No. 25
Canceling P.S.C. No. 16, First Revision of Original Sheet No. 25

Standard Rate **RTS**
RETAIL TRANSMISSION SERVICE

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This schedule is available for transmission service. Service under this schedule will be limited to customers whose 12-month-average monthly maximum new loads do not exceed 50,000 kVA. Existing customers may increase loads to a 12-month-average monthly maximum of 75,000 kVA by up to 2,000 kVA per year or in greater increments with approval of Company's transmission operator.

RATE

Basic Service Charge per month:	$750.00
Plus an Energy Charge per kWh of:	$ 0.03634
Plus a Maximum Load Charge per kVA of:	
Peak Demand Period	$ 3.97
Intermediate Demand Period	$ 2.87
Base Demand Period	$ 1.34

Where:
the monthly billing demand for the Peak and Intermediate Demand Periods is the greater of:
a) the maximum measured load in the current billing period, or
b) a minimum of 50% of the highest billing demand in the preceding eleven (11) monthly billing periods, and

the monthly billing demand for the Base Demand Period is the greater of:
a) the maximum measured load in the current billing period but not less than 250 kVA, or
b) a minimum of 75% of the highest billing demand in the preceding eleven (11) monthly billing periods, or
c) a minimum of 75% of the contract capacity based on the maximum load expected on the system or on facilities specified by Customer.

ADJUSTMENT CLAUSES
The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand-Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

DATE OF ISSUE: December 3, 2013

DATE EFFECTIVE: With Bills Rendered On and After December 31, 2013

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of Orders of the Public Service Commission in Case No. 2013-00242 dated November 14, 2013

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 25

Standard Rate **RTS**
RETAIL TRANSMISSION SERVICE

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This schedule is available for transmission service to any customer: (1) who has a 12-month- T
average monthly minimum demand exceeding 250 kVA; and (2) whose new or additional load T
receives any required approval of Company's transmission operator T

RATE

Basic Service Charge per month:	$1,000.00	I
Plus an Energy Charge per kWh of:	$ 0.03352	I
Plus a Maximum Load Charge per kVA of:		
Peak Demand Period	$ 4.63	I
Intermediate Demand Period	$ 4.53	I
Base Demand Period	$ 3.00	I

Where:
the monthly billing demand for the Peak and Intermediate Demand Periods is the greater of:
a) the maximum measured load in the current billing period, or
b) a minimum of 50% of the highest billing demand in the preceding eleven (11) monthly billing periods, and

the monthly billing demand for the Base Demand Period is the greater of:
a) the maximum measured load in the current billing period but not less than 250 kVA, or
b) a minimum of 75% of the highest billing demand in the preceding eleven (11) monthly billing periods, or
c) a minimum of 75% of the contract capacity based on the maximum load expected on the system or on facilities specified by Customer.

ADJUSTMENT CLAUSES
The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand-Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 25.1

Standard Rate **RTS**

RETAIL TRANSMISSION SERVICE

DETERMINATION OF MAXIMUM LOAD

The load will be measured and will be the average kVA demand delivered to the customer during the 15-minute period of maximum use during the appropriate rating period each month.

RATING PERIODS

The rating periods applicable to the Maximum Load charges are established in Eastern Standard Time year round by season for weekdays and weekends, throughout Company's service area, and shall be as follows:

Summer peak months of May through September

	Base	Intermediate	Peak
Weekdays	All Hours	10 A.M. – 10 P.M.	1 P.M. – 7 P.M.
Weekends	All Hours		

All other months of October continuously through April

	Base	Intermediate	Peak
Weekdays	All Hours	6 A.M. – 10 P.M.	6 A.M. – 12 Noon
Weekends	All Hours		

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

If full payment is not received by the due date of the bill, a 1% late payment charge will be assessed on the current month's charges.

TERM OF CONTRACT

Service will be furnished under this schedule only under contract for a fixed term of not less than one (1) year and for yearly periods thereafter until terminated by either party giving written notice to the other party ninety (90) days prior to termination. Company, however, may require a longer fixed term of contract and termination notice because of conditions associated with the customer's requirements for service.

TERMS AND CONDITIONS

Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 25.1

Standard Rate **RTS**

RETAIL TRANSMISSION SERVICE

DETERMINATION OF MAXIMUM LOAD

The load will be measured and will be the average kVA demand delivered to the customer during the 15-minute period of maximum use during the appropriate rating period each month.

RATING PERIODS

The rating periods applicable to the Maximum Load charges are established in Eastern Standard Time year round by season for weekdays and weekends, throughout Company's service area, and shall be as follows:

Summer peak months of May through September

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Weekdays	All Hours	10 A.M. – 10 P.M.	1 P.M. – 7 P.M.
Weekends	All Hours		

All other months of October continuously through April

	Base	Intermediate	Peak
Weekdays	All Hours	6 A.M. – 10 P.M.	6 A.M. – 12 Noon
Weekends	All Hours		

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

If full payment is not received by the due date of the bill, a 1% late payment charge will be assessed on the current month's charges.

TERM OF CONTRACT

Service will be furnished under this schedule only under contract for a fixed term of not less than one (1) year and for yearly periods thereafter until terminated by either party giving written notice to the other party ninety (90) days prior to termination. Company, however, may require a longer fixed term of contract and termination notice because of conditions associated with the customer's requirements for service.

TERMS AND CONDITIONS

Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: November 26, 2014

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 16, Second Revision of Original Sheet No. 30
Canceling P.S.C. No. 16, First Revision of Original Sheet No. 30

Standard Rate **FLS**
Fluctuating Load Service

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Available for primary or transmission service to customers up to an aggregate of two hundred (200) MVA for all customers taking service under this schedule and under the Fluctuating Load Service Rate FLS schedule of Louisville Gas and Electric Company. This schedule is restricted to individual customers whose monthly demand is twenty (20) MVA or greater. A customer is defined as a fluctuating load if that customer's load either increases or decreases twenty (20) MVA or more per minute or seventy (70) MVA or more in ten (10) minutes when such increases or decreases exceed one (1) occurrence per hour during any hour of the billing month.

Subject to the above aggregate limit of two hundred (200) MVA, this schedule is mandatory for all customers whose load is defined as fluctuating and not served on another standard rate schedule as of July 1, 2004.

BASE RATE

	Primary	Transmission
Basic Service Charge per month:	$750.00	$750.00
Plus an Energy Charge per kWh of:	$ 0.03643	$ 0.03261
Plus a Maximum Load Charge per kVA of:		
Peak Demand Period	$ 2.41	$ 2.41
Intermediate Demand Period	$ 1.52	$ 1.52
Base Demand Period	$ 1.80	$ 1.05

Where:
the monthly billing demand for the Peak and Intermediate Demand Periods is the greater of:
a) the maximum measured load in the current billing period, or
b) a minimum of 50% of the highest billing demand in the preceding eleven (11) monthly billing periods, and

the monthly billing demand for the Base Demand Period is the greater of:
a) the maximum measured load in the current billing period but not less than 20,000 kVA, or
b) a minimum of 75% of the highest billing demand in the preceding eleven (11) monthly billing periods, or
c) a minimum of 75% of the contract capacity based on the maximum load expected on the system or on facilities specified by Customer.

DATE OF ISSUE: December 3, 2013

DATE EFFECTIVE: With Bills Rendered On and After December 31, 2013

ISSUED BY: */s/* Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of Orders of the Public Service Commission in Case No. 2013-00242 dated November 14, 2013

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 30

Standard Rate **FLS**
Fluctuating Load Service

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Available for primary or transmission service to customers up to an aggregate of two hundred (200) MVA for all customers taking service under this schedule and under the Fluctuating Load Service Rate FLS schedule of Louisville Gas and Electric Company. This schedule is restricted to individual customers whose monthly demand is twenty (20) MVA or greater. A customer is defined as a fluctuating load if that customer's load either increases or decreases twenty (20) MVA or more per minute or seventy (70) MVA or more in ten (10) minutes when such increases or decreases exceed one (1) occurrence per hour during any hour of the billing month.

Subject to the above aggregate limit of two hundred (200) MVA, this schedule is mandatory for all customers whose load is defined as fluctuating and not served on another standard rate schedule as of July 1, 2004.

BASE RATE

	Primary	Transmission	
Basic Service Charge per month:	$1,000.00	$1,000.00	I
Plus an Energy Charge per kWh of:	$ 0.03643	$ 0.03343	I
Plus a Maximum Load Charge per kVA of:			
Peak Demand Period	$ 2.86	$ 2.86	I
Intermediate Demand Period	$ 1.97	$ 1.97	I
Base Demand Period	$ 2.25	$ 1.50	I

Where:
the monthly billing demand for the Peak and Intermediate Demand Periods is the greater of:
a) the maximum measured load in the current billing period, or
b) a minimum of 50% of the highest billing demand in the preceding eleven (11) monthly billing periods, and

the monthly billing demand for the Base Demand Period is the greater of:
a) the maximum measured load in the current billing period but not less than 20,000 kVA, or
b) a minimum of 75% of the highest billing demand in the preceding eleven (11) monthly billing periods, or
c) a minimum of 75% of the contract capacity based on the maximum load expected on the system or on facilities specified by Customer.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: */s/* Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 30.1

Standard Rate **FLS**
Fluctuating Load Service

ADJUSTMENT CLAUSES
The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

DETERMINATION OF MAXIMUM LOAD
The load will be measured and will be the average kVA demand delivered to the customer during the 5-minute period of maximum use during the appropriate rating period each month.

RATING PERIODS
The rating periods applicable to the Maximum Load charges are established in Eastern Standard Time year round by season for weekdays and weekends, throughout Company's service area, and shall be as follows:

Summer peak months of May through September

	Base	Intermediate	Peak
Weekdays	All Hours	10 A.M. – 10 P.M.	1 P.M. – 7 P.M.
Weekends	All Hours		

All other months of October continuously through April

	Base	Intermediate	Peak
Weekdays	All Hours	6 A.M. – 10 P.M.	6 A.M. – 12 Noon
Weekends	All Hours		

DUE DATE OF BILL
Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE
If full payment is not received by the due date of the bill, a 1% late payment charge will be assessed on the current month's charges.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 30.1

Standard Rate **FLS**
Fluctuating Load Service

ADJUSTMENT CLAUSES
The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

DETERMINATION OF MAXIMUM LOAD
The load will be measured and will be the average kVA demand delivered to the customer during the 5-minute period of maximum use during the appropriate rating period each month.

RATING PERIODS
The rating periods applicable to the Maximum Load charges are established in Eastern Standard Time year round by season for weekdays and weekends, throughout Company's service area, and shall be as follows:

Summer peak months of May through September

	Base	Intermediate	Peak
Weekdays	All Hours	10 A.M. – 10 P.M.	1 P.M. – 7 P.M.
Weekends	All Hours		

All other months of October continuously through April

	Base	Intermediate	Peak
Weekdays	All Hours	6 A.M. – 10 P.M.	6 A.M. – 12 Noon
Weekends	All Hours		

DUE DATE OF BILL
Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE
If full payment is not received by the due date of the bill, a 1% late payment charge will be assessed on the current month's charges.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 30.2
Canceling P.S.C. No. 16, Original Sheet No. 30.2

Standard Rate **FLS**
Fluctuating Load Service

TERM OF CONTRACT

Unless terminated by mutual agreement, the initial term of contract for service shall be for a fixed term of five years with successive one year term renewal until canceled by either party giving at least one (1) year written notice to the other prior to the end of the initial term or the then current annual renewal period, as applicable.

PROTECTION OF SERVICE

Where Customer's use of service is intermittent, subject to violent or extraordinary fluctuations, or produces unacceptable levels of harmonic current, in each case as determined by Company in its reasonable discretion, Company reserves the right to require Customer to furnish, at Customer's own expense, suitable equipment (as approved by Company in its reasonable discretion) to meter and limit such intermittence, fluctuation, or harmonics to the extent reasonably requested by Company. Without limiting the foregoing, Company may require such equipment if, at any time, the megavars, harmonics, and other undesirable electrical characteristics produced by the Customer exceed the limits set forth in the IEEE standards for such characteristics. In addition, if the Customer's use of Company's service under this schedule causes such undesirable electrical characteristics in an amount exceeding those IEEE standards, such use shall be deemed to cause a dangerous condition which could subject any person to imminent harm or result in substantial damage to the property of Company or others, and Company shall therefore terminate service to the Customer in accordance with 807 KAR 5:006, Section 15(1)(b). Such a termination of service shall not be considered a cancellation of the service agreement or relieve Customer of any minimum billing or other guarantees. Company shall be held harmless for any damages or economic loss resulting from such termination of service. If requested by Company, Customer shall provide all available information to Company that aids Company in enforcing its service standards. If Company at any time has a reasonable basis for believing that Customer's proposed or existing use of the service provided will not comply with the service standards for interference, fluctuations, or harmonics, Company may engage such experts and/or consultants as Company shall determine are appropriate to advise Company in ensuring that such interference, fluctuations, or harmonics are within acceptable standards. Should such experts and/or consultants determine Customer's use of service is unacceptable, Company's use of such experts and/or consultants will be at the Customer's expense.

SYSTEM CONTINGENCIES AND INDUSTRY SYSTEM PERFORMANCE CRITERIA

Company reserves the right to interrupt up to 95% of Customer's load to facilitate Company compliance with system contingencies and with industry performance criteria. Customer will permit Company to install electronic equipment and associated real-time metering to permit Company interruption of Customer's load. Such equipment will immediately notify Customer five (5) minutes before an electronically initiated interruption that will begin immediately thereafter and last no longer than ten (10) minutes nor shall the interruptions exceed twenty (20) per month. Such interruptions will not be accumulated nor credited against annual hours, if any, under the CURTAILABLE SERVICE RIDERS CSR10 AND CSR 30. Company's right to

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 4, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 30.2

Standard Rate **FLS**
Fluctuating Load Service

TERM OF CONTRACT

Unless terminated by mutual agreement, the initial term of contract for service shall be for a fixed term of five years with successive one year term renewal until canceled by either party giving at least one (1) year written notice to the other prior to the end of the initial term or the then current annual renewal period, as applicable.

PROTECTION OF SERVICE

Where Customer's use of service is intermittent, subject to violent or extraordinary fluctuations, or produces unacceptable levels of harmonic current, in each case as determined by Company in its reasonable discretion, Company reserves the right to require Customer to furnish, at Customer's own expense, suitable equipment (as approved by Company in its reasonable discretion) to meter and limit such intermittence, fluctuation, or harmonics to the extent reasonably requested by Company. Without limiting the foregoing, Company may require such equipment if, at any time, the megavars, harmonics, and other undesirable electrical characteristics produced by the Customer exceed the limits set forth in the IEEE standards for such characteristics. In addition, if the Customer's use of Company's service under this schedule causes such undesirable electrical characteristics in an amount exceeding those IEEE standards, such use shall be deemed to cause a dangerous condition which could subject any person to imminent harm or result in substantial damage to the property of Company or others, and Company shall therefore terminate service to the Customer in accordance with 807 KAR 5:006, Section 15(1)(b). Such a termination of service shall not be considered a cancellation of the service agreement or relieve Customer of any minimum billing or other guarantees. Company shall be held harmless for any damages or economic loss resulting from such termination of service. If requested by Company, Customer shall provide all available information to Company that aids Company in enforcing its service standards. If Company at any time has a reasonable basis for believing that Customer's proposed or existing use of the service provided will not comply with the service standards for interference, fluctuations, or harmonics, Company may engage such experts and/or consultants as Company shall determine are appropriate to advise Company in ensuring that such interference, fluctuations, or harmonics are within acceptable standards. Should such experts and/or consultants determine Customer's use of service is unacceptable, Company's use of such experts and/or consultants will be at the Customer's expense.

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DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 4, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 30.3

Standard Rate **FLS**

Fluctuating Load Service

Interrupt under this provision is restricted to responses to unplanned outage or de-rates of LG&E and KU Energy LLC System (LKE System) owned or purchased generation or when Automatic Reserve Sharing is invoked. LKE System, as used herein, shall consist of KU and LG&E. At customer's request, Company shall provide documentation of the need for interruption under this provision within sixty (60) days of the end of the applicable billing period.

LIABILITY

In no event shall Company have any liability to the Customer or any other party affected by the electrical service to the Customer for any consequential, indirect, incidental, special, or punitive damages, and such limitation of liability shall apply regardless of claim or theory. In addition, to the extent that Company acts within its rights as set forth herein and/or any applicable law or regulation, Company shall have no liability of any kind to the Customer or any other party. In the event that the Customer's use of Company's service causes damage to Company's property or injuries to persons, the Customer shall be responsible for such damage or injury and shall indemnify, defend, and hold Company harmless from any and all suits, claims, losses, and expenses associated therewith.

TERMS AND CONDITIONS

Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 30.3

Standard Rate **FLS**

Fluctuating Load Service

Interrupt under this provision is restricted to responses to unplanned outage or de-rates of LG&E and KU Energy LLC System (LKE System) owned or purchased generation or when Automatic Reserve Sharing is invoked. LKE System, as used herein, shall consist of KU and LG&E. At customer's request, Company shall provide documentation of the need for interruption under this provision within sixty (60) days of the end of the applicable billing period.

LIABILITY

In no event shall Company have any liability to the Customer or any other party affected by the electrical service to the Customer for any consequential, indirect, incidental, special, or punitive damages, and such limitation of liability shall apply regardless of claim or theory. In addition, to the extent that Company acts within its rights as set forth herein and/or any applicable law or regulation, Company shall have no liability of any kind to the Customer or any other party. In the event that the Customer's use of Company's service causes damage to Company's property or injuries to persons, the Customer shall be responsible for such damage or injury and shall indemnify, defend, and hold Company harmless from any and all suits, claims, losses, and expenses associated therewith.

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Service will be furnished under Company's Terms and Conditions applicable hereto.

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State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 16, Second Revision of Original Sheet No. 35
Canceling P.S.C. No. 16, First Revision of Original Sheet No. 35

Standard Rate **LS**
Lighting Service

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

Service under this rate schedule is offered, under the conditions set out hereinafter, for lighting applications such as, but not limited to, the illumination of street, driveways, yards, lots, and other outdoor areas where secondary voltage of 120/240 is available.

Service will be provided under written contract, signed by customer prior to service commencing, when additional facilities are required.

Units marked with an asterisk (*) are not available for use in residential neighborhoods except by municipal authorities.

OVERHEAD SERVICE

Based on Customer's lighting choice, Company will furnish, own, install, and maintain the lighting unit. A basic overhead service includes lamp, fixture, photoelectric control, mast arm, and, if needed, up to 150 feet of conductor per fixture on existing wood poles (fixture only). Company will, upon request, furnish ornamental poles of Company's choosing, together with overhead wiring and all other equipment mentioned for basic overhead service.

RATE

Rate Code	Type of Fixture	Approximate Lumens	kW Per Light	Monthly Charge	
				Fixture Only	Ornamental
High Pressure Sodium					
462/472	Cobra Head	5,800	0.083	$ 8.66	$11.60
463/473	Cobra Head	9,500	0.117	9.14	12.30
464/474	Cobra Head	22,000*	0.242	14.25	17.41
465/475	Cobra Head	50,000*	0.471	22.84	24.46
487	Directional	9,500	0.117	$ 9.00	
488	Directional	22,000*	0.242	13.64	
489	Directional	50,000*	0.471	19.46	
428	Open Bottom	9,500	0.117	$ 7.84	
Metal Halide					
450	Directional	12,000*	0.150	$14.25	
451	Directional	32,000*	0.350	20.20	
452	Directional	107,800*	1.080	42.35	

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DATE EFFECTIVE: With Bills Rendered On and After December 31, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of Orders of the Public Service Commission in Case No. 2013-00242 dated November 14, 2013

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 35

Standard Rate **LS**
Lighting Service

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

Service under this rate schedule is offered, under the conditions set out hereinafter, for lighting applications such as, but not limited to, the illumination of street, driveways, yards, lots, and other outdoor areas where secondary voltage of 120/240 is available.

Service will be provided under written contract, signed by customer prior to service commencing, when additional facilities are required.

Units marked with an asterisk (*) are not available for use in residential neighborhoods except by municipal authorities.

OVERHEAD SERVICE

Based on Customer's lighting choice, Company will furnish, own, install, and maintain the lighting unit. A basic overhead service includes lamp, fixture, photoelectric control, mast arm, and, if needed, up to 150 feet of conductor per fixture on existing wood poles (fixture only). Company will, upon request, furnish ornamental poles of Company's choosing, together with overhead wiring and all other equipment mentioned for basic overhead service.

RATE

Rate Code	Type of Fixture	Approximate Lumens	kW Per Light	Monthly Charge		
				Fixture Only	Ornamental	
High Pressure Sodium						
462/472	Cobra Head	5,800	0.083	$ 9.52	$12.75	I
463/473	Cobra Head	9,500	0.117	10.05	13.52	
464/474	Cobra Head	22,000*	0.242	15.67	19.14	
465/475	Cobra Head	50,000*	0.471	25.11	26.89	
487	Directional	9,500	0.117	$ 9.90		
488	Directional	22,000*	0.242	15.00		
489	Directional	50,000*	0.471	21.40		
428	Open Bottom	9,500	0.117	$ 8.62		
Metal Halide						
450	Directional	12,000*	0.150	$15.67		I
451	Directional	32,000*	0.350	22.21		I
452	Directional	107,800*	1.080	46.56		I

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Second Revision of Original Sheet No. 35.1
Canceling P.S.C. No. 16, First Revision of Original Sheet No. 35.1

Standard Rate **LS**
Lighting Service

OVERHEAD SERVICE (continued)

Should Customer request underground service, Customer shall make a non-refundable cash contribution prior to the time of installation, or, at the option of company, make a work contribution to Company for the difference in the installed cost of the system requested and the cost of the overhead lighting system.

Where the location of existing poles is not suitable or where there are no existing poles for mounting of lights, and Customer requests service under these conditions, Company may furnish the requested facilities at an additional charge to be determined under the Excess Facilities Rider.

UNDERGROUND SERVICE

Based on Customer's lighting choice, Company will furnish, own, install, and maintain poles, fixtures, and any necessary circuitry up to 200 feet. All poles and fixtures furnished by Company will be standard stocked materials. Company may decline to install equipment and provide service thereto in locations deemed by Company as unsuitable for underground installation.

RATE

				Monthly Charge		
Rate Code	Type of Fixture	Approximate Lumens	kW Per Light	Fixture Only	Decorative Smooth	Historic Fluted
High Pressure Sodium						
467	Colonial	5,800	0.083		$10.77	
468	Colonial	9,500	0.117		11.16	
401/411	Acorn	5,800	0.083		$14.86	$21.38
420/430	Acorn	9,500	0.117		15.36	22.00
414	Victorian	5,800	0.083			$30.84
415	Victorian	9,500	0.117			31.22
492/476	Contemporary	5,800	0.083	$15.37	$16.79	
497/477	Contemporary	9,500	0.117	15.35	20.97	
498/478	Contemporary	22,000*	0.242	17.72	26.86	
499/479	Contemporary	50,000*	0.471	21.49	33.12	
300	Dark Sky Lantern	4,000	0.060		$22.49	
301	Dark Sky Lantern	9,500	0.117		23.50	

DATE OF ISSUE: December 3, 2013

DATE EFFECTIVE: With Bills Rendered On and After December 31, 2013

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 35.1

Standard Rate **LS**
Lighting Service

OVERHEAD SERVICE (continued)

Should Customer request underground service, Customer shall make a non-refundable cash contribution prior to the time of installation, or, at the option of company, make a work contribution to Company for the difference in the installed cost of the system requested and the cost of the overhead lighting system.

Where the location of existing poles is not suitable or where there are no existing poles for mounting of lights, and Customer requests service under these conditions, Company may furnish the requested facilities at an additional charge to be determined under the Excess Facilities Rider.

UNDERGROUND SERVICE

Based on Customer's lighting choice, Company will furnish, own, install, and maintain poles, fixtures, and any necessary circuitry up to 200 feet. All poles and fixtures furnished by Company will be standard stocked materials. Company may decline to install equipment and provide service thereto in locations deemed by Company as unsuitable for underground installation.

RATE

				Monthly Charge			
Rate Code	Type of Fixture	Approximate Lumens	kW Per Light	Fixture Only	Decorative Smooth	Historic Fluted	
High Pressure Sodium							
467	Colonial	5,800	0.083		$11.84		I
468	Colonial	9,500	0.117		12.27		
401/411	Acorn	5,800	0.083		$16.34	$23.51	
420/430	Acorn	9,500	0.117		16.89	24.19	
414	Victorian	5,800	0.083			$33.91	
415	Victorian	9,500	0.117			34.33	
492/476	Contemporary	5,800	0.083	$16.90	$18.46		
497/477	Contemporary	9,500	0.117	16.88	23.06		
498/478	Contemporary	22,000*	0.242	19.48	29.53		
499/479	Contemporary	50,000*	0.471	23.63	36.42		
300	Dark Sky	4,000	0.060		$24.73		T/I
301	Dark Sky	9,500	0.117		25.84		T/I

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Second Revision of Original Sheet No. 35.2
Canceling P.S.C. No. 16, First Revision of Original Sheet No. 35.2

Standard Rate **LS**
Lighting Service

Rate Code	Type of Fixture	Approximate Lumens	kW Per Light	Monthly Charge Fixture Only	Monthly Charge Decorative Smooth	Monthly Charge Historic Fluted
360	Granville	16,000	0.181		$55.33	

Granville Accessories:

Twin Crossarm Bracket (includes 1 fixture)	$20.57
24 Inch Banner Arm	3.21
24 Inch Clamp Banner Arm	4.43
18 Inch Banner Arm	2.95
18 Inch Clamp Banner Arm	3.66
Flagpole Holder	1.36
Post-Mounted Receptacle	19.19
Additional Post-Mounted Receptacle (Limit 1 Per Pole)	2.62
Planter	4.45
Clamp-On Planter	4.94

Granville units are restricted to installations and configurations for the cities of Lexington and London

Metal Halide

Rate Code	Type of Fixture	Approximate Lumens	kW Per Light	Fixture Only	Decorative Smooth	Historic Fluted
490/494	Contemporary	12,000*	0.150	$15.47	$28.37	
491/495	Contemporary	32,000*	0.350	21.93	34.83	
493/496	Contemporary	107,800*	1.080	45.70	58.59	

Customer shall make a non-refundable cash contribution prior to the time of installation, or, at the option of Company, make a work contribution to Company for the difference in the installed cost of the system requested and the cost of the conventional overhead lighting system.

Where Customer's location would require the installation of additional facilities, Company may furnish, own, and maintain the requested facilities at an additional charge per month to be determined under the Excess Facilities Rider.

DUE DATE OF BILL
Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill. Billing for this service to be made a part of bill rendered for other electric service.

DETERMINATION OF ENERGY CONSUMPTION
The kilowatt-hours will be determined as set forth on Sheet No. 67 of this Tariff.

DATE OF ISSUE: December 3, 2013

DATE EFFECTIVE: With Bills Rendered On and After December 31, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of Orders of the Public Service Commission in Case No. 2013-00242 dated November 14, 2013

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 35.2

Standard Rate **LS**
Lighting Service

Rate Code	Type of Fixture	Approximate Lumens	kW Per Light	Monthly Charge Fixture Only	Monthly Charge Decorative Smooth	Monthly Charge Historic Fluted	
Metal Halide							T
490/494	Contemporary	12,000*	0.150	$17.01	$31.19		I
491/495	Contemporary	32,000*	0.350	24.11	38.30		I
493/496	Contemporary	107,800*	1.080	50.25	64.42		I

Customer shall make a non-refundable cash contribution prior to the time of installation, or, at the option of Company, make a work contribution to Company for the difference in the installed cost of the system requested and the cost of the conventional overhead lighting system.

Where Customer's location would require the installation of additional facilities, Company may furnish, own, and maintain the requested facilities at an additional charge per month to be determined under the Excess Facilities Rider.

DUE DATE OF BILL
Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill. Billing for this service to be made a part of bill rendered for other electric service.

DETERMINATION OF ENERGY CONSUMPTION
The kilowatt-hours will be determined as set forth on Sheet No. 67 of this Tariff.

ADJUSTMENT CLAUSES T
The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

TERM OF CONTRACT
For a fixed term of not less than five (5) years and for such time thereafter until terminated by either party giving thirty (30) days prior written notice to the other when additional facilities are required. Cancellation by Customer prior to the initial five-year term will require Customer to pay to Company a lump sum equal to the monthly charge times the number of months remaining on the original five (5) year term.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

TERM OF CONTRACT

For a fixed term of not less than five (5) years and for such time thereafter until terminated by either party giving thirty (30) days prior written notice to the other when additional facilities are required. Cancellation by Customer prior to the initial five-year term will require Customer to pay to Company a lump sum equal to the monthly charge times the number of months remaining on the original five (5) year term.

TERMS AND CONDITIONS

1. Service shall be furnished under Company's Terms and Conditions, except as set out herein.
2. All service and maintenance will be performed only during regular scheduled working hours of Company. Customer will be responsible for reporting outages and other operating faults. Company shall initiate service corrections within two (2) business days after such notification by Customer.
3. Customer shall be responsible for the cost of fixture replacement or repairs where such replacement or repairs are caused from willful damage, vandalism, or causes other than normal burnouts. Company may decline to provide or continue service in locations where, in Company's judgment, such facilities will be subject to unusual hazards or risk of damage.
4. Company shall have the right to make other attachments and to further extend the conductors, when necessary, for the further extension of its electric service.
5. If any permit is required from any municipal or other governmental authority with respect to installation and use of any of the lighting units provided hereunder, Company will seek such permits, but the ultimate responsibility belongs with Customer
6. If Customer requests the removal of an existing lighting system, including, but not limited to, fixtures, poles, or other supporting facilities that were in service less than twenty years, and requests installation of replacement lighting within 5 years of removal, Customer agrees to pay to Company its cost of labor to install the replacement facilities.
7. Temporary suspension of lighting service is not permitted. Upon permanent discontinuance of service, lighting units and other supporting facilities solely associated with providing service under this tariff, except underground facilities and pedestals, will be removed.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

TERMS AND CONDITIONS T

1. Service shall be furnished under Company's Terms and Conditions, except as set out herein.
2. All service and maintenance will be performed only during regular scheduled working hours of Company. Customer will be responsible for reporting outages and other operating faults. Company shall initiate service corrections within two (2) business days after such notification by Customer.
3. Customer shall be responsible for the cost of fixture replacement or repairs where such replacement or repairs are caused from willful damage, vandalism, or causes other than normal burnouts. Company may decline to provide or continue service in locations where, in Company's judgment, such facilities will be subject to unusual hazards or risk of damage.
4. Company shall have the right to make other attachments and to further extend the conductors, when necessary, for the further extension of its electric service.
5. If any permit is required from any municipal or other governmental authority with respect to installation and use of any of the lighting units provided hereunder, Company will seek such permits, but the ultimate responsibility belongs with Customer
6. If Customer requests the removal of an existing lighting system, including, but not limited to, fixtures, poles, or other supporting facilities that were in service less than twenty years, and requests installation of replacement lighting within 5 years of removal, Customer agrees to pay to Company its cost of labor to install the replacement facilities.
7. Temporary suspension of lighting service is not permitted. Upon permanent discontinuance of service, lighting units and other supporting facilities solely associated with providing service under this tariff, except underground facilities and pedestals, will be removed.

DATE OF ISSUE: November 26, 2014

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Third Revision of Original Sheet No. 36
Canceling P.S.C. No. 16, Second Revision of Original Sheet No. 36

Standard Rate **RLS**
Restricted Lighting Service

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Service under this rate schedule is restricted to those lighting fixtures/poles in service as of August 1, 2012, except where a spot replacement maintains the continuity of multiple fixtures/poles comprising a neighborhood lighting system. Spot placement of restricted fixtures/poles is contingent on the restricted fixtures/poles being available from manufacturers. Spot replacement of restricted units will be made under the terms and conditions provided for under non-restricted Lighting Service Rate LS.

In the event restricted fixtures/poles fail and replacements are unavailable, Customer will be given the choice of having Company remove the failed fixture/pole or replacing the failed fixture/pole with other available fixture/pole.

OVERHEAD SERVICE
Based on Customer's lighting choice, Company has furnished, installed, and maintained the lighting unit complete with lamp, fixture, photoelectric control, mast arm, and, if needed, up to 150 feet of conductor per fixture on existing wood poles (fixture only). Company has, upon request, furnished poles, of Company's choosing, together with overhead wiring and all other equipment mentioned for overhead service.

RATE

Rate Code	Type of Fixture	Approximate Lumens	kW Per Light	Monthly Charge Fixture Only	Monthly Charge Fixture and Pole
High Pressure Sodium					
461/471	Cobra Head	4,000	0.060	$ 7.54	$10.49
409	Cobra Head	50,000	0.471	11.71	
426	Open Bottom	5,800	0.083	7.44	
Metal Halide					
454	Directional	12,000	0.150		$18.65
455	Directional	32,000	0.350		24.59
459	Directional	107,800	1.080		46.74
Mercury Vapor					
446/456	Cobra Head	7,000	0.207	$ 9.56	$11.87
447/457	Cobra Head	10,000	0.294	11.32	13.36
448/458	Cobra Head	20,000	0.453	12.81	15.08
404	Open Bottom	7,000	0.207	10.57	

DATE OF ISSUE: December 3, 2013

DATE EFFECTIVE: With Bills Rendered On and After December 31, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of Orders of the Public Service Commission in Case No. 2013-00242 dated November 14, 2013

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 36

Standard Rate **RLS**
Restricted Lighting Service

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Service under this rate schedule is restricted to those lighting fixtures/poles in service as of
January 1, 2013, except where a spot replacement maintains the continuity of multiple T
fixtures/poles comprising a neighborhood lighting system or continuity is desired for a T
subdivision being developed in phases. Spot placement of restricted fixtures/poles is contingent T
on the restricted fixtures/poles being available from manufacturers. Spot replacement of restricted units will be made under the terms and conditions provided for under non-restricted Lighting Service Rate LS.

In the event restricted fixtures/poles fail and replacements are unavailable, Customer will be given the choice of having Company remove the failed fixture/pole or replacing the failed fixture/pole with other available fixture/pole.

OVERHEAD SERVICE
Based on Customer's lighting choice, Company has furnished, installed, and maintained the lighting unit complete with lamp, fixture, photoelectric control, mast arm, and, if needed, up to 150 feet of conductor per fixture on existing wood poles (fixture only). Company has, upon request, furnished poles, of Company's choosing, together with overhead wiring and all other equipment mentioned for overhead service.

RATE

Rate Code	Type of Fixture	Approximate Lumens	kW Per Light	Monthly Charge Fixture Only	Monthly Charge Fixture and Pole	
High Pressure Sodium						
461/471	Cobra Head	4,000	0.060	$ 8.29	$11.53	I
409	Cobra Head	50,000	0.471	12.88		
426	Open Bottom	5,800	0.083	8.18		
Metal Halide						
454	Directional	12,000	0.150		$20.51	
455	Directional	32,000	0.350		27.04	
459	Directional	107,800	1.080		51.39	
Mercury Vapor						
446/456	Cobra Head	7,000	0.207	$10.51	$13.05	
447/457	Cobra Head	10,000	0.294	12.45	14.69	
448/458	Cobra Head	20,000	0.453	14.08	16.58	
404	Open Bottom	7,000	0.207	11.62		

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Third Revision of Original Sheet No. 36.1
Canceling P.S.C. No. 16, Second Revision of Original Sheet No. 36.1

Standard Rate **RLS**
Restricted Lighting Service

OVERHEAD SERVICE (continued)

Incandescent					
421	Tear Drop	1,000	0.102	$ 3.39	
422	Tear Drop	2,500	0.201	4.54	
424/434	Tear Drop	4,000	0.327	6.78	$ 7.74
425	Tear Drop	6,000	0.447	9.06	

Where the location of existing poles was not suitable, or where there were no existing poles for mounting of lights, and Customer requested service under these conditions, Company may have furnished the requested facilities at an additional charge determined under the Excess Facilities Rider.

UNDERGROUND SERVICE
Based on Customer's lighting choice, Company has furnished, installed, and maintained the lighting unit complete with lamp, fixture, photoelectric control, mast arm, and, if needed, up to 200 feet of conductor per fixture on appropriate poles.

RATE

				Monthly Charge		
Rate Code	**Type of Fixture**	**Approximate Lumens**	**kW Per Light**	**Wood Pole**	**Decorative Smooth**	**Historic Fluted**
Metal Halide						
460	Directional	12,000	0.150		$27.15	
469	Directional	32,000	0.350		33.10	
470	Directional	107,800	1.080		55.25	
High Pressure Sodium						
440/410	Acorn	4,000	0.060		$13.61	$20.26
466	Colonial	4,000	0.060		$ 9.62	
412	Coach	5,800	0.083		$30.84	
413	Coach	9,500	0.117		31.22	

DUE DATE OF BILL
Payment is due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill. Billing for this service to be made a part of the bill rendered for other electric service.

DATE OF ISSUE: December 3, 2013

DATE EFFECTIVE: With Bills Rendered On and After December 31, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of Orders of the Public Service Commission in Case No. 2013-00242 dated November 14, 2013

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 36.1

Standard Rate **RLS**
Restricted Lighting Service

OVERHEAD SERVICE (continued)

Incandescent						
421	Tear Drop	1,000	0.102	$ 3.73		I
422	Tear Drop	2,500	0.201	4.99		I
424/434	Tear Drop	4,000	0.327	7.45	$ 8.51	I
425	Tear Drop	6,000	0.447	9.96		I

Where the location of existing poles was not suitable, or where there were no existing poles for mounting of lights, and Customer requested service under these conditions, Company may have furnished the requested facilities at an additional charge determined under the Excess Facilities Rider.

UNDERGROUND SERVICE
Based on Customer's lighting choice, Company has furnished, installed, and maintained the lighting unit complete with lamp, fixture, photoelectric control, mast arm, and, if needed, up to 200 feet of conductor per fixture on appropriate poles.

RATE

				Monthly Charge			
Rate Code	**Type of Fixture**	**Approximate Lumens**	**kW Per Light**	**Wood Pole**	**Decorative Smooth**	**Historic Fluted**	
Metal Halide							
460	Directional	12,000	0.150		$29.85		I
469	Directional	32,000	0.350		36.39		
470	Directional	107,800	1.080		60.75		
High Pressure Sodium							
440/410	Acorn	4,000	0.060		$14.96	$22.28	
466	Colonial	4,000	0.060		$10.58		
412	Coach	5,800	0.083		$33.91		
413	Coach	9,500	0.117		34.33		

T

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P. S. C. No. 16, First Revision of Original Sheet No. 36.2
Canceling P.S.C. No. 16, Original Sheet No. 36.2

Standard Rate **RLS**
Restricted Lighting Service

DETERMINATION OF ENERGY CONSUMPTION
The kilowatt-hours will be determined as set forth on Sheet No. 67 of this Tariff.

ADJUSTMENT CLAUSES
The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

TERM OF CONTRACT
For a fixed term of not less than five (5) years and for such time thereafter until terminated by either party giving thirty (30) days prior written notice to the other when additional facilities are required. Cancellation by Customer prior to the initial five-year term will require Customer to pay to Company a lump sum equal to the monthly charge times the number of months remaining on the original five (5) year term.

TERMS AND CONDITIONS
1. Service shall be furnished under Company's Terms and Conditions, except as set out herein.

2. All service and maintenance will be performed only during regular scheduled working hours of Company. Customer will be responsible for reporting outages and other operating faults, and the Company shall initiate service corrections within two (2) business days after such notification by Customer.

3. Customer shall be responsible for the cost of fixture replacement or repairs where such replacement or repairs are caused from willful damage, vandalism, or causes other than normal burnouts. Company may decline to provide or continue service in locations where, in Company's judgment, such facilities will be subject to unusual hazards or risk of damage.

4. Company shall have the right to make other attachments and to further extend the conductors, when necessary, for the further extension of its electric service.

5. Temporary suspension of lighting service is not permitted. Upon permanent discontinuance of service, lighting units and other supporting facilities solely associated with providing service under this tariff, except underground facilities and pedestals, will be removed.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the
Public Service Commission in Case No.
2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 36.2

Standard Rate **RLS**
Restricted Lighting Service

UNDERGROUND SERVICE (continued) T

RATE

Rate Code	Type of Fixture	Approximate Lumens	kW Per Light	Monthly Charge Decorative Smooth	Monthly Charge Historic Fluted	
						T
360	Granville	16,000	0.181	$60.84		T/I

Granville units are restricted to installations for the City of London. T

DUE DATE OF BILL
Payment is due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill. Billing for this service to be made a part of the bill rendered for other electric service.

DETERMINATION OF ENERGY CONSUMPTION
The kilowatt-hours will be determined as set forth on Sheet No. 67 of this Tariff.

ADJUSTMENT CLAUSES
The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

TERM OF CONTRACT
For a fixed term of not less than five (5) years and for such time thereafter until terminated by either party giving thirty (30) days prior written notice to the other when additional facilities are required. Cancellation by Customer prior to the initial five-year term will require Customer to pay to Company a lump sum equal to the monthly charge times the number of months remaining on the original five (5) year term.

TERMS AND CONDITIONS
1. Service shall be furnished under Company's Terms and Conditions, except as set out herein.

2. All service and maintenance will be performed only during regular scheduled working hours of Company. Customer will be responsible for reporting outages and other operating faults, and the Company shall initiate service corrections within two (2) business days after such notification by Customer. T

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

KU Restricted Lighting Service Rate RLS is now contained on four pages instead of the current three pages.

TERMS AND CONDITIONS (Continued) T

3. Customer shall be responsible for the cost of fixture replacement or repairs where such replacement or repairs are caused from willful damage, vandalism, or causes other than normal burnouts. Company may decline to provide or continue service in locations where, in Company's judgment, such facilities will be subject to unusual hazards or risk of damage.

4. Company shall have the right to make other attachments and to further extend the conductors, when necessary, for the further extension of its electric service.

5. Temporary suspension of lighting service is not permitted. Upon permanent discontinuance of service, lighting units and other supporting facilities solely associated with providing service under this tariff, except underground facilities and pedestals, will be removed.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Second Revision of Original Sheet No. 37
Canceling P.S.C. No. 16, First Revision of Original Sheet No. 37

Standard Rate **LE**
Lighting Energy Service

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Available to municipalities, county governments, divisions or agencies of the state or Federal governments, civic associations, and other public or quasi-public agencies for service to public street and highway lighting systems, where the municipality or other agency owns and maintains all street lighting equipment and other facilities on its side of the point of delivery of the energy supplied hereunder.

RATE
$0.06380 per kWh

ADJUSTMENT CLAUSES
The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

DUE DATE OF BILL
Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

CONDITIONS OF DELIVERY
a) Service hereunder will be metered except when, by mutual agreement of Company and customer, an unmetered installation will be more satisfactory from the standpoint of both parties. In the case of unmetered service, billing will be based on a calculated consumption taking into account the types of equipment served.

b) The location of the point of delivery of the energy supplied hereunder and the voltage at which such delivery is effected shall be mutually agreed upon by Company and the customer in consideration of the type and size of customer's street lighting system and the voltage which Company has available for delivery.

TERMS AND CONDITIONS
Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: December 3, 2013

DATE EFFECTIVE: With Bills Rendered On and After December 31, 2013

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of Orders of the
Public Service Commission in Case No.
2013-00242 dated November 14, 2013

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 37

Standard Rate **LE**
Lighting Energy Service

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Available to municipalities, county governments, divisions or agencies of the state or Federal governments, civic associations, and other public or quasi-public agencies for service to public street and highway lighting systems, where the municipality or other agency owns and maintains all street lighting equipment and other facilities on its side of the point of delivery of the energy supplied hereunder.

RATE
$0.07020 per kWh I

ADJUSTMENT CLAUSES
The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

DUE DATE OF BILL
Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

CONDITIONS OF DELIVERY
a) Service hereunder will be metered except when, by mutual agreement of Company and customer, an unmetered installation will be more satisfactory from the standpoint of both parties. In the case of unmetered service, billing will be based on a calculated consumption taking into account the types of equipment served.

b) The location of the point of delivery of the energy supplied hereunder and the voltage at which such delivery is effected shall be mutually agreed upon by Company and the customer in consideration of the type and size of customer's street lighting system and the voltage which Company has available for delivery.

TERMS AND CONDITIONS
Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Third Revision of Original Sheet No. 38
Canceling P.S.C. No. 16, Second Revision of Original Sheet No. 38

Standard Rate **TE**
Traffic Energy Service

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Available to municipalities, county governments, divisions of the state or Federal governments or any other governmental agency for service on a 24-hour all-day every-day basis, where the governmental agency owns and maintains all equipment on its side of the point of delivery of the energy supplied hereunder. In the application of this rate each point of delivery will be considered as a separate customer.

This service is limited to traffic control devices including, signals, cameras, or other traffic lights and electronic communication devices.

RATE

Basic Service Charge:	$3.25 per delivery per month
Plus an Energy Charge of:	$0.07978 per kWh

ADJUSTMENT CLAUSES
The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

MINIMUM CHARGE
The Basic Service Charge shall be the minimum charge.

DUE DATE OF BILL
Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

CONDITIONS OF SERVICE
1. Service hereunder will be metered except when, by mutual agreement of Company and customer, an unmetered installation will be more satisfactory from the standpoint of both parties. In the case of unmetered service, billing will be based on a calculated consumption, taking into account the size and characteristics of the load, or on meter readings obtained from a similar installation.

DATE OF ISSUE: December 3, 2013

DATE EFFECTIVE: With Bills Rendered On and After December 31, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of Orders of the Public Service Commission in Case No. 2013-00242 dated November 14, 2013

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 38

Standard Rate **TE**
Traffic Energy Service

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Available to municipalities, county governments, divisions of the state or Federal governments or any other governmental agency for service on a 24-hour all-day every-day basis, where the governmental agency owns and maintains all equipment on its side of the point of delivery of the energy supplied hereunder. In the application of this rate each point of delivery will be considered as a separate customer.

This service is limited to traffic control devices including, signals, cameras, or other traffic lights and electronic communication devices.

RATE

Basic Service Charge:	$4.00 per delivery per month	I
Plus an Energy Charge of:	$0.08501 per kWh	I

ADJUSTMENT CLAUSES
The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91

MINIMUM CHARGE
The Basic Service Charge shall be the minimum charge.

DUE DATE OF BILL
Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

CONDITIONS OF SERVICE
1. Service hereunder will be metered except when, by mutual agreement of Company and customer, an unmetered installation will be more satisfactory from the standpoint of both parties. In the case of unmetered service, billing will be based on a calculated consumption, taking into account the size and characteristics of the load, or on meter readings obtained from a similar installation.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Standard Rate **TE**

Traffic Energy Service

CONDITIONS OF SERVICE (continued)

2. The location of each point of delivery of energy supplied hereunder shall be mutually agreed upon by Company and the customer. Where attachment of Customer's devices is made to Company facilities, Customer must have an attachment agreement with Company.

3. Loads not operated on an all-day every-day basis will be served under the appropriate rate.

TERMS AND CONDITIONS

Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Standard Rate **TE**

Traffic Energy Service

CONDITIONS OF SERVICE (continued)

2. The location of each point of delivery of energy supplied hereunder shall be mutually agreed upon by Company and the customer. Where attachment of Customer's devices is made to Company facilities, Customer must have an attachment agreement with Company.

3. Loads not operated on an all-day every-day basis will be served under the appropriate rate.

TERMS AND CONDITIONS

Service will be furnished under Company's Terms and Conditions applicable hereto.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 40

Standard Rate **CTAC**
Cable Television Attachment Charges

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Where Company is willing to permit the attachments of cables, wires and appliances to its poles where, in Company's judgment, such attachments will not interfere with its electric service requirements and other prior licensees using Company's poles. Attachments will be permitted upon execution by both parties of a Cable Television Attachment Agreement supplied by Company.

ATTACHMENT CHARGE
$9.69 per year for each attachment to pole.

BILLING
Attachment Charges to be billed semi-annually based on the number of pole attachments being maintained on December 1 and June 1. Provided, however, that should the Agreement be terminated in accordance with the terms of the said Agreement, the Attachment Charges will be prorated to the date of such termination. Payment will be due within thirty (30) days from date of bill. Non-payment of bills shall constitute a default of the Agreement.

TERM OF AGREEMENT
The Cable Television Attachment Agreement shall become effective upon execution by both parties and shall continue in effect for not less than one (1) year, subject to provisions contained in the agreement. At any time thereafter, the Customer may terminate the agreement by giving not less than six (6) months' prior written notice. Upon termination of the agreement, Customer shall immediately remove its cables, wire, appliances and all other attachments from all poles of Company.

TERMS AND CONDITIONS OF POLE ATTACHMENTS
Pole attachments shall be permitted in accordance with this Schedule. Company's Terms and Conditions shall be applicable, to the extent they are not in conflict with or inconsistent with, the special provisions of this Schedule.

Upon written Agreement, Company is willing to permit, to the extent it may lawfully do so, the attachment of cables, wires and appliances to its poles by a cable television system operator, hereinafter "Customer," where, in its judgment, such use will not interfere with its electric service requirements and other prior licensees using Company's poles, including consideration of economy and safety, in accordance with this schedule approved by the Public Service Commission. The Terms and Conditions applicable to such service are as follows:

DATE OF ISSUE: May 24, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated June 14, 2013

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 40

Standard Rate **CTAC**
Cable Television Attachment Charges

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Where Company is willing to permit the attachments of cables, wires and appliances to its poles where, in Company's judgment, such attachments will not interfere with its electric service requirements and other prior licensees using Company's poles. Attachments will be permitted upon execution by both parties of a Cable Television Attachment Agreement supplied by Company.

ATTACHMENT CHARGE
$9.69 per year for each attachment to pole.

BILLING
Attachment Charges to be billed semi-annually based on the number of pole attachments being maintained on December 1 and June 1. Provided, however, that should the Agreement be terminated in accordance with the terms of the said Agreement, the Attachment Charges will be prorated to the date of such termination. Payment will be due within thirty (30) days from date of bill. Non-payment of bills shall constitute a default of the Agreement.

TERM OF AGREEMENT
The Cable Television Attachment Agreement shall become effective upon execution by both parties and shall continue in effect for not less than one (1) year, subject to provisions contained in the agreement. At any time thereafter, the Customer may terminate the agreement by giving not less than six (6) months' prior written notice. Upon termination of the agreement, Customer shall immediately remove its cables, wire, appliances and all other attachments from all poles of Company.

TERMS AND CONDITIONS OF POLE ATTACHMENTS
Pole attachments shall be permitted in accordance with this Schedule. Company's Terms and Conditions shall be applicable, to the extent they are not in conflict with or inconsistent with, the special provisions of this Schedule.

Upon written Agreement, Company is willing to permit, to the extent it may lawfully do so, the attachment of cables, wires and appliances to its poles by a cable television system operator, hereinafter "Customer," where, in its judgment, such use will not interfere with its electric service requirements and other prior licensees using Company's poles, including consideration of economy and safety, in accordance with this schedule approved by the Public Service Commission. The Terms and Conditions applicable to such service are as follows:

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated June 14, 2013

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 40.1
Canceling P.S.C. No. 16, Original Sheet No. 40.1

Standard Rate **CTAC**
Cable Television Attachment Charges

1. **ATTACHMENT APPLICATIONS AND PERMITS**
Before making attachment to any pole or poles of Company, Customer shall make application and receive a permit therefore on a form to be supplied by Company. The information submitted by Customer with the application for a permit shall consist of drawings and associated descriptive matter which shall be adequate in all detail to enable Company to thoroughly check the proposed installation of Customer. Before the attachments are made, the permit must be approved by Company. Customer shall not build separate pole lines along existing facilities of Company and shall not place intermediate poles in spans of Company, unless authorized by Company in writing. Company shall have the right to remove unauthorized Customer attachments at Customer's expense after notice to Customer. In the event a pole attachment count does not correspond to the recorded attachment count, Customer will pay a back attachment fee for any excess attachments. The back attachment fee will be double the rate otherwise in effect over the time since last pole attachment count and shall be payable on demand.

2. **PERMITTED ATTACHMENTS**
Customer shall be permitted to make only one bolt attachment for one messenger on tangent poles and two bolt attachments for two messengers on corner poles. A maximum of five individual coaxial cables may be supported by any single messenger if these cables are all attached to the messenger by suitable lashings or bindings, and so that the maximum overall dimension of the resulting cable bundle does not exceed two (2) inches. Any messenger attachment other than to tangent poles must be properly braced with guys and anchors provided by Customer to the satisfaction of Company. The use of existing Company anchors for this purpose must be specifically authorized in writing, subject to additional charge, and will not ordinarily be permitted. The use of crossarms or brackets shall not be permitted. In addition to messenger attachments, Customer will be permitted one Customer amplifier installation per pole and four service drops to be tapped on cable messenger strand and not on pole. Customer power supply installations shall be permitted, but only at pole locations specifically approved by Company. Any or all of the above are considered one attachment for billing purposes. Any additional attachments desired by Customer will be considered on an individual basis by Company, and as a separate attachment application.

3. **CONSTRUCTION AND MAINTENANCE REQUIREMENTS AND SPECIFICATIONS**
Customer's cables, wires and appliances, in each and every location, shall be erected and maintained in accordance with the requirements and specifications of the National Electrical Safety Code, current edition, and Company's construction practices, or any amendments or revisions of said Code and in compliance with any rules or orders now in effect or that hereinafter may be issued by the Public Service Commission of Kentucky, or other authority having jurisdiction. In the event any of Customer's construction does not meet any of the foregoing requirements, Customer will correct same in fifteen work days after written notification. Company may make corrections and bill Customer for total costs incurred, if not corrected by Customer.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: August 1, 2010

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the
Public Service Commission in Case No.
2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 40.1

Standard Rate **CTAC**
Cable Television Attachment Charges

1. **ATTACHMENT APPLICATIONS AND PERMITS**
Before making attachment to any pole or poles of Company, Customer shall make application and receive a permit therefore on a form to be supplied by Company. The information submitted by Customer with the application for a permit shall consist of drawings and associated descriptive matter which shall be adequate in all detail to enable Company to thoroughly check the proposed installation of Customer. Before the attachments are made, the permit must be approved by Company. Customer shall not build separate pole lines along existing facilities of Company and shall not place intermediate poles in spans of Company, unless authorized by Company in writing. Company shall have the right to remove unauthorized Customer attachments at Customer's expense after notice to Customer. In the event a pole attachment count does not correspond to the recorded attachment count, Customer will pay a back attachment fee for any excess attachments. The back attachment fee will be double the rate otherwise in effect over the time since last pole attachment count and shall be payable on demand.

2. **PERMITTED ATTACHMENTS**
Customer shall be permitted to make only one bolt attachment for one messenger on tangent poles and two bolt attachments for two messengers on corner poles. A maximum of five individual coaxial cables may be supported by any single messenger if these cables are all attached to the messenger by suitable lashings or bindings, and so that the maximum overall dimension of the resulting cable bundle does not exceed two (2) inches. Any messenger attachment other than to tangent poles must be properly braced with guys and anchors provided by Customer to the satisfaction of Company. The use of existing Company anchors for this purpose must be specifically authorized in writing, subject to additional charge, and will not ordinarily be permitted. The use of crossarms or brackets shall not be permitted. In addition to messenger attachments, Customer will be permitted one Customer amplifier installation per pole and four service drops to be tapped on cable messenger strand and not on pole. Customer power supply installations shall be permitted, but only at pole locations specifically approved by Company. Any or all of the above are considered one attachment for billing purposes. Any additional attachments desired by Customer will be considered on an individual basis by Company, and as a separate attachment application.

3. **CONSTRUCTION AND MAINTENANCE REQUIREMENTS AND SPECIFICATIONS**
Customer's cables, wires and appliances, in each and every location, shall be erected and maintained in accordance with the requirements and specifications of the National Electrical Safety Code, current edition, and Company's construction practices, or any amendments or revisions of said Code and in compliance with any rules or orders now in effect or that hereinafter may be issued by the Public Service Commission of Kentucky, or other authority having jurisdiction. In the event any of Customer's construction does not meet any of the foregoing requirements, Customer will correct same in fifteen work days after written notification. Company may make corrections and bill Customer for total costs incurred, if not corrected by Customer.

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the
Public Service Commission in Case No.
2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 40.2
Canceling P.S.C. No. 16, Original Sheet No. 40.2

Standard Rate **CTAC**
Cable Television Attachment Charges

4. **MAINTENANCE OF ATTACHMENTS**
Customer shall, at its own expense, make and maintain said attachments in safe condition and in thorough repair, and in a manner suitable to Company and so as not to conflict with the use of said poles by Company, or by other parties, firms, corporations, governmental units, etc., using said poles, pursuant to any license or permit by Company, or interfere with the working

use of facilities thereon or which may, from time to time, be placed thereon. Customer shall promptly at any time, at its own expense, upon written notice from Company, relocate, replace or renew its facilities placed on said poles, and transfer them to substituted poles, or perform any other work in connection with said facilities that may be required by Company but in no case longer than 30 day after date of written request. In cases of emergency, however, Company may arrange to relocate, replace or renew the facilities placed on said poles by Customer, transfer them to substituted poles or perform any other work in connection with said facilities that may be required in the maintenance, replacement, removal or relocation of said poles, the facilities thereon or which may be placed thereon, or for the service needs of Company, or its other licensees, and Customer shall, on demand, reimburse Company for the expense thereby incurred.

5. **COSTS ASSOCIATED WITH ATTACHMENTS**
In the event that any pole or poles of Company to which Customer desires to make attachments are inadequate to support the additional facilities in accordance with the aforesaid specifications, Company will indicate on the application and permit form the changes necessary to provide adequate poles and the estimated cost thereof to Customer. If Customer still desires to make the attachments, Company will replace such inadequate poles with suitable poles and Customer will, on demand, reimburse Company for the total cost of pole replacement necessary to accommodate Customer attachments, less the salvage value of any pole that is removed, and the expense of transferring Company's facilities from the old to the new poles. Where Customer desired attachments can be accommodated on present poles of Company by rearranging Company's facilities thereon, Customer will compensate Company for the full expense incurred in completing such rearrangements, within ten days after receipt of Company's invoice for such expense. Customer will also, on demand, reimburse the owner or owners of other facilities attached to said poles for any expense incurred by it or them in transferring or rearranging said facilities. In the event Customer makes an unauthorized attachment which necessitates rearrangements when discovered, then Customer shall pay on demand twice the expense incurred in completing such rearrangements.

6. **MAINTENANCE AND OPERATION OF COMPANY'S FACILITIES**
Company reserves to itself, its successors and assigns, the right to maintain its poles and to operate its facilities thereon in such manner as will, in its own judgment, best enable it to fulfill its electric service requirements, but in accordance with the specifications herein before referred to. Company shall not be liable to Customer for any interruption to service to

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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 40.2

Standard Rate **CTAC**
Cable Television Attachment Charges

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Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 40.3
Canceling P.S.C. No. 16, Original Sheet No. 40.3

Standard Rate **CTAC**
Cable Television Attachment Charges

Customer's subscribers or for interference with the operation of the cables, wires and appliances of Customer arising in any manner out of the use of Company's poles hereunder.

7. **FRANCHISES AND EASEMENTS**
Customer shall submit to Company evidence, satisfactory to Company, of Customer's authority to erect and maintain Customer's facilities within public streets, highways and other thoroughfares within the above described territory which is to be served and shall secure any necessary consent by way of franchise or other satisfactory license, permit or authority, acceptable to Company from State, County or municipal authorities or from the owners of property where necessary to construct and maintain facilities at the locations of poles of Company which it desires to use. Customer must secure its own easement rights on private property. Customer must, regardless of authority received or franchises given by governmental agencies, conform to all requirements of Terms and Conditions with regard to Company's property. Company's approval of attachments shall not constitute any representation or warranty by Company to Customer regarding Customer's right to occupy or use any public or private right-of-way.

8. **INSPECTION OF FACILITIES**
Company reserves the right to inspect each new installation of Customer on its poles and in the vicinity of its lines or appliances and to make periodic inspections, every two (2) years or more often as plant conditions warrant of the entire plant of Customer. Such inspections, made or not, shall not operate to relieve Customer of any responsibility, obligation or liability.

9. **PRECAUTIONS TO AVOID FACILITY DAMAGE**
Customer shall exercise precautions to avoid damage to facilities of Company and of others supported on said poles; and shall assume all responsibility of any and all loss for such damage caused by it. Customer shall make an immediate report to Company of the occurrence of any damage and shall reimburse Company for the expense incurred in making repairs.

10. **INDEMNITIES AND INSURANCE**
Customer shall defend, indemnify and save harmless Company from any and all damage, loss, claim, demand, suit, liability, penalty or forfeiture of every kind and nature-including but not limited to costs and expenses of defending against the same and payment of any settlement or judgment therefore, by reason of (a) injuries or deaths to persons, (b) damages to or destructions of properties, (c) pollutions, contaminations of or other adverse effects on the environment or (d) violations of governmental laws, regulations or orders whether suffered directly by Company it-self or indirectly by reason of claims, demands or suits against it by third parties, resulting or alleged to have resulted from acts or omissions of Customer, its employees, agents, or other representatives or from their presence on the premises of Company, either solely or in concurrence with any alleged joint negligence of Company.

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State Regulation and Rates
Lexington, Kentucky

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P.S.C. No. 17, Original Sheet No. 40.3

Standard Rate **CTAC**
Cable Television Attachment Charges

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Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 40.4
Canceling P.S.C. No. 16, Original Sheet No. 40.4

Standard Rate **CTAC**

Cable Television Attachment Charges

Customer shall provide and maintain in an Insurance Company(s) authorized to do business in the Commonwealth of Kentucky, the following:

(a) Insurance protection for Customer employees to the extent required by the Workmen's Compensation Law of Kentucky and, where same is not applicable or if necessary to provide a defense for Company, Employer's Liability Protection (covering both Company and Customer) for Customer employees for no less than $100,000.00 per employee.

(b) Public Liability and Business Liability insurance with a minimum limit of $500,000.00 for each person injured and with a minimum total limit of $1,000,000.00 for each accident and a minimum limit of $100,000.00 for property damage for each accident.

(c) Public Liability and Property Damage insurance on all automotive equipment used by Customer on job to the extent of the amounts for Public Liability and Property Damage insurance set out in the preceding Paragraph (b).

(d) In the event that work covered by the Agreement includes work to be done in places or areas where the Maritime Laws are in effect, then and in that event additional insurance protection to the limits in Paragraph (b) above for liability arising out of said Maritime Laws.

(e) In the event the work covers fixed wing aircraft, rotor lift, lighter than air aircraft or any other form of aircraft, appropriate insurance will be carried affording protection to the limits prescribed in the preceding Paragraph (b).

(f) In the event the work covers blasting, explosives or operations underground, in trenches or other excavations, appropriate insurance will be carried affording protection to the limits prescribed in the preceding Paragraph (b), together with products hazard and completed operations insurance where applicable, affording protection to the limits above prescribed. Customer's liability insurance shall be written to eliminate XCU exclusions. Said insurance is to be kept in force for not less than one year after cancellation of the Agreement.

Before starting work, Customer shall furnish to Company a certificate(s) of insurance satisfactory to Company, evidencing the existence of the insurance required by the above provisions, and this insurance may not be canceled for any cause without sixty (60) days advance written notice being first given Company; provided, that failure of Company to require Customer to furnish any such certificate(s) shall not constitute a waiver by Company of Customer's obligation to maintain insurance as provided herein.

Each policy required hereunder shall contain a contractual endorsement written as follows: "The insurance provided herein shall also be for the benefit of Kentucky Utilities Company so to guarantee, within the policy limits, the performance by the named insured of the indemnity

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State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 40.4

Standard Rate **CTAC**

Cable Television Attachment Charges

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Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 40.5
Canceling P.S.C. No. 16, Original Sheet No. 40.5

Standard Rate **CTAC**
Cable Television Attachment Charges

provisions of the Cable Television Attachment Agreement between the named insured and Kentucky Utilities Company. This insurance may not be canceled for any cause without sixty (60) days advance written notice being first given to Kentucky Utilities Company."

11. ATTACHMENT REMOVAL AND NOTICES
Customer may at any time voluntarily remove its attachments from any pole or poles of Company, but shall immediately give Company written notice of such removal on a form to be supplied by Company. No refund of any attachment charge will be due on account of such voluntary removal.

12. FORBIDDEN USE OF POLES
Prior to Customer's initial attachment, Company reserves the right due to engineering design requirements to refuse use by Customer of certain or specific poles or structures (such as normal transmission routes). Upon notice from Company to Customer that the use of any pole or poles is forbidden by municipal or other public authorities or by property owners, the permit covering the use of such pole or poles shall immediately terminate and Customer shall remove its facilities from the affected pole or poles at once. No refund of any attachment charge will be due on account of any removal resulting from such forbidden use.

13. NON-COMPLIANCE
If Customer shall fail to comply with any of the provisions of these Rules and Regulations or Terms and Conditions or default in any of its obligations under these Rules and Regulations or Terms and Conditions and shall fail within thirty (30) days after written notice from Company to correct such default or non-compliance, Company may, at its option, forthwith terminate the Agreement or the permit covering the poles as to which such default or non-compliance shall have occurred, by giving written notice to Customer of said termination. No refund of any rental will be due on account of such termination.

14. WAIVERS
Failure to enforce or insist upon compliance with any of these Rules and Regulations or Terms and Conditions or the Agreement shall not constitute a general waiver or relinquishment thereof, but the same shall be and remain at all times in full force and effect.

15. USE OF COMPANY'S FACILITIES BY OTHERS
Nothing herein contained shall be construed as affecting the rights or privileges previously conferred by Company, by contract or otherwise, to others, not parties to the Agreement, to use any poles covered by the Agreement; and Company shall have the right to continue and to extend such rights or privileges. The attachment privileges herein granted shall at all times be subject to such existing contracts and arrangements.

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P.S.C. No. 17, Original Sheet No. 40.5

Standard Rate **CTAC**
Cable Television Attachment Charges

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Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 40.6
Canceling P.S.C. No. 16, Original Sheet No. 40.6

Standard Rate **CTAC**
Cable Television Attachment Charges

16. ASSIGNMENT
Customer shall not assign, transfer or sublet the privileges hereby granted and/or provided in the Agreement without the prior consent in writing of Company.

17. PROPERTY RIGHTS
No use, however extended, of Company poles under the Agreement shall create or vest in Customer any ownership or property rights in said poles, but Customer shall be and remain a customer only. Nothing herein contained shall be construed to compel Company to maintain any of said poles for a period longer than demanded by its electric service requirements.

18. FAILURE TO PROCEED
Customer agrees to proceed as expeditiously as practical with the work of providing the television cable service to the area described in the Agreement. Within ninety (90) days from the date of the Agreement, Customer shall make progress reasonably satisfactory to Company in the installation of its facilities or shall demonstrate, to the reasonable satisfaction of Company, its ability to proceed expeditiously.

19. TERMINATION
Upon termination of the Agreement in accordance with any of its terms, Customer shall immediately remove its cables, wires and appliances from all poles of Company. If not removed, Company shall have the right to remove them at the cost and expense of Customer.

20. SECURITY
Customer shall furnish bond for the purposes hereinafter specified as follows:

(a) during the period of Customer's initial installation of its facilities and at the time of any expansion involving more than seventy-five (75) poles, a bond in the amount of $2,000 for each 100 poles (or fraction thereof) to which Customer intends to attach its facilities;
(b) following the satisfactory completion of Customer's initial installation, the amount of bond shall be reduced to $1,000 for each 100 poles (or fraction thereof);
(c) after Customer has been a customer of Company pursuant to the Agreement and is not in default thereunder for a period of three years, the bond shall be reduced to $500 for each 100 poles (or fraction thereof).
(d) such bond shall contain the provision that it shall not be terminated prior to six (6) months' after receipt by Company of written notice of the desire of the bonding or insurance company to terminate such bond. This six (6) months' termination clause may be waived by Company if an acceptable replacement bond is received before the six (6) months has ended. Upon receipt of such termination notice, Company shall request Customer to immediately remove its cables, wires and all other facilities from all poles of Company. If

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ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 40.6

Standard Rate **CTAC**
Cable Television Attachment Charges

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(d) such bond shall contain the provision that it shall not be terminated prior to six (6) months' after receipt by Company of written notice of the desire of the bonding or insurance company to terminate such bond. This six (6) months' termination clause may be waived by Company if an acceptable replacement bond is received before the six (6) months has ended. Upon receipt of such termination notice, Company shall request Customer to immediately remove its cables, wires and all other facilities from all poles of Company. If

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Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 40.7

Standard Rate **CTAC**

Cable Television Attachment Charges

Customer should fail to complete the removal of all of its facilities from the poles of Company within thirty (30) days after receipt of such request from Company, then Company shall have the right to remove them at the cost and expense of Customer and without being liable for any damage to Customer's wires, cables, fixtures or appurtenances. Such bond shall guarantee the payment of any sums which may become due to Company for rentals, inspections or work performed for the benefit of Customer under the Agreement, including the removal of attachments upon termination of the Agreement by any of its provisions.

(e) Company in its sole discretion may agree in writing to accept other collateral (such as a cash deposit or an irrevocable bank letter of credit) in substitution for the bond required by, and subject to the other requirements of, this Section 20.

21. NOTICES

Any notice, or request, required by these Rules and Regulations or Terms and Conditions or the Agreement shall be deemed properly given if mailed, postage pre-paid, to Company, in the case of Company; or in the case of the Customer, to its representative designated in the Agreement. The designation of the person to be notified, and/or his address may be changed by Company or Customer at any time, or from time to time, by similar notice.

22. ADJUSTMENTS

Nothing contained herein or in any Agreement shall be construed as affecting in any way the right of Company, and Company shall at all times have the right, to unilaterally file with the Public Service Commission a change in rental charges for attachments to poles, other charges as provided for, any rule, regulation, condition or any other change required. Such change or changes to become effective upon approval of the Commission or applicable regulations or statutes, and shall constitute an amendment to the Agreement.

23. BINDING EFFECT

Subject to the provisions of Section 16 hereof, the Agreement and these Rules and Regulations or Terms and Conditions shall extend to and bind the successors and assigns of the parties hereto.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 40.7

Standard Rate **CTAC**

Cable Television Attachment Charges

Customer should fail to complete the removal of all of its facilities from the poles of Company within thirty (30) days after receipt of such request from Company, then Company shall have the right to remove them at the cost and expense of Customer and without being liable for any damage to Customer's wires, cables, fixtures or appurtenances. Such bond shall guarantee the payment of any sums which may become due to Company for rentals, inspections or work performed for the benefit of Customer under the Agreement, including the removal of attachments upon termination of the Agreement by any of its provisions.

(e) Company in its sole discretion may agree in writing to accept other collateral (such as a cash deposit or an irrevocable bank letter of credit) in substitution for the bond required by, and subject to the other requirements of, this Section 20.

21. NOTICES

Any notice, or request, required by these Rules and Regulations or Terms and Conditions or the Agreement shall be deemed properly given if mailed, postage pre-paid, to Company, in the case of Company; or in the case of the Customer, to its representative designated in the Agreement. The designation of the person to be notified, and/or his address may be changed by Company or Customer at any time, or from time to time, by similar notice.

22. ADJUSTMENTS

Nothing contained herein or in any Agreement shall be construed as affecting in any way the right of Company, and Company shall at all times have the right, to unilaterally file with the Public Service Commission a change in rental charges for attachments to poles, other charges as provided for, any rule, regulation, condition or any other change required. Such change or changes to become effective upon approval of the Commission or applicable regulations or statutes, and shall constitute an amendment to the Agreement.

23. BINDING EFFECT

Subject to the provisions of Section 16 hereof, the Agreement and these Rules and Regulations or Terms and Conditions shall extend to and bind the successors and assigns of the parties hereto.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P. S. C. No. 16, Second Revision of Original Sheet No. 45
Canceling P.S.C. No. 16, First Revision of Original Sheet No. 45

Standard Rate

Special Charges

The following charges will be applied uniformly throughout Company's service territory. Each charge, as approved by the Public Service Commission, reflects only that revenue required to cover associated expenses.

RETURNED PAYMENT CHARGE
In those instances where a customer renders payment to Company which is not honored upon deposit by Company, the customer will be charged $10.00 to cover the additional processing costs.

METER TEST CHARGE
Where the test of a meter is performed during normal working hours upon the written request of a customer, pursuant to 807 KAR 5:006, Section 19, and the results show the meter is within the limits allowed by 807 KAR 5:041, Section 17(1), the customer will be charged $75.00 to cover the test and transportation costs.

DISCONNECT/RECONNECT SERVICE CHARGE
A charge of $28.00 will be made to cover disconnection and reconnection of electric service when discontinued for non-payment of bills or for violation of Company's Terms and Conditions, such charge to be made before reconnection is effected. No charge will be made for customers qualifying for service reconnection pursuant to 807 KAR 5:006, Section 16, Winter Hardship Reconnection.

Residential and general service customers may request and be granted temporary suspension of electric service. In the event of such temporary suspension, Company will make a charge of $28.00 to cover disconnection and reconnection of electric service, such charge to be made before reconnection is effected.

METER PULSE CHARGE
Where a customer desires and Company is willing to provide data meter pulses, a charge of $15.00 per month per installed set of pulse-generating equipment will be made to those data pulses. Time pulses will not be supplied.

METER DATA PROCESSING CHARGE
A charge of $2.75 per report will be made to cover the cost of processing, generating, and providing recorder metered customer with profile reports. If a customer is not recorder metered and desires to have such metering installed, the customer will pay all costs associated with installing the recorder meter.

DATE OF ISSUE: April 22, 2013

DATE EFFECTIVE: January 4, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 45

Standard Rate

Special Charges

The following charges will be applied uniformly throughout Company's service territory. Each charge, as approved by the Public Service Commission, reflects only that revenue required to cover associated expenses.

RETURNED PAYMENT CHARGE
In those instances where a customer renders payment to Company which is not honored upon deposit by Company, the customer will be charged $10.00 to cover the additional processing costs.

METER TEST CHARGE
Where the test of a meter is performed during normal working hours upon the written request of a customer, pursuant to 807 KAR 5:006, Section 19, and the results show the meter is within the limits allowed by 807 KAR 5:041, Section 17(1), the customer will be charged $75.00 to cover the test and transportation costs.

DISCONNECT/RECONNECT SERVICE CHARGE
A charge of $28.00 will be made to cover disconnection and reconnection of electric service when discontinued for non-payment of bills or for violation of Company's Terms and Conditions, such charge to be made before reconnection is effected. No charge will be made for customers qualifying for service reconnection pursuant to 807 KAR 5:006, Section 16, Winter Hardship Reconnection.

Residential and general service customers may request and be granted temporary suspension of electric service. In the event of such temporary suspension, Company will make a charge of $28.00 to cover disconnection and reconnection of electric service, such charge to be made before reconnection is effected.

METER PULSE CHARGE
Where a customer desires and Company is willing to provide data meter pulses, a charge of $15.00 per month per installed set of pulse-generating equipment will be made to those data pulses. Time pulses will not be supplied.

METER DATA PROCESSING CHARGE
A charge of $2.75 per report will be made to cover the cost of processing, generating, and providing recorder metered customer with profile reports. If a customer is not recorder metered and desires to have such metering installed, the customer will pay all costs associated with installing the recorder meter.

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DATE EFFECTIVE: January 4, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 50
Canceling P.S.C. No. 16, Original Sheet No. 50

Standard Rate Rider **CSR10**
Curtailable Service Rider 10

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

This rider shall be made available to customers served under applicable power schedules who contract for not less than 1,000 kilowatts individually. The aggregate service under P.S.C. No. 16, CSR10 and CSR30 for Kentucky Utilities Company is limited to 100 megawatts in addition to the contracted curtailable load under P.S.C. No. 14, CSR1 and CSR3 for Kentucky Utilities Company as of August 1, 2010.

CONTRACT OPTION

Customer may, at Customer's option, contract with Company to curtail service upon notification by Company. Requests for curtailment shall not exceed three hundred and seventy-five (375) hours per year nor shall any single request for curtailment be for less than thirty (30) minutes or for more than fourteen (14) hours per calendar day, with no more than two (2) requests for curtailment per calendar day within these parameters. A curtailment is a continuous event with a start and stop time that may have both physical curtailments and buy-through options within the interval between the start and stop time. Company may request or cancel a curtailment at any time during any hour of the year, but shall give no less than ten (10) minutes notice when either requesting or canceling a curtailment.

Company may request at its sole discretion up to 100 hours of physical curtailment per year without a buy-through option during system reliability events. For the purposes of this rider, a system reliability event is any condition or occurrence: 1) that impairs KU and LG&E's ability to maintain service to contractually committed system load; 2) where KU and LG&E's ability to meet their compliance obligations with NERC reliability standards cannot otherwise be achieved; or 3) that KU and LG&E reasonably anticipate will last more than six hours and could require KU and LG&E to call upon automatic reserve sharing ("ARS") at some point during the event. Company may also request at its sole discretion up to 275 hours of curtailment per year with a buy-through option, whereby Customer may, at its option, choose either to curtail service in accordance with this Rider or to continue to purchase its curtailable requirements by paying the Automatic Buy-Through Price, as set forth below, for all kilowatt hours of curtailable requirements.

Curtailable load and compliance with a request for curtailment shall be measured in one of the following ways:

Option A -- Customer may contract for a given amount of firm demand, as measured on the demand basis of the standard rate on which Customer is billed. During a request for physical curtailment, Customer shall reduce its demand to the firm demand designated in the contract. During a request for curtailment with

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ISSUED BY: ***/s/*** Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 50

Standard Rate Rider **CSR10**
Curtailable Service Rider 10

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

This rider shall be made available to customers served under applicable power schedules who contract for not less than 1,000 kVA individually. The aggregate service under CSR10 and T
CSR30 for Kentucky Utilities Company is limited to 100 MVA in addition to the contracted T
curtailable load under P.S.C. No. 14, CSR1 and CSR3 for Kentucky Utilities Company as of August 1, 2010.

CONTRACT OPTION

Customer may, at Customer's option, contract with Company to curtail service upon notification by Company. Requests for curtailment shall not exceed one hundred (100) hours per year nor T
shall any single request for curtailment be for less than thirty (30) minutes or for more than fourteen (14) hours per calendar day, with no more than two (2) requests for curtailment per calendar day within these parameters. A curtailment is a continuous event with a start and stop time. Company may request or cancel a curtailment at any time during any hour of the year, but T
shall give no less than ten (10) minutes notice when either requesting or canceling a curtailment.

Company may request at its sole discretion up to 100 hours of physical curtailment per year. T
Curtailable load and compliance with a request for curtailment shall be measured in one of the T
following ways:

Option A -- Customer may contract for a given amount of firm demand in kVA. T
During a request for physical curtailment, Customer shall reduce its demand to the firm demand designated in the contract. The measured kVA demand in excess of the firm load during each requested physical curtailment in the billing period shall be the measure of non-compliance.

Option B -- Customer may contract for a given amount of curtailable load in kVA by which Customer shall agree to reduce its demand at any time by such Designated Curtailable Load. During a request for physical curtailment, Customer shall reduce its demand to a level equal to the maximum demand in kVA immediately prior to the curtailment less the designated curtailable load.

Non-compliance for each requested physical curtailment shall be the measured positive value in kVA determined by subtracting (i) Customer's designated curtailable load from (ii) Customer's maximum demand immediately preceding the curtailment and then subtracting such difference from (iii) the Customer's maximum demand during such curtailment.

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DATE EFFECTIVE: January 1, 2015

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P. S. C. No. 16, First Revision of Original Sheet No. 50.1
Canceling P.S.C. No. 16, Original Sheet No. 50.1

Standard Rate Rider **CSR10**
Curtailable Service Rider 10

a buy-through option, the Automatic Buy-Through Price, as applicable, shall apply to the difference in the actual kWh during any requested curtailment and the contracted firm demand multiplied by the time period (hours) of curtailment [Actual kWh – (firm kVA x hours curtailed)]. The measured demand in excess of the firm load during each requested physical curtailment in the billing period shall be the measure of non-compliance, as measured on the demand basis of the standard rate on which Customer is billed.

Option B -- Customer may contract for a given amount of curtailable load by which Customer shall agree to reduce its demand at any time by such Designated Curtailable Load. During a request for physical curtailment, Customer shall reduce its demand to a level equal to the maximum demand (as measured on the demand basis of the standard rate on which Customer is billed) immediately prior to the curtailment less the designated curtailable load. During a request for curtailment with a buy-through option, the Automatic Buy-Through Price shall apply to the difference in the actual kWh during any requested curtailment and the product of Customer's maximum load immediately preceding curtailment less Customer's designated curtailable load designated in the contract multiplied by the time period (hours) of a requested curtailment {Actual kWh – [(Max kVA preceding – Designated Curtailable kVA) x hours of requested curtailment]}. Non-compliance for each requested physical curtailment shall be the measured positive value determined by subtracting (i) Customer's designated curtailable load from (ii) Customer's maximum demand immediately preceding the curtailment and then subtracting such difference from (iii) the Customer's maximum demand during such curtailment.

RATE

Customer will receive the following credits for curtailable service during the month:

Transmission Voltage Service	\$ 5.40 per kVA of Curtailable Billing Demand
Primary Voltage Service	\$ 5.50 per kVA of Curtailable Billing Demand
Non-Compliance Charge of:	\$16.00 per kVA

Failure of Customer to curtail when requested to do so may result in termination of service under this rider. Customer will be charged for the portion of each requested curtailment not met at the applicable standard charges. The Company and Customer may arrange to have installed, at Customer's expense, the necessary telecommunication and control equipment to allow the Company to control Customers' curtailable load. Non-compliance charges will be waived if failure to curtail is a result of failure of Company's equipment; however, non-compliance charges will not be waived if failure to curtail is a result of Customer's equipment.

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State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 50.1

Standard Rate Rider **CSR10**
Curtailable Service Rider 10

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RATE T

Customer will receive the following credits for curtailable service during the month:

Transmission Voltage Service	\$ 5.40 per kVA of Curtailable Billing Demand
Primary Voltage Service	\$ 5.50 per kVA of Curtailable Billing Demand
Non-Compliance Charge of:	\$16.00 per kVA

Failure of Customer to curtail when requested to do so may result in termination of service under this rider. Customer will be charged for the portion of each requested curtailment not met at the applicable standard charges. The Company and Customer may arrange to have installed, at Customer's expense, the necessary telecommunication and control equipment to allow the Company to control Customers' curtailable load. Non-compliance charges will be waived if failure to curtail is a result of failure of Company's equipment; however, non-compliance charges will not be waived if failure to curtail is a result of Customer's equipment. If arrangements are made to have telecommunication and control equipment installed, then backup arrangements must also be established in the event either Company's or Customer's equipment fails. T T T

CURTAILABLE BILLING DEMAND T

For a Customer electing Option A, Curtailable Billing Demand shall be the difference between (a) the Customer's measured maximum demand during the billing period for any billing interval during the following time periods: (i) for the summer peak months of May through September, from 10 A.M. to 10 P.M,(EST) and (ii) for the months October continuously through April, from 6 A.M. to 10 P.M, (EST) and (b) the firm contract demand.

For a Customer electing Option B, Curtailable Billing Demand shall be the customer Designated Curtailable Load, as described above.

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

If arrangements are made to have telecommunication and control equipment installed, then backup arrangements must also be established in the event either Company's or Customer's equipment fails.

CURTAILABLE BILLING DEMAND

For a Customer electing Option A, Curtailable Billing Demand shall be the difference between (a) the Customer's measured maximum demand during the billing period for any billing interval during the following time periods: (i) for the summer peak months of May through September, from 10 A.M. to 10 P.M,(EST) and (ii) for the months October continuously through April, from 6 A.M. to 10 P.M, (EST) and (b) the firm contract demand.

For a Customer electing Option B, Curtailable Billing Demand shall be the customer Designated Curtailable Load, as described above.

AUTOMATIC BUY-THROUGH PRICE

The Automatic Buy-Through Price per kWh shall be determined daily in accordance with the following formula:

Automatic Buy-Through Price = NGP x .012000 MMBtu/kWh

Where: NGP represents the mid-point price for natural gas ($/MMBtu) posted for the day in *Platts Gas Daily* for Dominion—South Point and will be used for the electrical day from 12 midnight to midnight. Also the posted price for Monday or the day after a holiday is the posted price for Saturday, Sunday and the holiday.

TERM OF CONTRACT

The minimum original contract period shall be one (1) year and thereafter until terminated by giving at least six (6) months previous written notice, but Company may require that contract be executed for a longer initial term when deemed reasonably necessary by the size of the load or other conditions.

TERMS AND CONDITIONS

When the Company requests curtailment, upon request by the Customer, the Company shall provide a good-faith, non-binding estimate of the duration of requested curtailment. In addition, upon request by the Company, the Customer shall provide to the Company a good-faith, non-binding short-term operational schedule for their facility. Upon request by the Customer, the Company will provide, once per month, to the Customer an explanation of the reasons for any request for curtailment.

Except as specified above, all other provisions of the power rate to which this schedule is a rider shall apply.

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ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

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CERTIFICATION

Upon commencement of service hereunder, the Customer shall be required to demonstrate or certify to the Company's satisfaction the ability to comply with physical curtailment. On an annual basis, Customer will be required to certify continued capability to reduce its demand pursuant to the amount designated in the contract in the event of a request for curtailment. Failure to demonstrate or certify the capability to reduce demand pursuant to the amount designated in the contract may result in termination of service under this rider.

TERM OF CONTRACT

The minimum original contract period shall be one (1) year and thereafter until terminated by giving at least six (6) months previous written notice, but Company may require that contract be executed for a longer initial term when deemed reasonably necessary by the size of the load or other conditions.

TERMS AND CONDITIONS

When the Company requests curtailment, upon request by the Customer, the Company shall provide a good-faith, non-binding estimate of the duration of requested curtailment. In addition, upon request by the Company, the Customer shall provide to the Company a good-faith, non-binding short-term operational schedule for their facility T

Except as specified above, all other provisions of the power rate to which this schedule is a rider shall apply.

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 51
Canceling P.S.C. No. 16, Original Sheet No. 51

Standard Rate Rider **CSR30**
Curtailable Service Rider 30

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This rider shall be made available to customers served under applicable power schedules who contract for not less than 1,000 kilowatts individually. The aggregate service under P.S.C. No. 16 , CSR10 and CSR30 for Kentucky Utilities Company is limited to 100 megawatts in addition to the contracted curtailable load under P.S.C. No. 14, CSR1 and CSR3 for Kentucky Utilities Company as of August 1, 2010.

CONTRACT OPTION
Customer may, at Customer's option, contract with Company to curtail service upon notification by Company. Requests for curtailment shall not exceed three hundred and fifty (350) hours per year nor shall any single request for curtailment be for less than thirty (30) minutes or for more than fourteen (14) hours per calendar day, with no more than two (2) requests for curtailment per calendar day within these parameters. A curtailment is a continuous event with a start and stop time that may have both physical curtailments and buy-through options within the interval between the start and stop time. Company may request or cancel a curtailment at any time during any hour of the year, but shall give no less than thirty (30) minutes notice when either requesting or canceling a curtailment.

Company may request at its sole discretion up to 100 hours of physical curtailment per year without a buy-through option during system reliability events. For the purposes of this rider, a system reliability event is any condition or occurrence: 1) that impairs KU and LG&E's ability to maintain service to contractually committed system load; 2) where KU and LG&E's ability to meet their compliance obligations with NERC reliability standards cannot otherwise be achieved; or 3) that KU and LG&E reasonably anticipate will last more than six hours and could require KU and LG&E to call upon automatic reserve sharing ("ARS") at some point during the event. Company may also request at its sole discretion up to 250 hours of curtailment per year with a buy-through option, whereby Customer may, at its option, choose either to curtail service in accordance with this Rider or to continue to purchase its curtailable requirements by paying the Automatic Buy-Through Price, as set forth below, for all kilowatt hours of curtailable requirements.

Curtailable load and compliance with a request for curtailment shall be measured in one of the following ways:

Option A -- Customer may contract for a given amount of firm demand, as measured on the demand basis of the standard rate on which Customer is billed. During a request for physical curtailment, Customer shall reduce its demand to the firm demand designated in the contract. During a request for curtailment with

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Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 51

Standard Rate Rider **CSR30**
Curtailable Service Rider 30

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This rider shall be made available to customers served under applicable power schedules who
contract for not less than 1,000 kVA individually. The aggregate service under CSR10 and T
CSR30 for Kentucky Utilities Company is limited to 100 MVA in addition to the contracted T
curtailable load under P.S.C. No. 14, CSR1 and CSR3 for Kentucky Utilities Company as of August 1, 2010.

CONTRACT OPTION
Customer may, at Customer's option, contract with Company to curtail service upon notification
by Company. Requests for curtailment shall not exceed one hundred (100) hours per year nor T
shall any single request for curtailment be for less than thirty (30) minutes or for more than fourteen (14) hours per calendar day, with no more than two (2) requests for curtailment per calendar day within these parameters. A curtailment is a continuous event with a start and stop
time. Company may request or cancel a curtailment at any time during any hour of the year, but T
shall give no less than thirty (30) minutes notice when either requesting or canceling a curtailment.

Company may request at its sole discretion up to 100 hours of physical curtailment per year. T
Curtailable load and compliance with a request for curtailment shall be measured in one of the T
following ways:

Option A -- Customer may contract for a given amount of firm demand in kVA.. T
During a request for physical curtailment, Customer shall reduce its demand to the firm demand designated in the contract. The measured kVA demand in excess of the firm load during each requested physical curtailment in the billing period shall be the measure of non-compliance.

Option B -- Customer may contract for a given amount of curtailable load in kVA by which Customer shall agree to reduce its demand at any time by such Designated Curtailable Load. During a request for physical curtailment, Customer shall reduce its demand to a level equal to the maximum demand in kVA immediately prior to the curtailment less the designated curtailable load.

Non-compliance for each requested physical curtailment shall be the measured positive value determined by subtracting (i) Customer's designated curtailable load from (ii) Customer's maximum demand immediately preceding the curtailment and then subtracting such difference from (iii) the Customer's maximum demand during such curtailment.

DATE OF ISSUE: November 26, 2014

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

a buy-through option, the Automatic Buy-Through Price, as applicable, shall apply to the difference in the actual kWh during any requested curtailment and the contracted firm demand multiplied by the time period (hours) of curtailment [Actual kWh – (firm kVA x hours curtailed)]. The measured demand in excess of the firm load during each requested physical curtailment in the billing period shall be the measure of non-compliance, as measured on the demand basis of the standard rate on which Customer is billed.

Option B -- Customer may contract for a given amount of curtailable load by which Customer shall agree to reduce its demand at any time by such Designated Curtailable Load. During a request for physical curtailment, Customer shall reduce its demand to a level equal to the maximum demand (as measured on the demand basis of the standard rate on which Customer is billed) immediately prior to the curtailment less the designated curtailable load. During a request for curtailment with a buy-through option, the Automatic Buy-Through Price shall apply to the difference in the actual kWh during any requested curtailment and the product of Customer's maximum load immediately preceding curtailment less Customer's designated curtailable load designated in the contract multiplied by the time period (hours) of a requested curtailment {Actual kWh – [(Max kVA preceding – Designated Curtailable kVA) x hours of requested curtailment]}. Non-compliance for each requested physical curtailment shall be the measured positive value determined by subtracting (i) Customer's designated curtailable load from (ii) Customer's maximum demand immediately preceding the curtailment and then subtracting such difference from (iii) the Customer's maximum demand during such curtailment.

RATE

Customer will receive the following credits for curtailable service during the month:

Transmission Voltage Service	$ 4.30 per kVA of Curtailable Billing Demand
Primary Voltage Service	$ 4.40 per kVA of Curtailable Billing Demand
Non-Compliance Charge of:	$16.00 per kVA

Failure of Customer to curtail when requested to do so may result in termination of service under this rider. Customer will be charged for the portion of each requested curtailment not met at the applicable standard charges. The Company and Customer may arrange to have installed, at Customer's expense, the necessary telecommunication and control equipment to allow the Company to control Customers' curtailable load. Non-compliance charges will be waived if failure to curtail is a result of failure of Company's equipment; however, non-compliance charges will not be waived if failure to curtail is a result of Customer's equipment.

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ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

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RATE T

Customer will receive the following credits for curtailable service during the month:

Transmission Voltage Service	$ 4.30 per kVA of Curtailable Billing Demand
Primary Voltage Service	$ 4.40 per kVA of Curtailable Billing Demand
Non-Compliance Charge of:	$16.00 per kVA

Failure of Customer to curtail when requested to do so may result in termination of service under this rider. Customer will be charged for the portion of each requested curtailment not met at the applicable standard charges. The Company and Customer may arrange to have installed, at Customer's expense, the necessary telecommunication and control equipment to allow the Company to control Customers' curtailable load. Non-compliance charges will be waived if failure to curtail is a result of failure of Company's equipment; however, non-compliance charges will not be waived if failure to curtail is a result of Customer's equipment.
If arrangements are made to have telecommunication and control equipment installed, then T
backup arrangements must also be established in the event either Company's or Customer's T
equipment fails. T

CURTAILABLE BILLING DEMAND T

For a Customer electing Option A, Curtailable Billing Demand shall be the difference between (a) the Customer's measured maximum demand during the billing period for any billing interval during the following time periods: (i) for the summer peak months of May through September, from 10 A.M. to 10 P.M. (EST) and (ii) for the months October continuously through April, from 6 A.M. to 10 P.M, (EST) and (b) the firm contract demand.

For a Customer electing Option B, Curtailable Billing Demand shall be the customer Designated Curtailable Load, as described above.

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 51.2
Canceling P.S.C. No. 16, Original Sheet No. 51.2

Standard Rate Rider **CSR30**
Curtailable Service Rider 30

If arrangements are made to have telecommunication and control equipment installed, then backup arrangements must also be established in the event either Company's or Customer's equipment fails.

CURTAILABLE BILLING DEMAND

For a Customer electing Option A, Curtailable Billing Demand shall be the difference between (a) the Customer's measured maximum demand during the billing period for any billing interval during the following time periods: (i) for the summer peak months of May through September, from 10 A.M. to 10 P.M. (EST) and (ii) for the months October continuously through April, from 6 A.M. to 10 P.M, (EST) and (b) the firm contract demand.

For a Customer electing Option B, Curtailable Billing Demand shall be the customer Designated Curtailable Load, as described above.

AUTOMATIC BUY-THROUGH PRICE

The Automatic Buy-Through Price per kWh shall be determined daily in accordance with the following formula:

Automatic Buy-Through Price = NGP x .012000 MMBtu/kWh

Where: NGP represents the mid-point price for natural gas ($/MMBtu) posted for the day in *Platts Gas Daily* for Dominion—South Point and will be used for the electrical day from 12 midnight to midnight. Also the posted price for Monday or the day after a holiday is the posted price for Saturday, Sunday and the holiday.

TERM OF CONTRACT

The minimum original contract period shall be one (1) year and thereafter until terminated by giving at least six (6) months previous written notice, but Company may require that contract be executed for a longer initial term when deemed reasonably necessary by the size of the load or other conditions.

TERMS AND CONDITIONS

When the Company requests curtailment, upon request by the Customer, the Company shall provide a good-faith, non-binding estimate of the duration of requested curtailment. In addition, upon request by the Company, the Customer shall provide to the Company a good-faith, non-binding short-term operational schedule for their facility. Upon request by the Customer, the Company will provide, once per month, to the Customer an explanation of the reasons for any request for curtailment.

Except as specified above, all other provisions of the power rate to which this schedule is a rider shall apply.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: ***/s/*** Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 51.2

Standard Rate Rider **CSR30**
Curtailable Service Rider 30

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CERTIFICATION

Upon commencement of service hereunder, the Customer shall be required to demonstrate or certify to the Company's satisfaction the ability to comply with physical curtailment. On an annual basis, Customer will be required to certify continued capability to reduce its demand pursuant to the amount designated in the contract in the event of a request for curtailment. Failure to demonstrate or certify the capability to reduce demand pursuant to the amount designated in the contract may result in termination of service under this rider.

TERM OF CONTRACT

The minimum original contract period shall be one (1) year and thereafter until terminated by giving at least six (6) months previous written notice, but Company may require that contract be executed for a longer initial term when deemed reasonably necessary by the size of the load or other conditions.

TERMS AND CONDITIONS

When the Company requests curtailment, upon request by the Customer, the Company shall provide a good-faith, non-binding estimate of the duration of requested curtailment. In addition, upon request by the Company, the Customer shall provide to the Company a good-faith, non-binding short-term operational schedule for their facility. T

Except as specified above, all other provisions of the power rate to which this schedule is a rider shall apply.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Second Revision of Original Sheet No. 55
Canceling P.S.C. No. 16, First Revision of Original Sheet No. 55

Standard Rate Rider **SQF**
Small Capacity Cogeneration and Small Power Production Qualifying Facilities

APPLICABLE:
In all territory served.

AVAILABILITY OF SERVICE
This rate and the terms and conditions set out herein are available for and applicable to Company's purchases of energy only from the owner of qualifying cogeneration or small power production facilities of 100 kW or less (such owner being hereafter called "Seller") installed on Seller's property to provide all or part of its requirements of electrical energy, or from which facilities Seller may elect to sell to Company all or part of such output of electrical energy.

Company will permit Seller's generating facilities to operate in parallel with Company's system under conditions set out below under “Parallel Operation”.

Company will purchase such energy from Seller at the Rate, A or B, set out below and selected as hereafter provided, and under the terms and conditions stated herein. Company reserves the right to change the said Rates, upon proper filing with and acceptance by the jurisdictional Commission.

RATE A: TIME-DIFFERENTIATED RATE

1. For summer billing months of June, July, August and September, during the hours 9:01 A.M. thru 10:00 P.M. weekdays exclusive of holidays (on-peak hours),	$0.04041 per kWh
2. For winter billing months of December, January and February, during the hours 7:01 A.M. thru 10:00 P.M. weekdays exclusive of holidays (on-peak hours),	$0.03536 per kWh
3. During all other hours (off-peak hours)	$0.03327 per kWh

Determination of On-Peak and Off-Peak Hours: On-peak hours are defined as the hours of 9:01 A.M. through 10:00 P.M., E.D.T. (8:01 A.M. through 9:00 P.M., E.S.T.), Mondays through Fridays exclusive of holidays (under 1 above), and the hours of 7:01 A.M. through 10:00 P.M., E.D.T. (6:01 A.M. through 9:00 P.M., E.S.T.), Mondays through Fridays exclusive of holidays (under 2 above). Off-peak hours are defined as all hours other than those listed as on-peak (under 3 above). Company reserves the right to change the hours designated as on-peak from time to time as conditions indicate to be appropriate.

RATE B: NON-TIME-DIFFERENTIATED RATE

For all kWh purchased by Company, $0.03443 per kWh

DATE OF ISSUE: May 30, 2014

DATE EFFECTIVE: June 30, 2014

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 55

Standard Rate Rider **SQF**
Small Capacity Cogeneration and Small Power Production Qualifying Facilities

APPLICABLE:
In all territory served.

AVAILABILITY OF SERVICE
This rate and the terms and conditions set out herein are available for and applicable to Company's purchases of energy only from the owner of qualifying cogeneration or small power production facilities of 100 kW or less (such owner being hereafter called "Seller") installed on Seller's property to provide all or part of its requirements of electrical energy, or from which facilities Seller may elect to sell to Company all or part of such output of electrical energy.

Company will permit Seller's generating facilities to operate in parallel with Company's system under conditions set out below under “Parallel Operation”.

Company will purchase such energy from Seller at the Rate, A or B, set out below and selected as hereafter provided, and under the terms and conditions stated herein. Company reserves the right to change the said Rates, upon proper filing with and acceptance by the jurisdictional Commission.

RATE A: TIME-DIFFERENTIATED RATE

1. For summer billing months of June, July, August and September, during the hours 9:01 A.M. thru 10:00 P.M. weekdays exclusive of holidays (on-peak hours),	$0.04041 per kWh
2. For winter billing months of December, January and February, during the hours 7:01 A.M. thru 10:00 P.M. weekdays exclusive of holidays (on-peak hours),	$0.03536 per kWh
3. During all other hours (off-peak hours)	$0.03327 per kWh

Determination of On-Peak and Off-Peak Hours: On-peak hours are defined as the hours of 9:01 A.M. through 10:00 P.M., E.D.T. (8:01 A.M. through 9:00 P.M., E.S.T.), Mondays through Fridays exclusive of holidays (under 1 above), and the hours of 7:01 A.M. through 10:00 P.M., E.D.T. (6:01 A.M. through 9:00 P.M., E.S.T.), Mondays through Fridays exclusive of holidays (under 2 above). Off-peak hours are defined as all hours other than those listed as on-peak (under 3 above). Company reserves the right to change the hours designated as on-peak from time to time as conditions indicate to be appropriate.

RATE B: NON-TIME-DIFFERENTIATED RATE
For all kWh purchased by Company, $0.03443 per kWh

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: June 30, 2014

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 55.1
Canceling P.S.C. No. 16, Original Sheet No. 55.1

Standard Rate Rider SQF
Small Capacity Cogeneration and Small Power Production Qualifying Facilities

SELECTION OF RATE AND METERING

Subject to provisions hereafter in this Section relative to payment of costs of metering equipment, either Seller or Company may select Rate A, the Time-Differentiated Rate, for application to Company's said purchases of energy from Seller. If neither Seller nor Company selects Rate A, then Rate B, the Non-Time-Differentiated Rate, shall apply.

If neither Seller nor Company selects Rate A, and Rate B therefore is to apply to such purchases, Company, at Seller's cost, will install, own and operate a non-time-differentiated meter and associated equipment, at a location selected by Company, measuring energy, produced by Seller's generator, flowing into Company's system. Such meter will be tested at intervals prescribed by Commission Regulation, with Seller having a right to witness all such tests; and Seller will pay to Company its fixed cost on such meter and equipment, expense of such periodic tests of the meter and any other expenses (all such costs and expenses, together, being hereafter called "costs of non-time-differentiated metering").

If either Seller or Company selects Rate A to apply to Company's said purchases of energy from Seller, the party (Seller or Company) so selecting Rate A shall pay (a) the cost of a time-differentiated recording meter and associated equipment, at a location selected by Company, measuring energy, produced by Seller's generator, flowing into Company's system, required for the application of Rate A, in excess of (b) the costs of non-time-differentiated metering which shall continue to be paid by Seller.

In addition to metering referred to above, Company at its option and cost may install, own and operate, on Seller's generator, a recording meter to record the capacity, energy and reactive output of such generator at specified time intervals.

Company shall have access to all such meters at reasonable times during Seller's normal business hours, and shall regularly provide to Seller copies of all information provided by such meters.

PAYMENT

Any payment due from Company to Seller will be due be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from date of Company's reading of meter; provided, however, that, if Seller is a customer of Company, in lieu of such payment Company may offset its payment due to Seller hereunder, against Seller's next bill and payment due to Company for Company's service to Seller as customer.

PARALLEL OPERATION

Company hereby permits Seller to operate its generating facilities in parallel with Company's system, under the following conditions and any other conditions required by Company where unusual conditions not covered herein arise:

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 55.1

Standard Rate Rider SQF
Small Capacity Cogeneration and Small Power Production Qualifying Facilities

SELECTION OF RATE AND METERING

Subject to provisions hereafter in this Section relative to payment of costs of metering equipment, either Seller or Company may select Rate A, the Time-Differentiated Rate, for application to Company's said purchases of energy from Seller. If neither Seller nor Company selects Rate A, then Rate B, the Non-Time-Differentiated Rate, shall apply.

If neither Seller nor Company selects Rate A, and Rate B therefore is to apply to such purchases, Company, at Seller's cost, will install, own and operate a non-time-differentiated meter and associated equipment, at a location selected by Company, measuring energy, produced by Seller's generator, flowing into Company's system. Such meter will be tested at intervals prescribed by Commission Regulation, with Seller having a right to witness all such tests; and Seller will pay to Company its fixed cost on such meter and equipment, expense of such periodic tests of the meter and any other expenses (all such costs and expenses, together, being hereafter called "costs of non-time-differentiated metering").

If either Seller or Company selects Rate A to apply to Company's said purchases of energy from Seller, the party (Seller or Company) so selecting Rate A shall pay (a) the cost of a time-differentiated recording meter and associated equipment, at a location selected by Company, measuring energy, produced by Seller's generator, flowing into Company's system, required for the application of Rate A, in excess of (b) the costs of non-time-differentiated metering which shall continue to be paid by Seller.

In addition to metering referred to above, Company at its option and cost may install, own and operate, on Seller's generator, a recording meter to record the capacity, energy and reactive output of such generator at specified time intervals.

Company shall have access to all such meters at reasonable times during Seller's normal business hours, and shall regularly provide to Seller copies of all information provided by such meters.

PAYMENT

Any payment due from Company to Seller will be due be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from date of Company's reading of meter; provided, however, that, if Seller is a customer of Company, in lieu of such payment Company may offset its payment due to Seller hereunder, against Seller's next bill and payment due to Company for Company's service to Seller as customer.

PARALLEL OPERATION

Company hereby permits Seller to operate its generating facilities in parallel with Company's system, under the following conditions and any other conditions required by Company where unusual conditions not covered herein arise:

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P. S. C. No. 16, First Revision of Original Sheet No. 55.2
Canceling P.S.C. No. 16, Original Sheet No. 55.2

Standard Rate Rider SQF

Small Capacity Cogeneration and Small Power Production Qualifying Facilities

1. Prior to installation in Seller's system of any generator and associated facilities which are intended to be interconnected and operated in parallel with Company's system, or prior to the inter-connection to Company's system of any such generator and associated facilities already installed in Seller's system, Seller will provide to Company plans for such generator and facilities. Company may, but shall have no obligation to, examine such plans and disapprove them in whole or in part, to the extent Company believes that such plans and proposed facilities will not adequately assure the safety of Company's facilities or system. Seller acknowledges and agrees that the sole purpose of any Company examination of such plans is the satisfaction of Company's interest in the safety of Company's own facilities and system, and that Company shall have no responsibility of any kind to Seller or to any other party in connection with any such examination. If Seller thereafter proposes any change from such plans submitted to Company, prior to the implementation thereof Seller will provide to Company new plans setting out such proposed change(s).

2. Seller will own, install, operate and maintain all generating facilities on its plant site, such facilities to include, but not be limited to, (a) protective equipment between the systems of Seller and Company and (b) necessary control equipment to synchronize frequency and voltage between such two systems. Seller's voltage at the point of interconnection will be the same as Company's system voltage. Suitable circuit breakers or similar equipment, as specified by Company, will be furnished by Seller at a location designated by Company to enable the separation or disconnection of the two electrical systems. Except in emergencies, the circuit breakers, or similar equipment, will be operated only by, or at the express direction of, Company personnel and will be accessible to Company at all times. In addition, a circuit breaker or similar equipment shall be furnished and installed by Seller to separate or disconnect Seller's generator.

3. Seller will be responsible for operating the generator and all facilities owned by Seller, except as hereafter specified. Seller will maintain its system in synchronization with Company's system.

4. Seller will (a) pay Company for all damage to Company's equipment, facilities or system, and (b) save and hold Company harmless from all claims, demands and liabilities of every kind and nature for injury or damage to, or death of, persons and/or property of others, including costs and expenses of defending against the same, arising in any manner in connection with Seller's generator, equipment, facilities or system or the operation thereof.

5. Seller will construct any additional facilities, in addition to generating and associated (interface) facilities, required for interconnection unless Company and Seller agree to Company's constructing such facilities, at Seller's expense, where Seller is not a customer of Company. When Seller is a customer of Company and Company is required to construct facilities different than otherwise required to permit interconnection, Seller shall pay such additional cost of facilities. Seller agrees to reimburse Company, at the time of installation,

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: December 5, 1985

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 55.2

Standard Rate Rider SQF

Small Capacity Cogeneration and Small Power Production Qualifying Facilities

1. Prior to installation in Seller's system of any generator and associated facilities which are intended to be interconnected and operated in parallel with Company's system, or prior to the inter-connection to Company's system of any such generator and associated facilities already installed in Seller's system, Seller will provide to Company plans for such generator and facilities. Company may, but shall have no obligation to, examine such plans and disapprove them in whole or in part, to the extent Company believes that such plans and proposed facilities will not adequately assure the safety of Company's facilities or system. Seller acknowledges and agrees that the sole purpose of any Company examination of such plans is the satisfaction of Company's interest in the safety of Company's own facilities and system, and that Company shall have no responsibility of any kind to Seller or to any other party in connection with any such examination. If Seller thereafter proposes any change from such plans submitted to Company, prior to the implementation thereof Seller will provide to Company new plans setting out such proposed change(s).

2. Seller will own, install, operate and maintain all generating facilities on its plant site, such facilities to include, but not be limited to, (a) protective equipment between the systems of Seller and Company and (b) necessary control equipment to synchronize frequency and voltage between such two systems. Seller's voltage at the point of interconnection will be the same as Company's system voltage. Suitable circuit breakers or similar equipment, as specified by Company, will be furnished by Seller at a location designated by Company to enable the separation or disconnection of the two electrical systems. Except in emergencies, the circuit breakers, or similar equipment, will be operated only by, or at the express direction of, Company personnel and will be accessible to Company at all times. In addition, a circuit breaker or similar equipment shall be furnished and installed by Seller to separate or disconnect Seller's generator.

3. Seller will be responsible for operating the generator and all facilities owned by Seller, except as hereafter specified. Seller will maintain its system in synchronization with Company's system.

4. Seller will (a) pay Company for all damage to Company's equipment, facilities or system, and (b) save and hold Company harmless from all claims, demands and liabilities of every kind and nature for injury or damage to, or death of, persons and/or property of others, including costs and expenses of defending against the same, arising in any manner in connection with Seller's generator, equipment, facilities or system or the operation thereof.

5. Seller will construct any additional facilities, in addition to generating and associated (interface) facilities, required for interconnection unless Company and Seller agree to Company's constructing such facilities, at Seller's expense, where Seller is not a customer of Company. When Seller is a customer of Company and Company is required to construct facilities different than otherwise required to permit interconnection, Seller shall pay such additional cost of facilities. Seller agrees to reimburse Company, at the time of installation,

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: December 5, 1985

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 55.3
Canceling P.S.C. No. 16, Original Sheet No. 55.3

Standard Rate Rider **SQF**
Small Capacity Cogeneration and Small Power Production Qualifying Facilities

or, if agreed to by both parties, over a period of up to three (3) years, for any facilities including any hereafter required (but exclusive of metering equipment, elsewhere herein provided for) constructed by Company to permit Seller to operate interconnected with Company's system. When interconnection costs are repaid over a period of time, such payments will be made monthly and include interest on the unpaid balance at the percentage rate equal to the capital costs that Company would experience at such time by new financing, based on Company's then existing capital structure, with return on equity to be at the rate allowed in Company's immediately preceding rate case.

6. Company will have the continuing right to inspect and approve Seller's facilities, described herein, and to request and witness any tests necessary to determine that such facilities are installed and operating properly; but Company will have no obligation to inspect or approve facilities, or to request or witness tests; and Company will not in any manner be responsible for Seller's facilities or any operation thereof.

7. Seller assumes all responsibility for the electric service upon Seller's premises at and from the point of any delivery or flow of electricity from Company, and for the wires and equipment used in connection therewith; and Seller will protect and save Company harmless from all claims for injury or damage to persons or property, including but not limited to property of Seller, occurring on or about Seller's premises or at and from the point of delivery or flow of electricity from Company, occasioned by such electricity or said wires and equipment, except where said injury or damage is proved to have been caused solely by the negligence of Company.

8. Each, Seller and Company, will designate one or more Operating Representatives for the purpose of contacts and communications between the parties concerning operations of the two systems.

9. Seller will notify Company's Energy Control Center prior to each occasion of Seller's generator being brought into or (except in cases of emergencies) taken out of operation.

10. Company reserves the right to curtail a purchase from Seller when:
    (a) the purchase will result in costs to Company greater than would occur if the purchase were not made but instead Company, itself, generated an equivalent amount of energy; or
    (b) Company has a system emergency and purchases would (or could) contribute to such emergency.

    Seller will be notified of each curtailment.

TERMS AND CONDITIONS
Except as provided herein, conditions or operations will be as provided in Company's Terms and Conditions.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: December 5, 1985

ISSUED BY: **/s/** Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 55.3

Standard Rate Rider **SQF**
Small Capacity Cogeneration and Small Power Production Qualifying Facilities

or, if agreed to by both parties, over a period of up to three (3) years, for any facilities including any hereafter required (but exclusive of metering equipment, elsewhere herein provided for) constructed by Company to permit Seller to operate interconnected with Company's system. When interconnection costs are repaid over a period of time, such payments will be made monthly and include interest on the unpaid balance at the percentage rate equal to the capital costs that Company would experience at such time by new financing, based on Company's then existing capital structure, with return on equity to be at the rate allowed in Company's immediately preceding rate case.

6. Company will have the continuing right to inspect and approve Seller's facilities, described herein, and to request and witness any tests necessary to determine that such facilities are installed and operating properly; but Company will have no obligation to inspect or approve facilities, or to request or witness tests; and Company will not in any manner be responsible for Seller's facilities or any operation thereof.

7. Seller assumes all responsibility for the electric service upon Seller's premises at and from the point of any delivery or flow of electricity from Company, and for the wires and equipment used in connection therewith; and Seller will protect and save Company harmless from all claims for injury or damage to persons or property, including but not limited to property of Seller, occurring on or about Seller's premises or at and from the point of delivery or flow of electricity from Company, occasioned by such electricity or said wires and equipment, except where said injury or damage is proved to have been caused solely by the negligence of Company.

8. Each, Seller and Company, will designate one or more Operating Representatives for the purpose of contacts and communications between the parties concerning operations of the two systems.

9. Seller will notify Company's Energy Control Center prior to each occasion of Seller's generator being brought into or (except in cases of emergencies) taken out of operation.

10. Company reserves the right to curtail a purchase from Seller when:
    (a) the purchase will result in costs to Company greater than would occur if the purchase were not made but instead Company, itself, generated an equivalent amount of energy; or
    (b) Company has a system emergency and purchases would (or could) contribute to such emergency.

    Seller will be notified of each curtailment.

TERMS AND CONDITIONS
Except as provided herein, conditions or operations will be as provided in Company's Terms and Conditions.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: December 5, 1985

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 56

Standard Rate Rider LQF

Large Capacity Cogeneration and Small Power Production Qualifying Facilities

AVAILABILITY

In all territory served.

APPLICABILITY OF SERVICE

Applicable to any small power production or cogeneration "qualifying facility" with capacity over 100 kW as defined by the Kentucky Public Service Commission Regulation 807 KAR 5:054, and which contracts to sell energy or capacity or both to Company.

RATES FOR PURCHASES FROM QUALIFYING FACILITIES

Energy Component Payments

The hourly avoided energy cost (AEC) in $ per MWh, which is payable to a QF for delivery of energy, shall be equal to Company's actual variable fuel expenses, for Company-owned coal and natural gas-fired production facilities, divided by the associated megawatt-hours of generation, as determined for the previous month. The total amount of the avoided energy cost payment to be made to a QF in an hour is equal to [AEC x E_{QF}], where E_{QF} is the amount of megawatt-hours delivered by a QF in that hour and which are determined by suitable metering.

Capacity Component Payments

The hourly avoided capacity cost (ACC) in $ per MWh, which is payable to a QF for delivery of capacity, shall be equal to the effective purchase price for power available to Company from the inter-utility market (which includes both energy and capacity charges) less Company's actual variable fuel expense (AEC). The total amount of the avoided capacity cost payment to be made to a QF in an hour is equal to [ACC x CAP_i], where CAP_i, the capacity delivered by the QF, is determined on the basis of the system demand (D_i) and Company's need for capacity in that hour to adequately serve the load.

Determination of CAP_i

For the following determination of CAP_i, C_{KU} represents Company's installed or previously arranged capacity at the time a QF signs a contract to deliver capacity; C_{QF} represents the actual capacity provided by a QF, but no more than the contracted capacity; and C_M represents capacity purchased from the inter-utility market.

1. System demand is less than or equal to Company's capacity:
   $D_1 \leq C_{KU}$; $CAP_i = 0$
2. System demand is greater than Company's capacity but less than or equal to the total of Company's capacity and the capacity provided by a QF:

   $C_{KU} < D_i \leq [C_{KU} + C_{QF}]$; $CAP_i = C_M$

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: April 17, 1999

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 56

Standard Rate Rider LQF

Large Capacity Cogeneration and Small Power Production Qualifying Facilities

AVAILABILITY

In all territory served.

APPLICABILITY OF SERVICE

Applicable to any small power production or cogeneration "qualifying facility" with capacity over 100 kW as defined by the Kentucky Public Service Commission Regulation 807 KAR 5:054, and which contracts to sell energy or capacity or both to Company.

RATES FOR PURCHASES FROM QUALIFYING FACILITIES

Energy Component Payments

The hourly avoided energy cost (AEC) in $ per MWh, which is payable to a QF for delivery of energy, shall be equal to Company's actual variable fuel expenses, for Company-owned coal and natural gas-fired production facilities, divided by the associated megawatt-hours of generation, as determined for the previous month. The total amount of the avoided energy cost payment to be made to a QF in an hour is equal to [AEC x E_{QF}], where E_{QF} is the amount of megawatt-hours delivered by a QF in that hour and which are determined by suitable metering.

Capacity Component Payments

The hourly avoided capacity cost (ACC) in $ per MWh, which is payable to a QF for delivery of capacity, shall be equal to the effective purchase price for power available to Company from the inter-utility market (which includes both energy and capacity charges) less Company's actual variable fuel expense (AEC). The total amount of the avoided capacity cost payment to be made to a QF in an hour is equal to [ACC x CAP_i], where CAP_i, the capacity delivered by the QF, is determined on the basis of the system demand (D_i) and Company's need for capacity in that hour to adequately serve the load.

Determination of CAP_i

For the following determination of CAP_i, C_{KU} represents Company's installed or previously arranged capacity at the time a QF signs a contract to deliver capacity; C_{QF} represents the actual capacity provided by a QF, but no more than the contracted capacity; and C_M represents capacity purchased from the inter-utility market.

1. System demand is less than or equal to Company's capacity:
   $D_1 \leq C_{KU}$; $CAP_i = 0$
2. System demand is greater than Company's capacity but less than or equal to the total of Company's capacity and the capacity provided by a QF:

   $C_{KU} < D_i \leq [C_{KU} + C_{QF}]$; $CAP_i = C_M$

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: April 17, 1999

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 56.1

Standard Rate Rider **LQF**

Large Capacity Cogeneration and Small Power Production Qualifying Facilities

3. System demand is greater than the total of Company's capacity and the capacity provided by a QF:

   $D_i > [C_{KU} + C_{QF}]$; $CAP_i = C_{QF}$

PAYMENT

Company shall pay each bill for electric power rendered to it in accordance with the terms of the contract, within sixteen (16) business days (no less than twenty-two (22) calendar days) of the date the bill is rendered. In lieu of such payment plan, Company will, upon written request, credit the Customer's account for such purchases.

TERM OF CONTRACT

For contracts which cover the purchase of energy only, the term shall be one (1) year, and shall be self-renewing from year-to-year thereafter, unless canceled by either party on one (1) year's written notice.

For contracts which cover the purchase of capacity and energy, the term shall be five (5) years.

TERMS AND CONDITIONS

1. Qualifying facilities shall be required to pay for any additional interconnection costs, to the extent that such costs are in excess of those that Company would have incurred if the qualifying facility's output had not been purchased.

2. A qualifying facility operating in parallel with Company must demonstrate that its equipment is designed, installed, and operated in a manner that insures safe and reliable interconnected operation. A qualifying facility should contact Company for assistance in this regard.

3. The purchasing, supplying and billing for service, and all conditions applying hereto, shall be specified in the contract executed by the parties, and are subject to the jurisdiction of the Kentucky Public Service Commission, and to Company's Terms and Conditions currently in effect, as filed with the Commission.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: April 17, 1999

ISSUED BY: **/s/** Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 56.1

Standard Rate Rider **LQF**

Large Capacity Cogeneration and Small Power Production Qualifying Facilities

3. System demand is greater than the total of Company's capacity and the capacity provided by a QF:

   $D_i > [C_{KU} + C_{QF}]$; $CAP_i = C_{QF}$

PAYMENT

Company shall pay each bill for electric power rendered to it in accordance with the terms of the contract, within sixteen (16) business days (no less than twenty-two (22) calendar days) of the date the bill is rendered. In lieu of such payment plan, Company will, upon written request, credit the Customer's account for such purchases.

TERM OF CONTRACT

For contracts which cover the purchase of energy only, the term shall be one (1) year, and shall be self-renewing from year-to-year thereafter, unless canceled by either party on one (1) year's written notice.

For contracts which cover the purchase of capacity and energy, the term shall be five (5) years.

TERMS AND CONDITIONS

1. Qualifying facilities shall be required to pay for any additional interconnection costs, to the extent that such costs are in excess of those that Company would have incurred if the qualifying facility's output had not been purchased.

2. A qualifying facility operating in parallel with Company must demonstrate that its equipment is designed, installed, and operated in a manner that insures safe and reliable interconnected operation. A qualifying facility should contact Company for assistance in this regard.

3. The purchasing, supplying and billing for service, and all conditions applying hereto, shall be specified in the contract executed by the parties, and are subject to the jurisdiction of the Kentucky Public Service Commission, and to Company's Terms and Conditions currently in effect, as filed with the Commission.

DATE OF ISSUE: November 26, 2014

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 57
Canceling P.S.C. No. 16, Original Sheet No. 57

Standard Rate Rider **NMS**
Net Metering Service

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Available to any customer-generator who owns and operates a generating facility located on Customer's premises that generates electricity using solar, wind, biomass or biogas, or hydro energy in parallel with Company's electric distribution system to provide all or part of Customer's electrical requirements, and who executes Company's written Application for Interconnection and Net Metering. The generation facility shall be limited to a maximum rated capacity of 30 kilowatts. This Standard Rate Rider is intended to comply with all provisions of the Interconnection and Net Metering Guidelines approved by the Public Service Commission of Kentucky, which can be found on-line at www.psc.ky.gov as Appendix A to the January 8, 2009 Order in Administrative Case No. 2008-00169.

METERING AND BILLING
Net metering service shall be measured using a single meter or, as determined by Company, additional meters and shall be measured in accordance with standard metering practices by metering equipment capable of registering power flow in both directions for each time period defined by the applicable rate schedule. This net metering equipment shall be provided without any cost to the Customer. This provision does not relieve Customer's responsibility to pay metering costs embedded in the Company's Commission-approved base rates. Additional meters, requested by Customer, will be provided at Customer's expense.

If electricity generated by Customer and fed back to Company's system exceeds the electricity supplied to Customer from the system during a billing period, Customer shall receive a credit for the net delivery on Customer's bill for the succeeding billing periods. Any such unused excess credits will be carried forward and drawn on by Customer as needed. Unused excess credits existing at the time Customer's service is terminated end with Customer's account and are not transferrable between customers or locations.

NET METERING SERVICE INTERCONNECTION GUIDELINES

General – Customer shall operate the generating facility in parallel with Company's system under the following conditions and any other conditions required by Company where unusual circumstances arise not covered herein:

1. Customer to own, operate, and maintain all generating facilities on their premises. Such facilities shall include, but not be limited to, necessary control equipment to synchronize frequency, voltage, etc., between Customer's and Company's system as well as adequate protective equipment between the two systems. Customer's voltage at the point of interconnection will be the same as Company's system voltage.
2. Customer will be responsible for operating all generating facilities owned by Customer, except as specified hereinafter. Customer will maintain its system in synchronization with Company's system.

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State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 57

Standard Rate Rider **NMS**
Net Metering Service

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Available to any customer-generator who owns and operates a generating facility located on Customer's premises that generates electricity using solar, wind, biomass or biogas, or hydro energy in parallel with Company's electric distribution system to provide all or part of Customer's electrical requirements, and who executes Company's written Application for Interconnection and Net Metering. The generation facility shall be limited to a maximum rated capacity of 30 kilowatts. This Standard Rate Rider is intended to comply with all provisions of the Interconnection and Net Metering Guidelines approved by the Public Service Commission of Kentucky, which can be found on-line at www.psc.ky.gov as Appendix A to the January 8, 2009 Order in Administrative Case No. 2008-00169.

DEFINITIONS T
"Billing period" shall be the time period between the dates on which Company issues the customer's bills.

"Billing Period Credit" shall be the electricity generated by the customer that flows into the electric system and which exceeds the electricity supplied to the customer from the electric system during any billing period. A billing period credit is a kWh-denominated electricity credit only, not a monetary credit.

METERING AND BILLING
Net metering service shall be measured using a single meter or, as determined by Company, additional meters and shall be measured in accordance with standard metering practices by metering equipment capable of registering power flow in both directions for each time period defined by the applicable rate schedule. This net metering equipment shall be provided without any cost to the Customer. This provision does not relieve Customer's responsibility to pay metering costs embedded in the Company's Commission-approved base rates. Additional meters, requested by Customer, will be provided at Customer's expense.

If electricity generated by Customer and fed back to Company's system exceeds the electricity supplied to Customer from the system during a billing period, Customer shall receive a billing-period credit for the net delivery on Customer's bill for the succeeding billing periods. If Customer takes service under a time-of-use or time-of-day rate schedule, Company will apply billing-period credits Customer creates in a particular time-of-day or time-of-use block only to offset net energy consumption in the same time-of-day or time-of-use block in future billing periods; such credits will not be used to offset net energy consumption in other time-of-day or time-of-use blocks in any billing period. Any such unused excess billing-period credits will be carried forward and drawn on by Customer as needed. Unused excess billing-period credits existing at the time Customer's service is terminated end with Customer's account and are not transferrable between customers or locations. T T

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 57.1
Canceling P.S.C. No. 16, Original Sheet No. 57.1

Standard Rate Rider **NMS**
Net Metering Service

3. Customer will be responsible for any damage done to Company's equipment due to failure of Customer's control, safety, or other equipment.
4. Customer agrees to inform Company of any changes it wishes to make to its generating or associated facilities that differ from those initially installed and described to Company in writing and obtain prior approval from Company.
5. Company will have the right to inspect and approve Customer's facilities described herein, and to conduct any tests necessary to determine that such facilities are installed and operating properly; however, Company will have no obligation to inspect, witness tests, or in any manner be responsible for Customer's facilities or operation thereof.
6. Customer assumes all responsibility for the electric service on Customer's premises at and from the point of delivery of electricity from Company and for the wires and equipment used in connection therewith, and will protect and save Company harmless from all claims for injury or damage to persons or property occurring on Customer's premises or at and from the point of delivery of electricity from Company, occasioned by such electricity or said wires and equipment, except where said injury or damage will be shown to have been occasioned solely by the negligence or willful misconduct of Company.

Level 1 – A Level 1 installation is defined as an inverter-based generator certified as meeting the requirements of Underwriters Laboratories Standard 1741 and meeting the following conditions:

1. The aggregated net metering generation on a radial distribution circuit will not exceed 15% of the line section's most recent one hour peak load. A line section is the smallest part of the primary distribution system the generating facility could remain connected to after operation of any sectionalizing devices.
2. The aggregated net metering generation on a shared singled-phase secondary will not exceed 20 kVA or the nameplate rating of the service transformer.
3. A single-phase net metering generator interconnected on the center tap neutral of a 240 volt service shall not create an imbalance between the two sides of the 240 volt service of more than 20% of the nameplate rating of the service transformer.
4. A net metering generator interconnected to Company's three-phase, three-wire primary distribution lines, shall appear as a phase-to-phase connection to Company's primary distribution line.
5. A net metering generator interconnected to Company's three-phase, four-wire primary distribution lines, shall appear as an effectively grounded source to Company's primary distribution line.
6. A net metering generator will not be connected to an area or spot network.
7. There are no identified violations of the applicable provisions of IEEE 1547, "Standard for Interconnecting Distributed Resources with Electric Power Systems".
8. Company will not be required to construct any facilities on its own system to accommodate the net metering generator.

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ISSUED BY: **/s/** Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 57.1

Standard Rate Rider **NMS**
Net Metering Service

NET METERING SERVICE INTERCONNECTION GUIDELINES T

General – Customer shall operate the generating facility in parallel with Company's system under the following conditions and any other conditions required by Company where unusual circumstances arise not covered herein:

1. Customer to own, operate, and maintain all generating facilities on their premises. Such facilities shall include, but not be limited to, necessary control equipment to synchronize frequency, voltage, etc., between Customer's and Company's system as well as adequate protective equipment between the two systems. Customer's voltage at the point of interconnection will be the same as Company's system voltage.
2. Customer will be responsible for operating all generating facilities owned by Customer, except as specified hereinafter. Customer will maintain its system in synchronization with Company's system.
3. Customer will be responsible for any damage done to Company's equipment due to failure of Customer's control, safety, or other equipment.
4. Customer agrees to inform Company of any changes it wishes to make to its generating or associated facilities that differ from those initially installed and described to Company in writing and obtain prior approval from Company.
5. Company will have the right to inspect and approve Customer's facilities described herein, and to conduct any tests necessary to determine that such facilities are installed and operating properly; however, Company will have no obligation to inspect, witness tests, or in any manner be responsible for Customer's facilities or operation thereof.
6. Customer assumes all responsibility for the electric service on Customer's premises at and from the point of delivery of electricity from Company and for the wires and equipment used in connection therewith, and will protect and save Company harmless from all claims for injury or damage to persons or property occurring on Customer's premises or at and from the point of delivery of electricity from Company, occasioned by such electricity or said wires and equipment, except where said injury or damage will be shown to have been occasioned solely by the negligence or willful misconduct of Company.

Level 1 – A Level 1 installation is defined as an inverter-based generator certified as meeting the requirements of Underwriters Laboratories Standard 1741 and meeting the following conditions:

1. The aggregated net metering generation on a radial distribution circuit will not exceed 15% of the line section's most recent one hour peak load. A line section is the smallest part of the primary distribution system the generating facility could remain connected to after operation of any sectionalizing devices.
2. The aggregated net metering generation on a shared singled-phase secondary will not exceed 20 kVA or the nameplate rating of the service transformer.
3. A single-phase net metering generator interconnected on the center tap neutral of a 240 volt service shall not create an imbalance between the two sides of the 240 volt service of more than 20% of the nameplate rating of the service transformer.

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 57.2
Canceling P.S.C. No. 16, Original Sheet No. 57.2

Standard Rate Rider **NMS**
Net Metering Service

NET METERING SERVICE INTERCONNECTION GUIDELINES (continued)

Customer desiring a Level 1 interconnection shall submit a "LEVEL 1 - Application for Interconnection and Net Metering." Company shall notify Customer within 20 business days as to whether the request is approved or, if denied, the reason(s) for denial. If additional information is required, the Company will notify Customer, and the time between notification and submission of the information shall not be counted towards the 20 business days. Approval is contingent upon an initial inspection and witness test at the discretion of Company.

Level 2 – A Level 2 installation is defined as generator that is not inverter-based; that uses equipment not certified as meeting the requirements of Underwriters Laboratories Standard 1741, or that does not meet one or more of the conditions required of a Level 1 net metering generator. A Level 2 Application will be approved if the generating facility meets the Company's technical interconnection requirements. Those requirements are available on line at www.lge-ku.com and upon request.

Customer desiring a Level 2 interconnection shall submit a "LEVEL 2 - Application for Interconnection and Net Metering." Company shall notify Customer within 30 business days as to whether the request is approved or, if denied, the reason(s) for denial. If additional information is required, the Company will notify Customer, and the time between notification and submission of the information shall not be counted towards the 30 business days. Approval is contingent upon an initial inspection and witness test at the discretion of Company.

Customer submitting a "Level 2 - Application for Interconnection and Net Metering will provide a non-refundable inspection and processing fee of $100, and in the event that the Company determines an impact study to be necessary, shall be responsible for any reasonable costs of up to $1,000 of documented costs for the initial impact study.

Additional studies requested by Customer shall be at Customer's expense.

CONDITIONS OF INTERCONNECTION

Customer may operate his net metering generator in parallel with Company's system when complying with the following conditions:

1. Customer shall install, operate, and maintain, at Customer's sole cost and expense, any control, protective, or other equipment on Customer's system required by Company's technical interconnection requirements based on IEEE 1547, NEC, accredited testing laboratories, and the manufacturer's suggested practices for safe, efficient and reliable operation of the net metering generating facility in parallel with Company's system. Customer bears full responsibility for the installation, maintenance and safe operation of the net metering generating facility. Upon reasonable request from Company, Customer shall demonstrate compliance.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: April 17, 1999

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 57.2

Standard Rate Rider **NMS**
Net Metering Service

NET METERING SERVICE INTERCONNECTION GUIDELINES (continued)

4. A net metering generator interconnected to Company's three-phase, three-wire primary distribution lines, shall appear as a phase-to-phase connection to Company's primary distribution line. T
5. A net metering generator interconnected to Company's three-phase, four-wire primary distribution lines, shall appear as an effectively grounded source to Company's primary distribution line.
6. A net metering generator will not be connected to an area or spot network.
7. There are no identified violations of the applicable provisions of IEEE 1547, "Standard for Interconnecting Distributed Resources with Electric Power Systems".
8. Company will not be required to construct any facilities on its own system to accommodate the net metering generator.

Customer desiring a Level 1 interconnection shall submit a "LEVEL 1 - Application for Interconnection and Net Metering." Company shall notify Customer within 20 business days as to whether the request is approved or, if denied, the reason(s) for denial. If additional information is required, the Company will notify Customer, and the time between notification and submission of the information shall not be counted towards the 20 business days. Approval is contingent upon an initial inspection and witness test at the discretion of Company.

Level 2 – A Level 2 installation is defined as generator that is not inverter-based; that uses equipment not certified as meeting the requirements of Underwriters Laboratories Standard 1741, or that does not meet one or more of the conditions required of a Level 1 net metering generator. A Level 2 Application will be approved if the generating facility meets the Company's technical interconnection requirements. Those requirements are available on line at www.lge-ku.com and upon request.

Customer desiring a Level 2 interconnection shall submit a "LEVEL 2 - Application for Interconnection and Net Metering." Company shall notify Customer within 30 business days as as to whether the request is approved or, if denied, the reason(s) for denial. If additional information is required, the Company will notify Customer, and the time between notification and submission of the information shall not be counted towards the 30 business days. Approval is contingent upon an initial inspection and witness test at the discretion of Company.

Customer submitting a "Level 2 - Application for Interconnection and Net Metering will provide a non-refundable inspection and processing fee of $100, and in the event that the Company determines an impact study to be necessary, shall be responsible for any reasonable costs of up to $1,000 of documented costs for the initial impact study.

Additional studies requested by Customer shall be at Customer's expense.

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 57.3
Canceling P.S.C. No. 16, Original Sheet No. 57.3

Standard Rate Rider **NMS**
Net Metering Service

CONDITIONS OF INTERCONNECTION (continued)

2. Customer shall represent and warrant compliance of the net metering generator with:
   a) any applicable safety and power standards established by IEEE and accredited testing laboratories;
   b) NEC, as may be revised from time-to-time;
   c) Company's rules and regulations and Terms and Conditions, as may be revised by time-to-time by the Public Service Commission of Kentucky;
   d) the rules and regulations of the Public Service Commission of Kentucky, as may be revised by time-to-time by the Public Service Commission of Kentucky:
   e) all other local, state, and federal codes and laws, as may be in effect from time-to-time.
3. Any changes or additions to Company's system required to accommodate the net metering generator shall be Customer's financial responsibility and Company shall be reimbursed for such changes or additions prior to construction.
4. Customer shall operate the net metering generator in such a manner as not to cause undue fluctuations in voltage, intermittent load characteristics or otherwise interfere with the operation of Company's electric system. Customer shall so operate the generating facility in such a manner that no adverse impacts will be produced thereby to the service quality rendered by Company to any of its other customers or to any electric system interconnected with Company's electric system.
5. Customer shall be responsible for protecting, at Customer's sole cost and expense, the net metering generating facility from any condition or disturbance on Company's electric system, including, but not limited to, voltage sags or swells, system faults, outages, loss of a single phase of supply, equipment failures, and lightning or switching surges, except that the Company shall be responsible for repair of damage caused to the net metering generator resulting solely from the negligence or willful misconduct on the part of the Company.
6. Following the initial testing and inspection of the generating facility and upon reasonable advance notice to Customer, Company shall have access at reasonable times to the generating facility to perform reasonable on-site inspections to verify that the installation, maintenance and operation of the net metering generator comply with the requirements of this rate schedule.
7. Where required by the Company, Customer shall furnish and install on Customer's side of the point of interconnection a safety disconnect switch which shall be capable of fully disconnecting Customer's net metering generator from Company's electric service under the full rated conditions of Customer's net metering generator. The external disconnect switch (EDS) shall be located adjacent to Company's meters or the location of the EDS shall be noted by placing a sticker on the meter, and shall be of the visible break type in a metal enclosure which can be secured by a padlock. If the EDS is not located directly adjacent to the meter, Customer shall be responsible for ensuring the location of the EDS is properly and legibly identified for so long as the net metering generator is operational.

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DATE EFFECTIVE: April 17, 1999

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

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Public Service Commission in Case No.
2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 57.3

Standard Rate Rider **NMS**
Net Metering Service

CONDITIONS OF INTERCONNECTION T

Customer may operate his net metering generator in parallel with Company's system when complying with the following conditions:

1. Customer shall install, operate, and maintain, at Customer's sole cost and expense, any control, protective, or other equipment on Customer's system required by Company's technical interconnection requirements based on IEEE 1547, NEC, accredited testing laboratories, and the manufacturer's suggested practices for safe, efficient and reliable operation of the net metering generating facility in parallel with Company's system. Customer bears full responsibility for the installation, maintenance and safe operation of the net metering generating facility. Upon reasonable request from Company, Customer shall demonstrate compliance.
2. Customer shall represent and warrant compliance of the net metering generator with:
   a) any applicable safety and power standards established by IEEE and accredited testing laboratories;
   b) NEC, as may be revised from time-to-time;
   c) Company's rules and regulations and Terms and Conditions, as may be revised by time-to-time by the Public Service Commission of Kentucky;
   d) the rules and regulations of the Public Service Commission of Kentucky, as may be revised by time-to-time by the Public Service Commission of Kentucky:
   e) all other local, state, and federal codes and laws, as may be in effect from time-to-time.
3. Any changes or additions to Company's system required to accommodate the net metering generator shall be Customer's financial responsibility and Company shall be reimbursed for such changes or additions prior to construction.
4. Customer shall operate the net metering generator in such a manner as not to cause undue fluctuations in voltage, intermittent load characteristics or otherwise interfere with the operation of Company's electric system. Customer shall so operate the generating facility in such a manner that no adverse impacts will be produced thereby to the service quality rendered by Company to any of its other customers or to any electric system interconnected with Company's electric system.
5. Customer shall be responsible for protecting, at Customer's sole cost and expense, the net metering generating facility from any condition or disturbance on Company's electric system, including, but not limited to, voltage sags or swells, system faults, outages, loss of a single phase of supply, equipment failures, and lightning or switching surges, except that the Company shall be responsible for repair of damage caused to the net metering generator resulting solely from the negligence or willful misconduct on the part of the Company.
6. Following the initial testing and inspection of the generating facility and upon reasonable advance notice to Customer, Company shall have access at reasonable times to the generating facility to perform reasonable on-site inspections to verify that the installation, maintenance and operation of the net metering generator comply with the requirements of this rate schedule.

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DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 57.4
Canceling P.S.C. No. 16, Original Sheet No. 57.4

Standard Rate Rider **NMS**
Net Metering Service

CONDITIONS OF INTERCONNECTION (continued)

The disconnect switch shall be accessible to Company personnel at all times. Company may waive the requirement for an external disconnect switch for a net metering generator at its sole discretion, and on a case by case basis.

8. Company shall have the right and authority at Company's sole discretion to isolate the generating facility or require the Customer to discontinue operation of the net metering generator if Company believes that:
   a) continued interconnection and parallel operation of the net metering generator with Company's electric system creates or contributes (or may create or contribute) to a system emergency on either Company's or Customer's electric system;
   b) the net metering generator is not in compliance with the requirements of this rate schedule, and the non-compliance adversely affects the safety, reliability or power quality of Company's electric system; or
   c) the net metering generator interferes with the operation of Company's electric system.

   In non-emergency situations, Company shall give Customer notice of noncompliance including a description of the specific noncompliance condition and allow Customer a reasonable time to cure the noncompliance prior to isolating the Generating Facilities. In emergency situations, where the Company is unable to immediately isolate or cause Customer to isolate only the net metering generator, Company may isolate Customer's entire facility.
9. Customer agrees that, without the prior written permission from Company, no changes shall be made to the generating facility as initially approved. Increases in net metering generator capacity will require a new "Application for Interconnection and Net Metering" which will be evaluated on the same basis as any other new application. Repair and replacement of existing generating facility components with like components that meet UL 1741 certification requirements for Level 1 facilities and not resulting in increases in net metering generator capacity is allowed without approval.
10. Customer shall protect, indemnify and hold harmless Company and its directors, officers, employees, agents, representatives and contractors against and from all loss, claims, actions or suits, including costs and attorneys fees, for or on account of any injury or death of persons or damage to property caused by Customer or Customer's employees, agents, representatives and contractors in tampering with, repairing, maintaining or operating Customer's net metering generator or any related equipment or any facilities owned by Company except where such injury, death or damage was caused or contributed to by the fault or negligence of Company or its employees, agents, representatives or contractors.

    The liability of Company to Customer for injury to person and property shall be governed by the tariff(s) for the class of service under which Customer is taking service.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: April 17, 1999

ISSUED BY: ***/s/*** Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 57.4

Standard Rate Rider **NMS**
Net Metering Service

CONDITIONS OF INTERCONNECTION (continued)

7. Where required by the Company, Customer shall furnish and install on Customer's side of the point of interconnection a safety disconnect switch which shall be capable of fully disconnecting Customer's net metering generator from Company's electric service under the full rated conditions of Customer's net metering generator. The external disconnect switch (EDS) shall be located adjacent to Company's meters or the location of the EDS shall be noted by placing a sticker on the meter, and shall be of the visible break type in a metal enclosure which can be secured by a padlock. If the EDS is not located directly adjacent to the meter, Customer shall be responsible for ensuring the location of the EDS is properly and legibly identified for so long as the net metering generator is operational. T

   The disconnect switch shall be accessible to Company personnel at all times. Company may waive the requirement for an external disconnect switch for a net metering generator at its sole discretion, and on a case by case basis.
8. Company shall have the right and authority at Company's sole discretion to isolate the generating facility or require the Customer to discontinue operation of the net metering generator if Company believes that:
   a) continued interconnection and parallel operation of the net metering generator with Company's electric system creates or contributes (or may create or contribute) to a system emergency on either Company's or Customer's electric system;
   b) the net metering generator is not in compliance with the requirements of this rate schedule, and the non-compliance adversely affects the safety, reliability or power quality of Company's electric system; or
   c) the net metering generator interferes with the operation of Company's electric system.
   In non-emergency situations, Company shall give Customer notice of noncompliance including a description of the specific noncompliance condition and allow Customer a reasonable time to cure the noncompliance prior to isolating the Generating Facilities. In emergency situations, where the Company is unable to immediately isolate or cause Customer to isolate only the net metering generator, Company may isolate Customer's entire facility.
9. Customer agrees that, without the prior written permission from Company, no changes shall be made to the generating facility as initially approved. Increases in net metering generator capacity will require a new "Application for Interconnection and Net Metering" which will be evaluated on the same basis as any other new application. Repair and replacement of existing generating facility components with like components that meet UL 1741 certification requirements for Level 1 facilities and not resulting in increases in net metering generator capacity is allowed without approval.
10. Customer shall protect, indemnify and hold harmless Company and its directors, officers, employees, agents, representatives and contractors against and from all loss, claims, actions or suits, including costs and attorneys' fees, for or on account of any injury or death

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DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

CONDITIONS OF INTERCONNECTION (continued)

11. Customer shall maintain general liability insurance coverage (through a standard homeowner's, commercial or other policy) for generating facilities. Customer shall upon request provide Company with proof of such insurance at the time that application is made for net metering.
12. By entering into an Interconnection Agreement, or by inspection, if any, or by non-rejection, or by approval, or in any other way, Company does not give any warranty, express or implied, as to the adequacy, safety, compliance with applicable codes or requirements, or as to any other characteristics, of the generating facility equipment, controls, and protective relays and equipment.
13. Customer's generating facility is transferable to other persons or service locations only after notification to the Company has been made and verification that the installation is in compliance with this tariff. Upon written notification that an approved generating facility is being transferred to another person, customer, or location, the Company will verify that the installation is in compliance with this tariff and provide written notification to the customer(s) within 20 business days. If the installation is no longer in compliance with this tariff, the Company will notify Customer in writing and list what must be done to place the facility in compliance.
14. Customer shall retain any and all Renewable Energy Credits (RECs) generated by Customer's generating facilities.

DEFINITIONS

"Billing period" shall be the time period between the dates on which Company issues the customer's bills.

"Billing Period Credit" shall be the electricity generated by the customer that flows into the electric system and which exceeds the electricity supplied to the customer from the electric system during any billing period.

TERMS AND CONDITIONS

Except as provided herein, service will be furnished under Company's Terms and Conditions applicable hereto.

CONDITIONS OF INTERCONNECTION (continued)

of persons or damage to property caused by Customer or Customer's employees, agents, representatives and contractors in tampering with, repairing, maintaining or operating Customer's net metering generator or any related equipment or any facilities owned by Company except where such injury, death or damage was caused or contributed to by the fault or negligence of Company or its employees, agents, representatives or contractors. T

The liability of Company to Customer for injury to person and property shall be governed by the tariff(s) for the class of service under which Customer is taking service.

11. Customer shall maintain general liability insurance coverage (through a standard homeowner's, commercial or other policy) for generating facilities. Customer shall upon request provide Company with proof of such insurance at the time that application is made for net metering.
12. By entering into an Interconnection Agreement, or by inspection, if any, or by non-rejection, or by approval, or in any other way, Company does not give any warranty, express or implied, as to the adequacy, safety, compliance with applicable codes or requirements, or as to any other characteristics, of the generating facility equipment, controls, and protective relays and equipment.
13. Customer's generating facility is transferable to other persons or service locations only after notification to the Company has been made and verification that the installation is in compliance with this tariff. Upon written notification that an approved generating facility is being transferred to another person, customer, or location, the Company will verify that the installation is in compliance with this tariff and provide written notification to the customer(s) within 20 business days. If the installation is no longer in compliance with this tariff, the Company will notify Customer in writing and list what must be done to place the facility in compliance.
14. Customer shall retain any and all Renewable Energy Credits (RECs) generated by Customer's generating facilities.

TERMS AND CONDITIONS T

Except as provided herein, service will be furnished under Company's Terms and Conditions applicable hereto.

LEVEL 1

Application for Interconnection and Net Metering
*Use this application form only for a generating facility that is inverter based and certified by a nationally recognized testing laboratory to meet the requirements of **UL** 1741.*

Submit this Application to:

Kentucky Utilities Company, Attn: Customer Commitment, P. O. Box 32010, Louisville, KY 40232

If you have questions regarding this Application or its status, contact KU at:

502-627-2202 or customer.commitment@lge-ku.com

Customer Name: ____________________ Account Number: ____________

Customer Address: ____________________

Customer Phone No.: ________ Customer E-mail Address: ____________________

Project Contact Person: ____________________

Phone No.**:** ________ E-mail Address (Optional): ____________________

Provide names and contact information for other contractors, installers, or engineering firms involved in the design and installation of the generating facilities:

____

Energy Source: ____Solar ____Wind ____Hydro ____Biogas ____Biomass

Inverter Manufacturer and Model #: ____________________

Inverter Power Rating: ____________ Inverter Voltage Rating: ____________

Power Rating of Energy Source (i.e., solar panels, wind turbine): ____________

Is Battery Storage Used: ____No ____Yes If Yes, Battery Power Rating: ____________

Attach documentation showing that inverter is certified by a nationally recognized testing laboratory to meet the requirements of **UL** 1741.

Attach site drawing or sketch showing location of Utility's meter, energy source, ***(optional: Utility accessible disconnect switch)*** and inverter.

Attach single line drawing showing all electrical equipment from the Utility's metering location to the energy source including switches, fuses, breakers, panels, transformers, inverters, energy source, wire size, equipment ratings, and transformer connections.

Expected Start-up Date: ____________________

LEVEL 1

Application for Interconnection and Net Metering
*Use this application form only for a generating facility that is inverter based and certified by a nationally recognized testing laboratory to meet the requirements of **UL** 1741.*

Submit this Application to:

Kentucky Utilities Company, Attn: Customer Commitment, P. O. Box 32010, Louisville, KY 40232

If you have questions regarding this Application or its status, contact KU at:

502-627-2202 or customer.commitment@lge-ku.com

Customer Name: ____________________ Account Number: ____________

Customer Address: ____________________

Customer Phone No.: ________ Customer E-mail Address: ____________________

Project Contact Person: ____________________

Phone No.**:** ________ E-mail Address (Optional): ____________________

Provide names and contact information for other contractors, installers, or engineering firms involved in the design and installation of the generating facilities:

____

Energy Source: ____Solar ____Wind ____Hydro ____Biogas ____Biomass

Inverter Manufacturer and Model #: ____________________

Inverter Power Rating: ____________ Inverter Voltage Rating: ____________

Power Rating of Energy Source (i.e., solar panels, wind turbine): ____________

Is Battery Storage Used: ____No ____Yes If Yes, Battery Power Rating: ____________

Attach documentation showing that inverter is certified by a nationally recognized testing laboratory to meet the requirements of **UL** 1741.

Attach site drawing or sketch showing location of Utility's meter, energy source, ***(optional: Utility accessible disconnect switch)*** and inverter.

Attach single line drawing showing all electrical equipment from the Utility's metering location to the energy source including switches, fuses, breakers, panels, transformers, inverters, energy source, wire size, equipment ratings, and transformer connections.

Expected Start-up Date: ____________________

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 57.7

Standard Rate Rider **NMS**
Net Metering Service

LEVEL 2

Application for Interconnection and Net Metering

*Use this application form when a generating facility is not inverter-based or is not certified by a nationally recognized testing laboratory to meet the requirements of **UL** 1741 or does not meet any of the additional conditions under Level 1.*

Submit this Application, along with an application fee of $100, to:

Kentucky Utilities Company, Attn: Customer Commitment, P. O. Box 32010, Louisville, KY 40232

If you have questions regarding this Application or its status, contact KU at:

502-627-2202 or customer.commitment@lge-ku.com

Customer Name: ______________________ Account Number: ____________

Customer Address: ______________________

Project Contact Person: ______________________

Phone No.: ____________ E-mail Address (Optional): ______________________

Provide names and contact information for other contractors, installers, or engineering firms involved in the design and installation of the generating facilities:

____

____

____

Total Generating Capacity of Generating Facility: ____

Type of Generator: ____Inverter-Based ____Synchronous ____Induction

Power Source: ____Solar ____Wind ____Hydro ____Biogas ____Biomass

Adequate documentation and information must be submitted with this application to be considered complete. Typically this should include the following:

1. Single-line diagram of the customer's system showing all electrical equipment from the generator to the point *of* interconnection with the Utility's distribution system, including generators, transformers, switchgear, switches, breakers, fuses, voltage transformers, current transformers, wire sizes, equipment ratings, and transformer connections.
2. Control drawings for relays and breakers.
3. Site Plans showing the physical location of major equipment.
4. Relevant ratings of equipment. Transformer information should include capacity ratings, voltage ratings, winding arrangements, and impedance.
5. If protective relays are used, settings applicable to the interconnection protection. If programmable relays are used, a description of how the relay is programmed to operate as applicable to interconnection protection.
6. A description of how the generator system will be operated including all modes of operation.
7. For inverters, the manufacturer name, model number, and AC power rating. For certified inverters, attach documentation showing that inverter is certified by *a* nationally recognized testing laboratory to meet the requirements of **UL** 1741.
8. For synchronous generators, manufacturer and model number, nameplate ratings, and impedance data (Xd, Xd, & Xd).
9. For induction generators, manufacturer and model number, nameplate ratings, and locked rotor current.

Customer Signature: ______________________ Date: ____________

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: November 1, 2010

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010 and 2010-00204 dated September 30, 2010

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 57.7

Standard Rate Rider **NMS**
Net Metering Service

LEVEL 2

Application for Interconnection and Net Metering

*Use this application form when a generating facility is not inverter-based or is not certified by a nationally recognized testing laboratory to meet the requirements of **UL** 1741 or does not meet any of the additional conditions under Level 1.*

Submit this Application, along with an application fee of $100, to:

Kentucky Utilities Company, Attn: Customer Commitment, P. O. Box 32010, Louisville, KY 40232

If you have questions regarding this Application or its status, contact KU at:

502-627-2202 or customer.commitment@lge-ku.com

Customer Name: ______________________ Account Number: ____________

Customer Address: ______________________

Project Contact Person: ______________________

Phone No.: ____________ E-mail Address (Optional): ______________________

Provide names and contact information for other contractors, installers, or engineering firms involved in the design and installation of the generating facilities:

____

____

____

Total Generating Capacity of Generating Facility: ____

Type of Generator: ____Inverter-Based ____Synchronous ____Induction

Power Source: ____Solar ____Wind ____Hydro ____Biogas ____Biomass

Adequate documentation and information must be submitted with this application to be considered complete. Typically this should include the following:

1. Single-line diagram of the customer's system showing all electrical equipment from the generator to the point *of* interconnection with the Utility's distribution system, including generators, transformers, switchgear, switches, breakers, fuses, voltage transformers, current transformers, wire sizes, equipment ratings, and transformer connections.
2. Control drawings for relays and breakers.
3. Site Plans showing the physical location of major equipment.
4. Relevant ratings of equipment. Transformer information should include capacity ratings, voltage ratings, winding arrangements, and impedance.
5. If protective relays are used, settings applicable to the interconnection protection. If programmable relays are used, a description of how the relay is programmed to operate as applicable to interconnection protection.
6. A description of how the generator system will be operated including all modes of operation.
7. For inverters, the manufacturer name, model number, and AC power rating. For certified inverters, attach documentation showing that inverter is certified by a nationally recognized testing laboratory to meet the requirements of **UL** 1741.
8. For synchronous generators, manufacturer and model number, nameplate ratings, and impedance data (Xd, Xd, & Xd).
9. For induction generators, manufacturer and model number, nameplate ratings, and locked rotor current.

Customer Signature: ______________________ Date: ____________

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: November 1, 2010

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010 and 2010-00204 dated September 30, 2010

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 60
Canceling P.S.C. No. 16, Original Sheet No. 60

Standard Rate Rider **EF**
Excess Facilities

APPLICABILITY
In all territory served.

AVAILABILITY OF SERVICE
This rider is available for nonstandard service facilities which are considered to be in excess of the standard facilities that would normally be provided by Company. This rider does not apply to line extensions or to other facilities which are necessary to provide basic electric service. Company reserves the right to decline to provide service hereunder for any project (a) that exceeds $100,000 or (b) where Company does not have sufficient expertise to install, operate, or maintain the facilities or (c) where the facilities do not meet Company's safety requirements, or (d) where the facilities are likely to become obsolete prior to the end of the initial contract term.

DEFINITION OF EXCESS FACILITIES
Excess facilities are lines and equipment which are installed in addition to or in substitution for the normal facilities required to render basic electric service and where such facilities are dedicated to a specific customer. Applications of excess facilities include, but are not limited to, emergency backup feeds, automatic transfer switches, redundant transformer capacity, and duplicate or check meters.

EXCESS FACILITIES CHARGE
Company shall provide normal operation and maintenance of the excess facilities. Should the facilities suffer failure, Company will provide for replacement of such facilities and the monthly charge will be adjusted to reflect the installed cost of the replacement facilities. No adjustment in the monthly charge for a replacement of facilities will be made during the initial five (5) year term of contract.

Customer shall pay for excess facilities by:

(a) making a monthly Excess Facilities Charge payment equal to the installed cost of the excess facilities times the following percentage:

Percentage With No Contribution–in-Aid-of-Construction	1.24%

(b) making a one-time Contribution-in-Aid-of-Construction equal to the installed cost of the excess facilities plus a monthly Excess Facilities Charge payment equal to the installed cost of the excess facilities times the following percentage:

Percentage With Contribution-in-Aid of-Construction	0.48%

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 60

Standard Rate Rider **EF**
Excess Facilities

APPLICABILITY
In all territory served.

AVAILABILITY OF SERVICE
This rider is available for nonstandard service facilities which are considered to be in excess of the standard facilities that would normally be provided by Company. This rider does not apply to line extensions or to other facilities which are necessary to provide basic electric service. Company reserves the right to decline to provide service hereunder for any project (a) that exceeds $100,000 or (b) where Company does not have sufficient expertise to install, operate, or maintain the facilities or (c) where the facilities do not meet Company's safety requirements, or (d) where the facilities are likely to become obsolete prior to the end of the initial contract term.

DEFINITION OF EXCESS FACILITIES
Excess facilities are lines and equipment which are installed in addition to or in substitution for the normal facilities required to render basic electric service and where such facilities are dedicated to a specific customer. Applications of excess facilities include, but are not limited to, emergency backup feeds, automatic transfer switches, redundant transformer capacity, and duplicate or check meters.

EXCESS FACILITIES CHARGE
Company shall provide normal operation and maintenance of the excess facilities. Should the facilities suffer failure, Company will provide for replacement of such facilities and the monthly charge will be adjusted to reflect the installed cost of the replacement facilities. No adjustment in the monthly charge for a replacement of facilities will be made during the initial five (5) year term of contract.

Customer shall pay for excess facilities by:

(a) making a monthly Excess Facilities Charge payment equal to the installed cost of the excess facilities times the following percentage:

Percentage With No Contribution–in-Aid-of-Construction	1.24%

(b) making a one-time Contribution-in-Aid-of-Construction equal to the installed cost of the excess facilities plus a monthly Excess Facilities Charge payment equal to the installed cost of the excess facilities times the following percentage:

Percentage With Contribution-in-Aid of-Construction	0.48%

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

Standard Rate Rider **EF**
Excess Facilities

PAYMENT

The Excess Facilities Charges shall be incorporated with the bill for electric service and will be subject to the same payment provisions.

TERM OF CONTRACT

The initial term of contract to the customer under this schedule shall be not less than five (5) years. The term shall continue automatically until terminated by either party upon at least one (1) month's written notice.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: ***/s/*** Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

Standard Rate Rider **EF**
Excess Facilities

PAYMENT

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TERM OF CONTRACT

The initial term of contract to the customer under this schedule shall be not less than five (5) years. The term shall continue automatically until terminated by either party upon at least one (1) month's written notice.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 61

Standard Rate Rider **RC**

Redundant Capacity

APPLICABLE

This rate is applicable to customers served under Company's rate schedules which include a demand charge or a special contract including a demand charge.

AVAILABILITY

Available to customers requesting the reservation of capacity on Company's facilities which are shared by other customers when Company has and is willing to reserve such capacity. Such facilities represent a redundant delivery to provide electric service to the Customer's facility in the event that an emergency or unusual occurrence renders the Customer's principal delivery unavailable for providing service. Where Customer desires to split a load between multiple meters on multiple feeds and contract for Redundant Capacity on those feeds, service is contingent on the practicality of metering to measure any transferred load to the redundant feed.

RATE:

Capacity Reservation Charge

Secondary Distribution	$1.49 per kW/kVA per month
Primary Distribution	$1.25 per kW/kVA per month

Applicable to the greater of:

(1) the highest average load in kW/kVA (as is appropriate for the demand basis of the standard rate on which Customer is billed) recorded at either the principal distribution feed metering point or at the redundant distribution feed metering point during any 15-minute interval in the monthly billing period;
(2) 50% of the maximum demand similarly determined for any of the eleven (11) preceding months; or
(3) the contracted capacity reservation.

TERM OF CONTRACT

The minimum contract term shall be five (5) years and shall be renewed for one-year periods until either party provides the other with ninety (90) days written notice of a desire to terminate the arrangement. Company may require that a contract be executed for a longer initial term when deemed necessary by the difficulty and/or high cost associated with providing the redundant feed or other special conditions.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: ***/s/*** Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 61

Standard Rate Rider **RC**

Redundant Capacity

APPLICABLE

This rate is applicable to customers served under Company's rate schedules which include a demand charge or a special contract including a demand charge.

AVAILABILITY

Available to customers requesting the reservation of capacity on Company's facilities which are shared by other customers when Company has and is willing to reserve such capacity. Such facilities represent a redundant delivery to provide electric service to the Customer's facility in the event that an emergency or unusual occurrence renders the Customer's principal delivery unavailable for providing service. Where Customer desires to split a load between multiple meters on multiple feeds and contract for Redundant Capacity on those feeds, service is contingent on the practicality of metering to measure any transferred load to the redundant feed.

RATE:

Capacity Reservation Charge

Secondary Distribution	$1.12 per kW/kVA per month	R
Primary Distribution	$1.11 per kW/kVA per month	R

Applicable to the greater of:

(1) the highest average load in kW/kVA (as is appropriate for the demand basis of the standard rate on which Customer is billed) recorded at either the principal distribution feed metering point or at the redundant distribution feed metering point during any 15-minute interval in the monthly billing period;
(2) 50% of the maximum demand similarly determined for any of the eleven (11) preceding months; or
(3) the contracted capacity reservation.

TERM OF CONTRACT

The minimum contract term shall be five (5) years and shall be renewed for one-year periods until either party provides the other with ninety (90) days written notice of a desire to terminate the arrangement. Company may require that a contract be executed for a longer initial term when deemed necessary by the difficulty and/or high cost associated with providing the redundant feed or other special conditions.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 62
Canceling P.S.C. No. 16, Original Sheet No. 62

Standard Rate Rider **SS**
Supplemental or Standby Service

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This service is available as a rider to customers whose premises or equipment are regularly supplied with electric energy from generating facilities other than those of Company and who desire to contract with Company for reserve, breakdown, supplemental or standby service.

Where a customer-generator supplies all or part of the customer-generator's own load and desires Company to provide supplemental or standby service for that load, the customer-generator must contract for such service under Company's Supplemental or Standby Service Rider, otherwise Company has no obligation to supply the non-firm service. This requirement does not apply to Net Metering Service (Rider NMS).

RATE

	Secondary	Primary	Transmission
Contract Demand per kW/kVA per Month	$12.54	$11.99	$10.84

CONTRACT DEMAND
Contract Demand is defined as the number of kW/kVA (as is appropriate for the demand basis of the standard rate on which Customer is billed) mutually agreed upon as representing customer's maximum service requirements and contracted for by customer; provided, however, if such number of kW/kVA (as is appropriate for the demand basis of the standard rate on which Customer is billed) is exceeded by a recorded demand, such recorded demand shall become the new contract demand commencing with the month in which recorded and continuing for the remaining term of the contract or until superseded by a higher recorded demand.

MINIMUM CHARGE
Electric service actually used each month will be charged for in accordance with the provisions of the applicable rate schedule; provided, however, the minimum billing under that rate schedule shall in no case be less than an amount calculated at the appropriate rate above applied to the Contract Demand.

DUE DATE OF BILL
Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 62

Standard Rate Rider **SS**
Supplemental or Standby Service

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This service is available as a rider to customers whose premises or equipment are regularly supplied with electric energy from generating facilities other than those of Company and who desire to contract with Company for reserve, breakdown, supplemental or standby service.

Where a customer-generator supplies all or part of the customer-generator's own load and desires Company to provide supplemental or standby service for that load, the customer-generator must contract for such service under Company's Supplemental or Standby Service Rider, otherwise Company has no obligation to supply the non-firm service. This requirement does not apply to Net Metering Service (Rider NMS).

RATE

	Secondary	Primary	Transmission	
Contract Demand per kW/kVA per Month	$12.84	$11.63	$10.58	I/R/R

CONTRACT DEMAND
Contract Demand is defined as the number of kW/kVA (as is appropriate for the demand basis of the standard rate on which Customer is billed) mutually agreed upon as representing customer's maximum service requirements and contracted for by customer; provided, however, if such number of kW/kVA (as is appropriate for the demand basis of the standard rate on which Customer is billed) is exceeded by a recorded demand, such recorded demand shall become the new contract demand commencing with the month in which recorded and continuing for the remaining term of the contract or until superseded by a higher recorded demand.

MINIMUM CHARGE
Company will bill Customer monthly for all of the charges under Customer's applicable rate schedule, including, but not limited to, the applicable basic service charge, energy charges, and adjustment clauses. In addition to those charges, Company will bill Customer monthly a demand charge that is the greater of: (1) the Customer's total demand charge calculated under the applicable rate schedule; or (2) the demand charge calculated using the applicable demand rate shown above applied to the Contract Demand. If Customer's applicable rate schedule does not contain a demand charge, the Customer's monthly demand charge will be the demand charge calculated using the applicable demand rate shown above applied to the Contract Demand. T

T

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 62.1
Canceling P.S.C. No. 16, Original Sheet No. 62.1

Standard Rate Rider **SS**
Supplemental or Standby Service

SPECIAL TERMS AND CONDITIONS

1) In order to protect its equipment from overload damage, Company may require customer to install at Customer's own expense an approved shunt trip type breaker and an approved automatic pole-mounted disconnect. Such circuit breakers shall be under the sole control of Company and will be set by Company to break the connection with its service in the event customer's demand materially exceeds that for which the customer contracted.

2) In the event customer's use of service is intermittent or subject to violent fluctuations, Company will require customer to install and maintain at Customer's own expense suitable equipment to satisfactorily limit such intermittence or fluctuations.

3) Customer's generating equipment shall not be operated in parallel with Company's service until the manner of such operation has been approved by Company and is in compliance with Company's operating standards for system reliability and safety.

TERM OF CONTRACT

The minimum contract period shall be one (1) year, but Company may require that a contract be executed for a longer initial term when deemed necessary by the size of load or special conditions.

TERMS AND CONDITIONS

Service will be furnished under Company's Terms and Conditions except as provided herein.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the
Public Service Commission in Case No.
2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 62.1

Standard Rate Rider **SS**
Supplemental or Standby Service

DUE DATE OF BILL T

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) T
calendar days) from the date of the bill. T

SPECIAL TERMS AND CONDITIONS

1) In order to protect its equipment from overload damage, Company may require customer to install at Customer's own expense an approved shunt trip type breaker and an approved automatic pole-mounted disconnect. Such circuit breakers shall be under the sole control of Company and will be set by Company to break the connection with its service in the event customer's demand materially exceeds that for which the customer contracted.

2) In the event customer's use of service is intermittent or subject to violent fluctuations, Company will require customer to install and maintain at Customer's own expense suitable equipment to satisfactorily limit such intermittence or fluctuations.

3) Customer's generating equipment shall not be operated in parallel with Company's service until the manner of such operation has been approved by Company and is in compliance with Company's operating standards for system reliability and safety.

TERM OF CONTRACT

The minimum contract period shall be one (1) year, but Company may require that a contract be executed for a longer initial term when deemed necessary by the size of load or special conditions.

TERMS AND CONDITIONS

Service will be furnished under Company's Terms and Conditions except as provided herein.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 65
Canceling P.S.C. No. 16, Original Sheet No. 65

Standard Rate Rider **IL**
Rider for Intermittent Loads

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This schedule applies to all loads having a detrimental effect upon the electric service rendered to other customers of Company or upon Company's facilities.

Where Customer's use of service is intermittent, subject to violent or extraordinary fluctuations, or produces unacceptable levels of harmonic current, in each case as determined by Company, in its reasonable discretion, Company reserves the right to require Customer to furnish, at Customer's own expense, suitable equipment (as approved by Company in its reasonable discretion) to meter and limit such intermittence, fluctuation, or harmonics to the extent reasonably requested by Company. Without limiting the foregoing, Company may require such equipment if, at any time, the megavars, harmonics, and other desirable electrical characteristics produced by the Customer exceed the limits set forth in the IEEE standards for such characteristics. In addition, if the Customer's use of Company's service under this schedule causes such undesirable electrical characteristics in an amount exceeding those IEEE standards, such use shall be deemed to cause a dangerous condition which could subject any person to imminent harm or result in substantial damage to the property of Company or others, and Company shall therefore terminate service to the Customer in accordance with 807 KAR 5:006, Section 15(1)(b). Such a termination of service shall not be considered a cancellation of the service agreement or relieve Customer of any minimum billing or other guarantees. Company shall be held harmless for any damages or economic loss resulting from such termination of service. If requested by Company, Customer shall provide all available information to Company that aids Company in enforcing its service standards. If Company at any time has a reasonable basis for believing that Customer's proposed or existing use of the service provided will not comply with the service standards for interference, fluctuations, or harmonics, Company may engage such experts and/or consultants as Company shall determine are appropriate to advise Company in ensuring that such interference, fluctuations, or harmonics are within acceptable standards. Should such experts and/or consultants determine Customer's use of service is unacceptable, Company's use of such experts and/or consultants will be at the Customer's expense.

RATE
1. A contribution in aid of construction or an excess facilities charge shall be required for all special or added facilities, if any, necessary to serve such loads, as provided under the Excess Facilities Rider.

2. Plus the charges provided for under the rate schedule applicable, including any Basic Service Charge if applicable, Energy Charge, Maximum Load Charge (if load charge rate is used), Fuel Clause and the Minimum Charge under such rate adjusted in accordance with (a) or (b) herein.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 4, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the
Public Service Commission in Case No.
2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 65

Standard Rate Rider **IL**
Rider for Intermittent Loads

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This schedule applies to all loads having a detrimental effect upon the electric service rendered to other customers of Company or upon Company's facilities.

Where Customer's use of service is intermittent, subject to violent or extraordinary fluctuations, or produces unacceptable levels of harmonic current, in each case as determined by Company, in its reasonable discretion, Company reserves the right to require Customer to furnish, at Customer's own expense, suitable equipment (as approved by Company in its reasonable discretion) to meter and limit such intermittence, fluctuation, or harmonics to the extent reasonably requested by Company. Without limiting the foregoing, Company may require such equipment if, at any time, the megavars, harmonics, and other desirable electrical characteristics produced by the Customer exceed the limits set forth in the IEEE standards for such characteristics. In addition, if the Customer's use of Company's service under this schedule causes such undesirable electrical characteristics in an amount exceeding those IEEE standards, such use shall be deemed to cause a dangerous condition which could subject any person to imminent harm or result in substantial damage to the property of Company or others, and Company shall therefore terminate service to the Customer in accordance with 807 KAR 5:006, Section 15(1)(b). Such a termination of service shall not be considered a cancellation of the service agreement or relieve Customer of any minimum billing or other guarantees. Company shall be held harmless for any damages or economic loss resulting from such termination of service. If requested by Company, Customer shall provide all available information to Company that aids Company in enforcing its service standards. If Company at any time has a reasonable basis for believing that Customer's proposed or existing use of the service provided will not comply with the service standards for interference, fluctuations, or harmonics, Company may engage such experts and/or consultants as Company shall determine are appropriate to advise Company in ensuring that such interference, fluctuations, or harmonics are within acceptable standards. Should such experts and/or consultants determine Customer's use of service is unacceptable, Company's use of such experts and/or consultants will be at the Customer's expense.

RATE
1. A contribution in aid of construction or an excess facilities charge shall be required for all special or added facilities, if any, necessary to serve such loads, as provided under the Excess Facilities Rider.

2. Plus the charges provided for under the rate schedule applicable, including any Basic Service Charge if applicable, Energy Charge, Maximum Load Charge (if load charge rate is used), Fuel Clause and the Minimum Charge under such rate adjusted in accordance with (a) or (b) herein.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 4, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the
Public Service Commission in Case No.
2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 65.1

Standard Rate Rider **IL**
Rider for Intermittent Loads

RATE (continued)

(a) If rate schedule calls for a minimum based on the total kW of connected load, each kVA of such special equipment shall be counted as one kW connected load for minimum billing purposes.

(b) If rate schedule calls for a minimum based on the 15-minute integrated load, and such loads operate only intermittently so that the kW registered on a standard 15-minute integrated demand meter is small in comparison to the instantaneous load such equipment is capable of imposing, each kVA of such special equipment shall be counted as one-third kW load for minimum billing purposes.

MINIMUM CHARGE
As determined by this Rider and the Rate Schedule to which it is attached.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 65.1

Standard Rate Rider **IL**
Rider for Intermittent Loads

RATE (continued)

(a) If rate schedule calls for a minimum based on the total kW of connected load, each kVA of such special equipment shall be counted as one kW connected load for minimum billing purposes.

(b) If rate schedule calls for a minimum based on the 15-minute integrated load, and such loads operate only intermittently so that the kW registered on a standard 15-minute integrated demand meter is small in comparison to the instantaneous load such equipment is capable of imposing, each kVA of such special equipment shall be counted as one-third kW load for minimum billing purposes.

MINIMUM CHARGE
As determined by this Rider and the Rate Schedule to which it is attached.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 66

Standard Rate Rider **TS**
Temporary and/or Seasonal Electric Service

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This rider is available at the option of Customer where Customer's business does not require permanent installation of Company's facilities and is of such nature to require:

1. only seasonal service or temporary service, including service provided for construction of residences or commercial buildings, and where in the judgment of Company the local and system electrical facility capacities are adequate to serve the load without impairment of service to other customers; or
2. where Customer has need for temporary use of Company facilities and Company has facilities it is willing to provide.

This service is available for not less than one (1) month (approximately thirty (30) days), but when service is used longer than one (1) month, any fraction of a month's use will be prorated for billing purposes.

CONDITIONS
Company may permit such electric loads to be served on the rate schedule normally applicable, but without requiring a yearly contract and minimum, substituting therefor the following conditions and agreements:

1. Customer shall pay Company for all costs of making temporary connections, including cost of installing necessary transformers, meters, poles, wire and any other material, and any cost of material which cannot be salvaged, and the cost of removing such facilities when load has ceased.

2. Customer shall pay regular rate of the applicable electric rate schedule.

3. Where Customer is receiving service under a standard rate and has need for temporary use of Company facilities, Customer will pay for non-salvageable materials outlined in (1) above plus a monthly charge for the salvageable equipment at the Percentage With No Contribution -in-Aid-of-Construction specified on the Excess Facilities Rider, Rate Sheet No. 60.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: ***/s/*** Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 66

Standard Rate Rider **TS**
Temporary and/or Seasonal Electric Service

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This rider is available at the option of Company where: T

1. Customer's business does not require permanent installation of Company's facilities excluding service provided for construction of permanent delivery points for residences and commercial buildings, and is of such nature to require only seasonal service or temporary service; or
2. the service is over 50 kW, provided for construction purposes, and where in the judgment of Company the local and system electrical facility capacities are adequate to serve the load without impairment of service to other customers; or
3. where Customer has need for temporary intermittent use of Company facilities and Company has facilities it is willing to provide Customer for installation and operational testing of Customer's equipment. T T T

This service is available for not less than one (1) month (approximately thirty (30) days), but when service is used longer than one (1) month, any fraction of a month's use will be prorated for billing purposes. Where this service is provided under 2 or 3 above, the Company will determine the term of service, which shall not exceed one (1) year. T T

CONDITIONS
Company may permit such electric loads to be served on the rate schedule normally applicable, but without requiring a yearly contract and minimum, substituting therefor the following conditions and agreements:

1. Customer shall pay Company for all costs of making temporary connections, including cost of installing necessary transformers, meters, poles, wire and any other material, and any cost of material which cannot be salvaged, and the cost of removing such facilities when load has ceased.

2. Customer shall pay regular rate of the applicable electric rate schedule.

3. Where Customer is receiving service under a standard rate and has need for temporary use of Company facilities, Customer will pay for non-salvageable materials outlined in (1) above plus a monthly charge for the salvageable equipment at the Percentage With No Contribution -in-Aid-of-Construction specified on the Excess Facilities Rider, Rate Sheet No. 60.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 67

Standard Rate Rider

Kilowatt-Hours Consumed By Lighting Units

APPLICABLE

Determination of energy set out below applies to the Company's non-metered lighting rate schedules.

DETERMINATION OF ENERGY CONSUMPTION

The applicable fuel clause charge or credit will be based on the kilowatt-hours calculated by multiplying the kilowatt load of each light times the number of hours that light is in use during the billing month. The kilowatt load of each light is shown in the section titled RATE. The number of hours a light will be in use during a given month is from dusk to dawn as shown in the following Hours Use Table.

HOURS USE TABLE

Month	Hours Light Is In Use
JAN	407
FEB	344
MAR	347
APR	301
MAY	281
JUN	257
JUL	273
AUG	299
SEP	322
OCT	368
NOV	386
DEC	415
TOTAL FOR YEAR	4,000 HRS.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: March 1, 2000

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 67

Standard Rate Rider

Kilowatt-Hours Consumed By Lighting Units

APPLICABLE

Determination of energy set out below applies to the Company's non-metered lighting rate schedules.

DETERMINATION OF ENERGY CONSUMPTION

The applicable fuel clause charge or credit will be based on the kilowatt-hours calculated by multiplying the kilowatt load of each light times the number of hours that light is in use during the billing month. The kilowatt load of each light is shown in the section titled RATE. The number of hours a light will be in use during a given month is from dusk to dawn as shown in the following Hours Use Table.

HOURS USE TABLE

Month	Hours Light Is In Use
JAN	407
FEB	344
MAR	347
APR	301
MAY	281
JUN	257
JUL	273
AUG	299
SEP	322
OCT	368
NOV	386
DEC	415
TOTAL FOR YEAR	4,000 HRS.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: March 1, 2000

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 70

Standard Rate Rider **SGE**
Small Green Energy Rider

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Service under this rider is available to customers receiving service under Company's standard RS or GS rate schedules as an option to participate in Company's "Green Energy Program" whereby Company will aggregate the resources provided by the participating customers to develop green power, purchase green power, or purchase Renewable Energy Certificates.

DEFINITIONS
a) Green power is that electricity generated from renewable sources including but not limited to: solar, wind, hydroelectric, geothermal, landfill gas, biomass, biodiesel used to generate electricity, agricultural crops or waste, all animal and organic waste, all energy crops and other renewable resources deemed to be Green-e Certified.
b) A Renewable Energy Certificate ("REC") is the tradable unit which represents the commodity formed by unbundling the environmental-benefit attributes of a unit of green power from the underlying electricity. One REC is equivalent to the environmental-benefits attributes of one (1) MWh of green power.

RATE
Voluntary monthly contributions of any amount in $5.00 increments

TERMS AND CONDITIONS
a) Customers may contribute monthly as much as they like in $5.00 increments (e.g., $5.00, $10.00, $15.00, or more per month). An eligible customer may participate in Company's "Green Energy Program" by making a request to Company's Call Center or through Company's website enrollment form and may withdraw at any time through a request to Company's Call Center. Funds provided by Customer to Company are not refundable.
b) Customers may not owe any arrearage prior to entering the "Green Energy Program". Any customer failing to pay the amount the customer pledged to contribute may be removed from the "Green Energy Program." Any Customer removed from or withdrawing from the "Green Energy Program" will not be allowed to re-apply for one (1) year.
c) Customer will be billed monthly for the amount Customer has pledged to contribute to the "Green Energy Program." Such billing will be added to Customer's billing under any standard rate schedules plus applicable riders plus applicable adjustment clauses.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: June 1, 2010

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00467 dated February 22, 2010

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 70

Standard Rate Rider **SGE**
Small Green Energy Rider

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Service under this rider is available to customers receiving service under Company's standard RS or GS rate schedules as an option to participate in Company's "Green Energy Program" whereby Company will aggregate the resources provided by the participating customers to develop green power, purchase green power, or purchase Renewable Energy Certificates.

DEFINITIONS
a) Green power is that electricity generated from renewable sources including but not limited to: solar, wind, hydroelectric, geothermal, landfill gas, biomass, biodiesel used to generate electricity, agricultural crops or waste, all animal and organic waste, all energy crops and other renewable resources deemed to be Green-e Certified.
b) A Renewable Energy Certificate ("REC") is the tradable unit which represents the commodity formed by unbundling the environmental-benefit attributes of a unit of green power from the underlying electricity. One REC is equivalent to the environmental-benefits attributes of one (1) MWh of green power.

RATE
Voluntary monthly contributions of any amount in $5.00 increments

TERMS AND CONDITIONS
a) Customers may contribute monthly as much as they like in $5.00 increments (e.g., $5.00, $10.00, $15.00, or more per month). An eligible customer may participate in Company's "Green Energy Program" by making a request to Company's Call Center or through Company's website enrollment form and may withdraw at any time through a request to Company's Call Center. Funds provided by Customer to Company are not refundable.
b) Customers may not owe any arrearage prior to entering the "Green Energy Program". Any customer failing to pay the amount the customer pledged to contribute may be removed from the "Green Energy Program." Any Customer removed from or withdrawing from the "Green Energy Program" will not be allowed to re-apply for one (1) year.
c) Customer will be billed monthly for the amount Customer has pledged to contribute to the "Green Energy Program." Such billing will be added to Customer's billing under any standard rate schedules plus applicable riders plus applicable adjustment clauses.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: June 1, 2010

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00467 dated February 22, 2010

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 70.1

Standard Rate Rider **LGE**
Large Green Energy Rider

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Service under this rider is available to customers receiving service under Company's standard PS, TODS, TODP, RTS, or FLS rate schedules as an option to participate in Company's "Green Energy Program" whereby Company will aggregate the resources provided by the participating customers to develop green power, purchase green power, or purchase Renewable Energy Certificates.

DEFINITIONS
a) Green power is that electricity generated from renewable sources including but not limited to: solar, wind, hydroelectric, geothermal, landfill gas, biomass, biodiesel used to generate electricity, agricultural crops or waste, all animal and organic waste, all energy crops and other renewable resources deemed to be Green-e Certified.
b) A Renewable Energy Certificate ("REC") is the tradable unit which represents the commodity formed by unbundling the environmental-benefit attributes of a unit of green power from the underlying electricity. One REC is equivalent to the environmental-benefits attributes of one (1) MWh of green power.

RATE
Voluntary monthly contributions of any amount in $13.00 increments

TERMS AND CONDITIONS
a) Customers may contribute monthly as much as they like in $13.00 increments, (e.g., $13.00, $26.00, $39.00, or more per month). An eligible customer may participate in company's "Green Energy Program" by making a request to the Company and may withdraw at any time through a request to the Company. Funds provided by Customer to Company are not refundable.
b) Customers may not owe any arrearage prior to entering the "Green Energy Program". Any customer failing to pay the amount the customer pledged to contribute may be removed from the "Green Energy Program." Any customer removed from or withdrawing from the "Green Energy Program" will not be allowed to re-apply for one (1) year.
c) Customer will be billed monthly for the amount customer has pledged to contribute to the "Green Energy Program." Such billing will be added to Customer's billing under any standard rate schedules plus applicable riders plus applicable adjustment clauses.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 70.1

Standard Rate Rider **LGE**
Large Green Energy Rider

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Service under this rider is available to customers receiving service under Company's standard PS, TODS, TODP, RTS, or FLS rate schedules as an option to participate in Company's "Green Energy Program" whereby Company will aggregate the resources provided by the participating customers to develop green power, purchase green power, or purchase Renewable Energy Certificates.

DEFINITIONS
a) Green power is that electricity generated from renewable sources including but not limited to: solar, wind, hydroelectric, geothermal, landfill gas, biomass, biodiesel used to generate electricity, agricultural crops or waste, all animal and organic waste, all energy crops and other renewable resources deemed to be Green-e Certified.
b) A Renewable Energy Certificate ("REC") is the tradable unit which represents the commodity formed by unbundling the environmental-benefit attributes of a unit of green power from the underlying electricity. One REC is equivalent to the environmental-benefits attributes of one (1) MWh of green power.

RATE
Voluntary monthly contributions of any amount in $13.00 increments

TERMS AND CONDITIONS
a) Customers may contribute monthly as much as they like in $13.00 increments, (e.g., $13.00, $26.00, $39.00, or more per month). An eligible customer may participate in company's "Green Energy Program" by making a request to the Company and may withdraw at any time through a request to the Company. Funds provided by Customer to Company are not refundable.
b) Customers may not owe any arrearage prior to entering the "Green Energy Program". Any customer failing to pay the amount the customer pledged to contribute may be removed from the "Green Energy Program." Any customer removed from or withdrawing from the "Green Energy Program" will not be allowed to re-apply for one (1) year.
c) Customer will be billed monthly for the amount customer has pledged to contribute to the "Green Energy Program." Such billing will be added to Customer's billing under any standard rate schedules plus applicable riders plus applicable adjustment clauses.

DATE OF ISSUE: November 26, 2014

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 71
Canceling P.S.C. No. 16, Original Sheet No. 71

Standard Rate Rider **EDR**
Economic Development Rider

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Available as a rider to customers to be served or being served under Company's Standard Rate Schedules TODS, TODP, and RTS to encourage Brownfield Development or Economic Development (as defined herein). Service under EDR is conditional on approval of a special contract for such service filed with and approved by the Public Service Commission of Kentucky.

RATE
A customer taking service under EDR shall be served according to all of the rates, terms, and conditions of the normally applicable rate schedule subject to the following:

a) for the twelve consecutive monthly billings of the first contract year, the Total Demand Charge shall be reduced by 50%;
b) for the twelve consecutive monthly billings of the second contract year, the Total Demand Charge shall be reduced by 40%;
c) for the twelve consecutive monthly billings of the third contract year, the Total Demand Charge shall be reduced by 30%;
d) for the twelve consecutive monthly billings of the fourth contract year, the Total Demand Charge shall be reduced by 20%;
e) for the twelve consecutive monthly billings of the fifth contract year, the Total Demand Charge shall be reduced by 10%; and
f) all subsequent billing shall be at the full charges stated in the applicable rate schedule.

"Total Demand Charge" is the sum of all demand charges, including any credits provided under any other demand applicable rider, before the EDR discounts described above are applied.

TERMS AND CONDITIONS
Brownfield Development
a) Service under EDR for Brownfield Development is available to customers locating at sites that have been submitted to, approved by, and added to the Brownfield Inventory maintained by the Kentucky Energy and Environment Cabinet (or by any successor entity created and authorized by the Commonwealth of Kentucky).
b) EDR for Brownfield Development is available only to billing loads of 500 kVA or greater where the customer takes service from existing Company facilities.

Economic Development
c) Service under EDR for Economic Development is available to:
1) new customers contracting for a minimum annual average of monthly billing load of 1,000 kVA; and

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: August 11, 2011

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 71

Standard Rate Rider **EDR**
Economic Development Rider

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Available as a rider to customers to be served or being served under Company's Standard Rate Schedules TODS, TODP, and RTS to encourage Brownfield Development or Economic Development (as defined herein). Service under EDR is conditional on approval of a special contract for such service filed with and approved by the Public Service Commission of Kentucky.

RATE
A customer taking service under EDR shall be served according to all of the rates, terms, and conditions of the normally applicable rate schedule subject to the following:

a) for the twelve consecutive monthly billings of the first contract year, the Total Demand Charge shall be reduced by 50%;
b) for the twelve consecutive monthly billings of the second contract year, the Total Demand Charge shall be reduced by 40%;
c) for the twelve consecutive monthly billings of the third contract year, the Total Demand Charge shall be reduced by 30%;
d) for the twelve consecutive monthly billings of the fourth contract year, the Total Demand Charge shall be reduced by 20%;
e) for the twelve consecutive monthly billings of the fifth contract year, the Total Demand Charge shall be reduced by 10%; and
f) all subsequent billing shall be at the full charges stated in the applicable rate schedule.

"Total Demand Charge" is the sum of all demand charges, including any credits provided under any other demand applicable rider, before the EDR discounts described above are applied.

TERMS AND CONDITIONS
Brownfield Development
a) Service under EDR for Brownfield Development is available to customers locating at sites that have been submitted to, approved by, and added to the Brownfield Inventory maintained by the Kentucky Energy and Environment Cabinet (or by any successor entity created and authorized by the Commonwealth of Kentucky).
b) EDR for Brownfield Development is available only to minimum monthly billing loads of 500 kVA or greater where the customer takes service from existing Company facilities. T

Economic Development
c) Service under EDR for Economic Development is available to:
1) new customers contracting for a minimum monthly billing load of 1,000 kVA; and T

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

TERMS AND CONDITIONS
Economic Development (continued)

2) existing customers contracting for a minimum annual average of monthly billing load of 1,000 kVA above their Existing Base Load, to be determined as follows:
   i. Company and the existing customer will determine Customer's Existing Base Load by averaging Customer's previous three years' monthly billing loads, subject to any mutually agreed upon adjustments thereto.
   ii. Company and the existing customer must agree upon the Existing Base Load, which shall be an explicit term of the special contract submitted to the Commission for approval before the customer can take service under EDR. Once the Existing Base Load's value is thus established, it will not be subject to variation or eligible for service under EDR.
   iii. This provision is not intended to reduce or diminish in any way EDR service already being provided to all or a portion of a customer's Existing Base Load. Such EDR service would continue under the terms of the contract already existing between the Company and the customer concerning the affected portion of the customer's Existing Base Load.

d) A customer desiring service under EDR for Economic Development must submit an application for service that includes:
   1) a description of the new load to be served;
   2) the number of new employees, if any, Customer anticipates employing associated with the new load;
   3) the capital investment Customer anticipates making associated with the EDR load;
   4) a certification that Customer has been qualified by the Commonwealth of Kentucky for benefits under the Kentucky Business Investment Program.

e) Should Company determine a refundable contribution for the capital investment in Customer-specific facilities required by Company to serve the EDR load would ordinarily be required as set out under Company's Line Extension Plan, I. Special Cases, that amount shall be determined over a fifteen (15) year period and payable at the end of the fifteen (15) year period.

<u>General</u>

f) Company may offer EDR to qualifying new load only when Company has generating capacity available and the new load will not accelerate Company's plans for additional generating capacity over the life of the EDR contract.
g) Customer may request an EDR effective initial billing date that is no later than twelve (12) months after the date on which Company initiates service to Customer.
h) Neither the demand charge reduction nor any unjustified capital investment in facilities will be borne by Company's other customers during the term of the EDR contract.
i) Company may offer differing terms, as appropriate, under special contract to which this rider is a part depending on the circumstances associated with providing service to a particular customer and subject to approval by the Public Service Commission of Kentucky.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: August 11, 2011

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the
Public Service Commission in Case No.
2011-00103 dated August 11, 2011

TERMS AND CONDITIONS
Economic Development (continued)

2) existing customers contracting for a minimum monthly billing load of 1,000 kVA above their Existing Base Load, to be determined as follows: T
   i. Company and the existing customer will determine Customer's Existing Base Load by averaging Customer's previous three years' monthly billing loads, subject to any mutually agreed upon adjustments thereto.
   ii. Company and the existing customer must agree upon the Existing Base Load, which shall be an explicit term of the special contract submitted to the Commission for approval before the customer can take service under EDR. Once the Existing Base Load's value is thus established, it will not be subject to variation or eligible for service under EDR.
   iii. This provision is not intended to reduce or diminish in any way EDR service already being provided to all or a portion of a customer's Existing Base Load. Such EDR service would continue under the terms of the contract already existing between the Company and the customer concerning the affected portion of the customer's Existing Base Load.

d) A customer desiring service under EDR for Economic Development must submit an application for service that includes:
   1) a description of the new load to be served;
   2) the number of new employees, if any, Customer anticipates employing associated with the new load;
   3) the capital investment Customer anticipates making associated with the EDR load;
   4) a certification that Customer has been qualified by the Commonwealth of Kentucky
   for benefits under the Kentucky Business Investment Program (KBI), or the T
   Kentucky Industrial Revitalization Act (KIRA), or the Kentucky Jobs Retention Act T
   (KJRA), or other comparable programs approved by the Commonwealth of T
   Kentucky. T

e) Should Company determine a refundable contribution for the capital investment in Customer-specific facilities required by Company to serve the EDR load would ordinarily be required as set out under Company's Line Extension Plan, I. Special Cases, that amount shall be determined over a fifteen (15) year period and payable at the end of the fifteen (15) year period.

<u>General</u>

f) Company may offer EDR to qualifying new load only when Company has generating capacity available and the new load will not accelerate Company's plans for additional generating capacity over the life of the EDR contract.
g) Customer may request an EDR effective initial billing date that is no later than twelve (12) months after the date on which Company initiates service to Customer.

T

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

Standard Rate Rider **EDR**

Economic Development Rider

TERM OF CONTRACT

Service will be furnished under the applicable standard rate schedule and this rider, filed as a special contract with the Commission for a fixed term of not less than ten (10) years and for such time thereafter under the terms stated in the standard rate schedule. A greater term of contract or termination notice may be required because of conditions associated with a Customer's requirements for service. Service will be continued under conditions provided for under the rate schedule to which this Rider is attached after the original term of contract.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: August 11, 2011

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2011-00103 dated August 11, 2011

Kentucky Utilities Company

Standard Rate Rider **EDR**

Economic Development Rider

General (continued)

h) Neither the demand charge reduction nor any unjustified capital investment in facilities will be borne by Company's other customers during the term of the EDR contract. T

i) Company may offer differing terms, as appropriate, under special contract to which this rider is a part depending on the circumstances associated with providing service to a particular customer and subject to approval by the Public Service Commission of Kentucky.

j) In any billing month where Customer's metered load is less than the load required to be eligible for either Brownfield Development or Economic Development, no credit under EDR will be calculated or applied to Customer's billing.

TERM OF CONTRACT

Service will be furnished under the applicable standard rate schedule and this rider, filed as a special contract with the Commission for a fixed term of not less than ten (10) years and for such time thereafter under the terms stated in the standard rate schedule. A greater term of contract or termination notice may be required because of conditions associated with a Customer's requirements for service. Service will be continued under conditions provided for under the rate schedule to which this Rider is attached after the original term of contract.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Second Revision of Original Sheet No. 79
Canceling P.S.C. No. 16, First Revision of Original Sheet No. 79

Standard Rate **LEV**
Low Emission Vehicle Service

APPLICABLE
In the territory served.

AVAILABILITY OF SERVICE
LEV shall be available as option to customers otherwise served under rate schedule RS to encourage off-peak power for low emission vehicles.

1) LEV is a three year pilot program that may be restricted to a maximum of one hundred (100) customers eligible for Rate RS (or GS where the GS service is used in conjunction with an RS service to provide service to a detached garage and energy usage is no more than 300 kWh per month) in any year and shall remain in effect until modified or terminated by order of the Commission. Company will accept applications on a first-come-first-served basis.
2) This service is restricted to customers who demonstrate power delivered to premises is consumed, in part, for the powering of low emission vehicles licensed for operation on public streets or highways. Such vehicles include:
   a) battery electric vehicles or plug-in hybrid electric vehicles recharged through a charging outlet at Customer's premises,
   b) natural gas vehicles refueled through an electric-powered refueling appliance at Customer's premises.
3) A customer exiting the pilot program or disconnected for non-payment may not be allowed to return to it until the Commission has issued a decision on the pilot program report.
4) Company will file a report on LEV with the Commission within six months after the first three years of implementation of the pilot program. Such report will detail findings and recommendations.

RATE

Basic Service Charge:	$10.75 per month
Plus an Energy Charge:	
Off Peak Hours:	$0.05587 per kWh
Intermediate Hours:	$0.07763 per kWh
Peak Hours:	$0.14297 per kWh

ADJUSTMENT CLAUSES
The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 85
Demand Side Management Cost Recovery Mechanism	Sheet No. 86
Environmental Cost Recovery Surcharge	Sheet No. 87
Franchise Fee Rider	Sheet No. 90
School Tax	Sheet No. 91
Home Energy Assistance Program	Sheet No. 92

DATE OF ISSUE: December 3, 2013

DATE EFFECTIVE: With Bills Rendered On and After December 31, 2013

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of Orders of the Public Service Commission in Case No. 2013-00242 dated November 14, 2013

KU Low Emission Vehicle Service Rate LEV is proposed to be eliminated.

Kentucky Utilities Company

Standard Rate **LEV**

Low Emission Vehicle Service

DETERMINATION OF PRICING PERIODS

Pricing periods are established in Eastern Standard Time year round by season for weekdays and weekends. The hours of the pricing periods for the price levels are as follows:

Summer Months of May through September

	Off-Peak	Intermediate	Peak
Weekdays	10 PM - 10 AM	10 AM - 1 PM 7 PM - 10 PM	1 PM - 7 PM
Weekends	All Hours		

All Other Months of October continuously through April

	Off Peak	Intermediate	Peak
Weekdays	10 PM - 6 AM	12 Noon – 10 PM	6 AM – 12 Noon
Weekends	All Hours		

MINIMUM CHARGE

The Basic Service Charge shall be the minimum charge.

DUE DATE OF BILL

Customer's payment will be due within sixteen (16) business days (no less than twenty-two (22) calendar days) from the date of the bill.

LATE PAYMENT CHARGE

If full payment is not received by the due date of the bill, a 3% late payment charge will be assessed on the current month's charges.

TERMS OF CONTRACT

For a fixed term of not less than one (1) year and for such time thereafter until terminated by either party giving thirty (30) days written notice to the other of the desire to terminate.

TERMS AND CONDITIONS

Service will be furnished under Company's Terms and Conditions applicable hereto. Customers served under this optional pilot program will not be eligible for Company's Budget Payment Plan. Company shall install metering equipment capable of accommodating the Time of Use rate described herein.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

KU Low Emission Vehicle Service Rate LEV is proposed to be eliminated.

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 85
Canceling P.S.C. No. 16, Original Sheet No. 85

Adjustment Clause **FAC**
Fuel Adjustment Clause

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This schedule is mandatory to all electric rate schedules.

(1) The charge per kWh delivered under the rate schedules to which this fuel clause is applicable shall be increased or decreased during each month in accordance with the following formula:

$$\text{Adjustment Factor} = \frac{F(m)}{S(m)} - \frac{F(b)}{S(b)}$$

where "F" is the expense of fossil fuel and "S" is the kWh sales in the base (b) and current (m) periods as defined in 807 KAR 5:056, all as set out below.

(2) Fuel costs (F) shall be the most recent actual monthly cost of:

(a) Fossil fuel consumed in the utility's own plants, plus the cost of fuel which would have been used in plants suffering forced generation or transmission outages, but less the cost of fuel related to substitute generation; plus

(b) The actual identifiable fossil and nuclear fuel costs associated with energy purchased for reasons other than identified in paragraph (c) below, but excluding the cost of fuel related to purchases to substitute for the forced outages; plus

(c) The net energy cost of energy purchases, exclusive of capacity or demand charges (irrespective of the designation assigned to such transaction) when such energy is purchased on an economic dispatch basis. Included therein may be such costs as the charges for economy energy purchases and the charges as a result of scheduled outages, all such kinds of energy being purchased by the buyer to substitute for its own higher cost energy; and less

(d) The cost of fossil fuel recovered through inter-system sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

(e) All fuel costs shall be based on weighted average inventory costing.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 85

Adjustment Clause **FAC**
Fuel Adjustment Clause

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This schedule is mandatory to all electric rate schedules.

(1) The charge per kWh delivered under the rate schedules to which this fuel clause is applicable shall be increased or decreased during each month in accordance with the following formula:

$$\text{Adjustment Factor} = \frac{F(m)}{S(m)} - \frac{F(b)}{S(b)}$$

where "F" is the expense of fossil fuel and "S" is the kWh sales in the base (b) and current (m) periods as defined in 807 KAR 5:056, all as set out below.

(2) Fuel costs (F) shall be the most recent actual monthly cost of:

(a) Fossil fuel consumed in the utility's own plants, plus the cost of fuel which would have been used in plants suffering forced generation or transmission outages, but less the cost of fuel related to substitute generation; plus

(b) The actual identifiable fossil and nuclear fuel costs associated with energy purchased for reasons other than identified in paragraph (c) below, but excluding the cost of fuel related to purchases to substitute for the forced outages; plus

(c) The net energy cost of energy purchases, exclusive of capacity or demand charges (irrespective of the designation assigned to such transaction) when such energy is purchased on an economic dispatch basis. Included therein may be such costs as the charges for economy energy purchases and the charges as a result of scheduled outages, all such kinds of energy being purchased by the buyer to substitute for its own higher cost energy; and less

(d) The cost of fossil fuel recovered through inter-system sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

(e) All fuel costs shall be based on weighted average inventory costing.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 16, Second Revision of Original Sheet No. 85.1
Canceling P.S.C. No. 16, First Revision of Original Sheet No. 85.1

Adjustment Clause **FAC**
Fuel Adjustment Clause

(3) Forced outages are all non-scheduled losses of generation or transmission which require substitute power for a continuous period in excess of six (6) hours. Where forced outages are not as a result of faulty equipment, faulty manufacture, faulty design, faulty installations, faulty operation, or faulty maintenance, but are Acts of God, riot, insurrection or acts of the public enemy, then the utility may, upon proper showing, with the approval of the Commission, include the fuel cost of substitute energy in the adjustment. Until such approval is obtained, in making the calculations of fuel cost (F) in subsection (2)(a) and (b) above, the forced outage costs to be subtracted shall be no less than the fuel cost related to the lost generation.

(4) Sales (S) shall be all kWh sold, excluding inter-system sales. Where, for any reason, billed system sales cannot be coordinated with fuel costs for the billing period, sales may be equated to the sum of (i) generation, (ii) purchases, (iii) interchange in, less (iv) energy associated with pumped storage operations, less (v) inter-system sales referred to in subsection (2)(d) above, less (vi) total system losses. Utility used energy shall not be excluded in the determination of sales (S).

(5) The cost of fossil fuel shall include no items other than the invoice price of fuel less any cash or other discounts. The invoice price of fuel includes the cost of the fuel itself and necessary charges for transportation of the fuel from the point of acquisition to the unloading point, as listed in Account 151 of FERC Uniform System of Accounts for Public Utilities and Licensees.

(6) Base (b) period shall be May 2011, and the base fuel factor is $0.02892 per kWh.

(7) Current (m) period shall be the second month preceding the month in which the Fuel Clause Adjustment Factor is billed.

(8) Pursuant to the Public Service Commission's Orders in Case No. 2012-00552 dated May 17, 2013, and May 29, 2013, the Fuel Adjustment Clause will become effective with bills rendered on and after the first billing cycle for July 2013, which begins June 26, 2013.

DATE OF ISSUE: June 5, 2013

DATE EFFECTIVE: With Bills Rendered On and After
June 26, 2013

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of Orders of the Public
Service Commission in Case No. 2012-00552
dated May 17, 2013 and May 29, 2013

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 85.1

Adjustment Clause **FAC**
Fuel Adjustment Clause

(3) Forced outages are all non-scheduled losses of generation or transmission which require substitute power for a continuous period in excess of six (6) hours. Where forced outages are not as a result of faulty equipment, faulty manufacture, faulty design, faulty installations, faulty operation, or faulty maintenance, but are Acts of God, riot, insurrection or acts of the public enemy, then the utility may, upon proper showing, with the approval of the Commission, include the fuel cost of substitute energy in the adjustment. Until such approval is obtained, in making the calculations of fuel cost (F) in subsection (2)(a) and (b) above, the forced outage costs to be subtracted shall be no less than the fuel cost related to the lost generation.

(4) Sales (S) shall be all kWh sold, excluding inter-system sales. Where, for any reason, billed system sales cannot be coordinated with fuel costs for the billing period, sales may be equated to the sum of (i) generation, (ii) purchases, (iii) interchange in, less (iv) energy associated with pumped storage operations, less (v) inter-system sales referred to in subsection (2)(d) above, less (vi) total system losses. Utility used energy shall not be excluded in the determination of sales (S).

(5) The cost of fossil fuel shall include no items other than the invoice price of fuel less any cash or other discounts. The invoice price of fuel includes the cost of the fuel itself and necessary charges for transportation of the fuel from the point of acquisition to the unloading point, as listed in Account 151 of FERC Uniform System of Accounts for Public Utilities and Licensees.

(6) Base (b) period shall be May 2011, and the base fuel factor is $0.02892 per kWh.

(7) Current (m) period shall be the second month preceding the month in which the Fuel Clause Adjustment Factor is billed.

(8) Pursuant to the Public Service Commission's Orders in Case No. 2012-00552 dated May 17, 2013, and May 29, 2013, the Fuel Adjustment Clause will become effective with bills rendered on and after the first billing cycle for July 2013, which begins June 26, 2013.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: With Bills Rendered On and After
June 26, 2013

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of Orders of the Public
Service Commission in Case No. 2012-00552
dated May 17, 2013 and May 29, 2013

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 86
Canceling P.S.C. No. 16, Original Sheet No. 86

Adjustment Clause **DSM**
Demand-Side Management Cost Recovery Mechanism

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This schedule is mandatory to Residential Rate RS, Volunteer Fire Department Service Rate VFD, General Service Rate GS, All Electric School Rate AES, Power Service Rate PS, Time-of-Day Secondary Service Rate TODS, Time-of-Day Primary Service Rate TODP, and Low Emission Vehicle Service Rate LEV. Industrial customers who elect not to participate in a demand-side management program hereunder shall not be assessed a charge pursuant to this mechanism. For purposes of rate application hereunder, non-residential customers will be considered “industrial” if they are primarily engaged in a process or processes that create or change raw or unfinished materials into another form or product, and/or in accordance with the North American Industry Classification System, Sections 21, 22, 31, 32, and 33. All other non-residential customers will be defined as “commercial.”

RATE
The monthly amount computed under each of the rate schedules to which this Demand-Side Management Cost Recovery Mechanism is applicable shall be increased or decreased by the DSM Cost Recovery Component (DSMRC) at a rate per kilowatt hour of monthly consumption in accordance with the following formula:

DSMRC = DCR + DRLS + DSMI + DBA + DCCR

Where:

DCR = DSM COST RECOVERY
The DCR shall include all expected costs that have been approved by the Commission for each twelve-month period for demand-side management programs that have been developed through a collaborative advisory process (“approved programs”). Such program costs shall include the cost of planning, developing, implementing, monitoring, and evaluating DSM programs. Program costs will be assigned for recovery purposes to the rate classes whose customers are directly participating in the program. In addition, all costs incurred by or on behalf of the collaborative process, including but not limited to costs for consultants, employees, and administrative expenses, will be recovered through the DCR. Administrative costs that are allocable to more than one rate class will be recovered from those classes and allocated by rate class on the basis of the estimated budget from each program. The cost of approved programs shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the DCR for each such rate class.

DRLS = DSM REVENUE FROM LOST SALES
Revenues from lost sales due to DSM programs implemented on and after the effective date of this tariff will be recovered as follows:

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the
Public Service Commission in Case No.
2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 86

Adjustment Clause **DSM**
Demand-Side Management Cost Recovery Mechanism

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This schedule is mandatory to Residential Service Rate RS, Residential Time-of-Day Energy Rate RTOD-Energy, Residential Time-of-Day Demand Rate RTOD-Demand, Volunteer Fire Department Service Rate VFD, General Service Rate GS, All Electric School Rate AES, Power Service Rate PS, Time-of-Day Secondary Service Rate TODS, Time-of-Day Primary Service Rate TODP, and Retail Transmission Service Rate RTS. Industrial customers who elect not to participate in a demand-side management program hereunder shall not be assessed a charge pursuant to this mechanism. For purposes of rate application hereunder, non-residential customers will be considered “industrial” if they are primarily engaged in a process or processes that create or change raw or unfinished materials into another form or product, and/or in accordance with the North American Industry Classification System, Sections 21, 22, 31, 32, and 33. All other non-residential customers will be defined as “commercial.” T T T

RATE
The monthly amount computed under each of the rate schedules to which this Demand-Side Management Cost Recovery Mechanism is applicable shall be increased or decreased by the DSM Cost Recovery Component (DSMRC) at a rate per kilowatt hour of monthly consumption in accordance with the following formula:

DSMRC = DCR + DRLS + DSMI + DBA + DCCR

Where:

DCR = DSM COST RECOVERY
The DCR shall include all expected costs that have been approved by the Commission for each twelve-month period for demand-side management programs that have been developed through a collaborative advisory process (“approved programs”). Such program costs shall include the cost of planning, developing, implementing, monitoring, and evaluating DSM programs. Program costs will be assigned for recovery purposes to the rate classes whose customers are directly participating in the program. In addition, all costs incurred by or on behalf of the collaborative process, including but not limited to costs for consultants, employees, and administrative expenses, will be recovered through the DCR. Administrative costs that are allocable to more than one rate class will be recovered from those classes and allocated by rate class on the basis of the estimated budget from each program. The cost of approved programs shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the DCR for each such rate class.

DRLS = DSM REVENUE FROM LOST SALES
Revenues from lost sales due to DSM programs implemented on and after the effective date of this tariff will be recovered as follows:

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 86.1
Canceling P.S.C. No. 16, Original Sheet No. 86.1

Adjustment Clause **DSM**
Demand-Side Management Cost Recovery Mechanism

RATE (continued)

1) For each upcoming twelve-month period, the estimated reduction in customer usage (in kWh) as determined for the approved programs shall be multiplied by the non-variable revenue requirement per kWh for purposes of determining the lost revenue to be recovered hereunder from each customer class. The non-variable revenue requirement for the Residential, Volunteer Fire Department, General Service, All Electric School, and Low Emission Vehicle customer classes is defined as the weighted average price per kWh of expected billings under the energy charges contained in the RS, VFD, GS, AES, and LEV rate schedules in the upcoming twelve-month period after deducting the variable costs included in such energy charges. The non-variable revenue requirement for each of the customer classes that are billed under demand and energy rates (rate schedules PS, TODS, and TODP) is defined as the weighted average price per kWh represented by the composite of the expected billings under the respective demand and energy charges in the upcoming twelve-month period, after deducting the variable costs included in the energy charges.

2) The lost revenues for each customer class shall then be divided by the estimated class sales (in kWh) for the upcoming twelve-month period to determine the applicable DRLS surcharge. Recovery of revenue from lost sales calculated for a twelve-month period shall be included in the DRLS for 36 months or until implementation of new rates pursuant to a general rate case, whichever comes first. Revenues from lost sales will be assigned for recovery purposes to the rate classes whose programs resulted in the lost sales.

Revenues collected hereunder are based on engineering estimates of energy savings, expected program participation, and estimated sales for the upcoming twelve-month period. At the end of each such period, any difference between the lost revenues actually collected hereunder and the lost revenues determined after any revisions of the engineering estimates and actual program participation are accounted for shall be reconciled in future billings under the DSM Balance Adjustment (DBA) component.

A program evaluation vendor will be selected to provide evaluation criteria against which energy savings will be estimated for that program. Each program will be evaluated after implementation and any revision of the original engineering estimates will be reflected in both (a) the retroactive true-up provided for under the DSM Balance Adjustment and (b) the prospective future lost revenues collected hereunder.

DSMI = DSM INCENTIVE
For all Energy Impact Programs except Direct Load Control, the DSM incentive amount shall be computed by multiplying the net resource savings expected from the approved programs that are to be installed during the upcoming twelve-month period times fifteen (15) percent, not to exceed five (5) percent of program expenditures. Net resource savings are defined as program benefits less utility program costs and participant costs where program benefits will be calculated on the basis of the present value of Company's avoided

DATE OF ISSUE: January 31, 2013

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ISSUED BY: **/s/** Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 86.1

Adjustment Clause **DSM**
Demand-Side Management Cost Recovery Mechanism

RATE (continued)

1) For each upcoming twelve-month period, the estimated reduction in customer usage (in kWh) as determined for the approved programs shall be multiplied by the non-variable revenue requirement per kWh for purposes of determining the lost revenue to be recovered hereunder from each customer class. The non-variable revenue requirement for the Residential, Residential Time-of-Day Energy Service, Volunteer T
Fire Department, General Service, and All Electric School customer classes is defined T
as the weighted average price per kWh of expected billings under the energy charges contained in the RS, RTOD-Energy, VFD, GS, and AES rate schedules in the T
upcoming twelve-month period after deducting the variable costs included in such energy charges. The non-variable revenue requirement for each of the customer classes that are billed under demand and energy rates (rate schedules RTOD- T
Demand, PS, TODS, TODP, and RTS) is defined as the weighted average price per T
kWh represented by the composite of the expected billings under the respective demand and energy charges in the upcoming twelve-month period, after deducting the variable costs included in the energy charges.

2) The lost revenues for each customer class shall then be divided by the estimated class sales (in kWh) for the upcoming twelve-month period to determine the applicable DRLS surcharge. Recovery of revenue from lost sales calculated for a twelve-month period shall be included in the DRLS for 36 months or until implementation of new rates pursuant to a general rate case, whichever comes first. Revenues from lost sales will be assigned for recovery purposes to the rate classes whose programs resulted in the lost sales.

Revenues collected hereunder are based on engineering estimates of energy savings, expected program participation, and estimated sales for the upcoming twelve-month period. At the end of each such period, any difference between the lost revenues actually collected hereunder and the lost revenues determined after any revisions of the engineering estimates and actual program participation are accounted for shall be reconciled in future billings under the DSM Balance Adjustment (DBA) component.

A program evaluation vendor will be selected to provide evaluation criteria against which energy savings will be estimated for that program. Each program will be evaluated after implementation and any revision of the original engineering estimates will be reflected in both (a) the retroactive true-up provided for under the DSM Balance Adjustment and (b) the prospective future lost revenues collected hereunder.

DSMI = DSM INCENTIVE
For all Energy Impact Programs except Direct Load Control, the DSM incentive amount shall be computed by multiplying the net resource savings expected from the approved T

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 86.2
Canceling P.S.C. No. 16, Original Sheet No. 86.2

Adjustment Clause **DSM**
Demand-Side Management Cost Recovery Mechanism

costs over the expected life of the program, and will include both capacity and energy savings. For the Energy Education Program, the DSM incentive amount shall be computed by multiplying the annual cost of the approved program times five (5) percent.

The DSM incentive amount related to programs for Residential Rate RS, Volunteer Fire Department Rate VFD, General Service Rate GS, All Electric School Rate AES, Power Rate PS, Time-of-day Secondary Service Rate TODS, Time-of-Day Primary Rate TODP, and Low Emission Vehicle Service Rate LEV shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the DSMI for such rate class. DSM incentive amounts will be assigned for recovery purposes to the rate classes whose programs created the incentive.

DBA = DSM BALANCE ADJUSTMENT

The DBA shall be calculated on a calendar-year basis and is used to reconcile the difference between the amount of revenues actually billed through the DCR, DRLS, DSMI, DCCR, and previous application of the DBA and the revenues that should have been billed, as follows:

1) For the DCR, the balance adjustment amount will be the difference between the amount billed in a twelve-month period from the application of the DCR unit charge and the actual cost of the approved programs during the same twelve-month period.
2) For the DRLS the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DRLS unit charge and the amount of lost revenues determined for the actual DSM measures implemented during the twelve-month period.
3) For the DSMI, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DSMI unit charge and the incentive amount determined for the actual DSM measures implemented during the twelve-month period.
4) For the DBA, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DBA and the balance adjustment amount established for the same twelve-month period.

The balance adjustment amounts determined on the basis of the above paragraphs (1)-(4) shall include interest applied to the monthly amounts, such interest to be calculated at a rate equal to the average of the "Three-Month Commercial Paper Rate" for the immediately preceding twelve-month period. The total of the balance adjustment amounts shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the DBA for such rate class. DSM balance adjustment amounts will be assigned for recovery purposes to the rate classes for which over- or under-recoveries of DSM amounts were realized.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 86.2

Adjustment Clause **DSM**
Demand-Side Management Cost Recovery Mechanism

programs that are to be installed during the upcoming twelve-month period times fifteen (15) percent, not to exceed five (5) percent of program expenditures. Net resource savings are defined as program benefits less utility program costs and participant costs where program benefits will be calculated on the basis of the present value of Company's avoided costs over the expected life of the program, and will include both capacity and energy savings. For the Energy Education Program, the DSM incentive amount shall be computed by multiplying the annual cost of the approved program times five (5) percent. T

The DSM incentive amount related to programs for Residential Service Rate RS, Residential Time-of-Day Energy Service Rate RTOD-Energy, Residential Time-of-Day Demand Service Rate RTOD-Demand, Volunteer Fire Department Rate VFD, General Service Rate GS, All Electric School Rate AES, Power Service Rate PS, Time-of-day Secondary Service Rate TODS, Time-of-Day Primary Service Rate TODP, and Retail Transmission Service Rate RTS shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the DSMI for such rate class. DSM incentive amounts will be assigned for recovery purposes to the rate classes whose programs created the incentive. T

DBA = DSM BALANCE ADJUSTMENT

The DBA shall be calculated on a calendar-year basis and is used to reconcile the difference between the amount of revenues actually billed through the DCR, DRLS, DSMI, DCCR, and previous application of the DBA and the revenues that should have been billed, as follows:

1) For the DCR, the balance adjustment amount will be the difference between the amount billed in a twelve-month period from the application of the DCR unit charge and the actual cost of the approved programs during the same twelve-month period.
2) For the DRLS the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DRLS unit charge and the amount of lost revenues determined for the actual DSM measures implemented during the twelve-month period.
3) For the DSMI, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DSMI unit charge and the incentive amount determined for the actual DSM measures implemented during the twelve-month period.
4) For the DBA, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DBA and the balance adjustment amount established for the same twelve-month period.

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DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 86.3
Canceling P.S.C. No. 16, Original Sheet No. 86.3

Adjustment Clause **DSM**
Demand-Side Management Cost Recovery Mechanism

DCCR = DSM CAPITAL COST RECOVERY
The DCCR component is the means by which the Company recovers its capital investments made for DSM programs, as well as an approved rate of return on such capital investments. The Company calculates the DCCR component as follows:

DCCR = [(RB) (ROR + (ROR – DR) (TR / (1 – TR))] + OE

a) RB is the total rate base for DCCR projects.
b) ROR is the overall rate of return on DSM Rate Base (RB).
c) DR is the composite debt rate (i.e., the cost of short- and long-term debt) embedded in ROR.
d) TR is the composite federal and state income tax rate that applies to the equity return component of ROR.
e) OE is the sum of the capital-related operating expenses (i.e., depreciation and amortization expense, property taxes, and insurance expense) of the DSM projects to which DCCR applies.

The Company then allocates the DCCR component to the rate class(es) benefitting from the Company's various DSM-related capital investment(s).

CHANGES TO DSMRC

Modifications to components of the DSMRC shall be made at least thirty days prior to the effective period for billing. Each filing shall include the following information as applicable:

1) A detailed description of each DSM program developed by the collaborative process, the total cost of each program over the twelve-month period, an analysis of expected resource savings, information concerning the specific DSM or efficiency measures to be installed, and any applicable studies that have been performed, as available.
2) A statement setting forth the detailed calculation of the DCR, DRLS, DSMI, DBA, DCCR, and DSMRC.

Each change in the DSMRC shall be placed into effect with bills rendered on and after the effective date of such change.

DATE OF ISSUE: January 29, 2013

DATE EFFECTIVE: March 1, 2013

ISSUED BY: **/s/** Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 86.3

Adjustment Clause **DSM**
Demand-Side Management Cost Recovery Mechanism

The balance adjustment amounts determined on the basis of the above paragraphs (1)-(4) shall include interest applied to the monthly amounts, such interest to be calculated at a rate equal to the average of the "Three-Month Commercial Paper Rate" for the immediately preceding twelve-month period. The total of the balance adjustment amounts shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the DBA for such rate class. DSM balance adjustment amounts will be assigned for recovery purposes to the rate classes for which over- or under-recoveries of DSM amounts were realized. T

DCCR = DSM CAPITAL COST RECOVERY
The DCCR component is the means by which the Company recovers its capital investments made for DSM programs, as well as an approved rate of return on such capital investments. The Company calculates the DCCR component as follows:

DCCR = [(RB) (ROR + (ROR – DR) (TR / (1 – TR))] + OE

a) RB is the total rate base for DCCR projects.
b) ROR is the overall rate of return on DSM Rate Base (RB).
c) DR is the composite debt rate (i.e., the cost of short- and long-term debt) embedded in ROR.
d) TR is the composite federal and state income tax rate that applies to the equity return component of ROR.
e) OE is the sum of the capital-related operating expenses (i.e., depreciation and amortization expense, property taxes, and insurance expense) of the DSM projects to which DCCR applies.

The Company then allocates the DCCR component to the rate class(es) benefitting from the Company's various DSM-related capital investment(s).

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2) A statement setting forth the detailed calculation of the DCR, DRLS, DSMI, DBA, DCCR, and DSMRC.

Each change in the DSMRC shall be placed into effect with bills rendered on and after the effective date of such change.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 86.4
Canceling P.S.C. No. 16, Original Sheet No. 86.4

Adjustment Clause **DSM**
Demand-Side Management Cost Recovery Mechanism

PROGRAMMATIC CUSTOMER CHARGES

Residential Customer Program Participation Incentives:
The following Demand Side Management programs are available to residential customers receiving service from the Company on the RS, VFD and LEV Standard Electric Rate Schedules.

Residential Load Management / Demand Conservation
The Residential Load Management / Demand Conservation Program employ switches in homes to help reduce the demand for electricity during peak times. The program communicates with the switches to cycle central air conditioning units, heat pumps, electric water heaters, and pool pumps off and on through a predetermined sequence. This program has an approved flexible incentive structure. The current program offering is defined on Sheet No 86.8.

Residential Conservation / Home Energy Performance Program
The on-site audit offers a comprehensive audit from a certified auditor and incentives for residential customers to support the implementation of energy saving measures for a fee of $25. Customers are eligible for incentives of $500 or $1,000 based on customer purchased and installed energy efficiency measures and validated through a follow-up test.

Residential Low Income Weatherization Program (WeCare)
The Residential Low Income Weatherization Program (WeCare) is an education and weatherization program designed to reduce energy consumption of LG&E's low-income customers. The program provides energy audits, energy education, blower door tests, and installs weatherization and energy conservation measures. Qualified customers could receive energy conservation measures ranging from $0 to $2,100 based upon the customer's most recent twelve month energy usage and results of an energy audit.

Smart Energy Profile
The Smart Energy Profile Program provides a portion of KU's highest consuming residential customers with a customized report of tips, tools and energy efficiency programming recommendations based on individual household energy consumption. These reports are benchmarked against similar properties in locality. The report will help the customer understand and make better informed choices as it relates to energy usage and the associated costs. Information presented in the report will include a comparison of the customer's energy usage to that of similar houses (collectively) and a comparison to the customer's own energy usage in the prior year.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: May 31, 2012

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 86.4

Adjustment Clause **DSM**
Demand-Side Management Cost Recovery Mechanism

PROGRAMMATIC CUSTOMER CHARGES

Residential Customer Program Participation Incentives:
The following Demand Side Management programs are available to residential customers receiving service from the Company on the RS, RTOD-Energy, RTOD-Demand, and VFD Standard Electric Rate Schedules. T

Residential Load Management / Demand Conservation
The Residential Load Management / Demand Conservation Program employ switches in homes to help reduce the demand for electricity during peak times. The program communicates with the switches to cycle central air conditioning units, heat pumps, electric water heaters, and pool pumps off and on through a predetermined sequence. This program has an approved flexible incentive structure. The current program offering is defined on Sheet No 86.8.

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DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 86.5
Canceling P.S.C. No. 16, Original Sheet No. 86.5

Adjustment Clause **DSM**
Demand-Side Management Cost Recovery Mechanism

Residential Incentives Program
The Residential Incentives Program encourages customers to purchase and install various ENERGY STAR® appliances, HVAC equipment, or window films that meet certain requirements, qualifying them for an incentive as noted in the table below.

Category	Item	Incentive
Appliances	Heat Pump Water Heaters (HPWH)	$300 per qualifying item purchased
	Washing Machine	$75 per qualifying item purchased
	Refrigerator	$100 per qualifying item purchased
	Freezer	$50 per qualifying item purchased
	Dishwasher	$50 per qualifying item purchased
Window Film	Window Film	Up to 50% of materials cost only; max of $200 per customer account; product must meet applicable criteria.
HVAC	Central Air Conditioner	$100 per Energy Star item purchased plus an additional $100 per SEER improvement above minimum
	Electric Air-Source Heat Pump	$100 per Energy Star item purchased plus additional $100 per SEER improvement above minimum

Residential Refrigerator Removal Program
The Residential Refrigerator Removal Program is designed to provide removal and recycling of working, inefficient secondary refrigerators and freezers from KU customer households. Customers participating in this program will be provided a one-time incentive. This program has an approved flexible incentive structure. The current program offering is defined on Sheet No 86.8.

Residential High Efficiency Lighting Program
The Residential High Efficiency Lighting program promotes an increased use of ENERGY STAR® rated CFLs within the residential sector. The Residential High Efficiency Lighting Program distributes compact fluorescent bulbs through direct-mail.

Residential New Construction Program
The Residential New Construction program is designed to reduce residential energy usage and facilitate market transformation by creating a shift in builders' new home construction to include energy-efficient construction practices. Builders who are part of the program can take advantage of technical training classes, gain additional exposure to potential customers and receive incentives to help offset costs when including more energy-efficient features during home construction. KU will reimburse the cost of plan reviews and inspection costs related to an Energy Star or HERS home certification.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: May 31, 2012

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 86.5

Adjustment Clause **DSM**
Demand-Side Management Cost Recovery Mechanism

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DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: May 31, 2012

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 86.6
Canceling P.S.C. No. 16, Original Sheet No. 86.6

Adjustment Clause **DSM**
Demand-Side Management Cost Recovery Mechanism

Residential HVAC Diagnostics and Tune Up Program
The Residential HVAC Diagnostic and Tune-up program targets customers with HVAC system performance issues. There are no incentives paid directly to customers. Customers are charged a discounted, fixed-fee for the diagnosis and if needed, a similar fee for implementation of corrective actions. Thus, the program pays the portion of diagnostic and tune-up cost in excess of the customer charge below. The customer cost is as follows:

- Customer cost is $35 per unit for diagnostics test
- Customer cost is $50 per unit for tune-up

Customer Education and Public Information
These programs help customers make sound energy-use decisions, increase control over energy bills and empower them to actively manage their energy usage. Customer Education and Public Information is accomplished through two processes: a mass-media campaign and an elementary- and middle-school program. The mass media campaign includes public-service advertisements that encourage customers to implement steps to reduce their energy usage. The elementary and middle school program provides professional development and innovative materials to K-8 schools to teach concepts such as basic energy and energy efficiency concepts.

Dealer Referral Network
The Dealer Referral Network assists customers in identifying qualified service providers to install energy efficiency improvements recommended and/ or subsidized by the various energy efficiency programs.

Commercial Customer Program Participation Incentives:
The following Demand Side Management programs are available to commercial customers receiving service from the Company on the GS, AES, PS, TODS, and TODP Standard Electric Rate Schedules.

Commercial Load Management / Demand Conservation
The Commercial Load Management / Demand Conservation Program employ switches or interfaces to customer equipment, in small and large commercial businesses to help reduce the demand for electricity during peak times. The Program communicates with the switches or interface to cycle equipment. This program has an approved flexible incentive structure. The current program offering is defined on Sheet No 86.8.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: May 31, 2012

ISSUED BY: **/s/** Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 86.6

Adjustment Clause **DSM**
Demand-Side Management Cost Recovery Mechanism

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Commercial Customer Program Participation Incentives:
The following Demand Side Management programs are available to commercial customers receiving service from the Company on the GS, AES, PS, TODS, TODP, and RTS Standard Electric Rate Schedules. T

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DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 86.7
Canceling P.S.C. No. 16, Original Sheet No. 86.7

Adjustment Clause **DSM**
Demand-Side Management Cost Recovery Mechanism

Commercial Conservation (Energy Audits) / Commercial Incentives
The Commercial Conservation / Commercial Inventive Program is designed to provide energy efficiency opportunities for the Companies' commercial class customers through energy audits and to increase the implementation of energy efficiency measures by providing financial incentives to assist with the replacement of aging and less efficient equipment. Incentives available to all commercial customers are based upon a $100 per kW removed for calculated efficiency improvements. A prescriptive list provides customers with incentive values for various efficiency improvements projects. Additionally, a custom rebate is available based upon company engineering validation of sustainable KW removed.

- Maximum annual incentive per facility is $50,000
- Customers can receive multi-year incentives in a single year where such multi-year incentives do not exceed the aggregate of $100,000 per facility and no incentive was provided in the immediately preceding year
- Applicable for combined Prescriptive and Custom Rebates

Commercial HVAC Diagnostics and Tune Up Program

The Commercial HVAC Diagnostic and Tune-up program targets customers with HVAC system performance issues. There are no incentives paid directly to customers. Customers are charged a discounted, fixed-fee for the diagnosis and if needed, a similar fee for implementation of corrective actions. Thus, the program pays the portion of diagnostic and tune-up cost in excess of the customer charge below. The customer cost is as follows:

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DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 86.7

Adjustment Clause **DSM**
Demand-Side Management Cost Recovery Mechanism

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DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P. S. C. No. 16, Third Revision of Original Sheet No. 86.8
Canceling P.S.C. No. 16, Second Revision of Original Sheet No. 86.8

Adjustment Clause **DSM**
Demand-Side Management Cost Recovery Mechanism

School Energy Management Program
The School Energy Management program will facilitate the hiring and retention of qualified, trained energy specialists by public school districts to support facilitation of energy efficiency measures for public and independent schools under KRS 160.325.

Current Program Incentive Structures

Residential Load Management / Demand Conservation
Switch Option:

- $5/month bill credit for June, July, August, & September per air conditioning unit or heat pump on single family home.
- $2/month bill credit for June, July, August, & September per electric water heater (40 gallon minimum) or swimming pool pump on single family home.
- If new customer registers by May 31, 2014, then a $25 gift card per air-conditioning unit, heat pump, water-heater (40 gallon minimum) and/or swimming pool pump switch installed.
    - Customers in a tenant landlord relationship will receive the entire $25 new customer incentive.

Multi-family Option:

- Tenant - $2/month bill credit per customer for June, July, August, & September per air conditioning unit, heat pump, or electric water heater (40 gallon minimum).
- Entire Complex Enrollment – Property owner receives $2/month incentive per air conditioning or heat pump switch to the premise owner for June, July, August, & September.
- If new customer registers by May 31, 2014, then a $25 gift card per air-conditioning unit or heat pump installed, where:
    - Customers in a tenant/property owner relationship where the entire complex participates, the property owner will receive a $25 bonus incentive per air conditioning unit, heat pump, or water heater (40 gallon minimum).
    - Customers in a tenant landlord relationship where only a portion of the complex participates, the tenant will receive a $25 gift card new customer incentive.

Residential Refrigerator Removal Program
The program provides $50 per working refrigerator or freezer.

DATE OF ISSUE: November 27, 2013

DATE EFFECTIVE: December 31, 2013

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 86.8

Adjustment Clause **DSM**
Demand-Side Management Cost Recovery Mechanism

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DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: December 31, 2013

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 86.9
Canceling P.S.C. No. 16, Original Sheet No. 86.9

Adjustment Clause **DSM**
Demand-Side Management Cost Recovery Mechanism

Commercial Load Management / Demand Conservation
Switch Option

- $5 per month bill credit for June, July, August, & September for air conditioning units up to 5 tons. An additional $1 per month bill credit for each additional ton of air conditioning above 5 tons based upon unit rated capacity.

Customer Equipment Interface Option
The Company will offer a Load Management / Demand Response program tailored to a commercial customer's ability to reduce load. Program participants must commit to a minimum of 50KW demand reduction per control event. The Company will continue to enroll program participants until10MW curtailable load is achieved.

- $25 per KW for verified load reduction during June, July, August, & September.
- The customer will have access to at least hourly load data for every month of the year which they remain enrolled in the program.
- Additional customer charges may be incurred for metering equipment necessary for this program at costs under other tariffs.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: May 31, 2012

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 86.9

Adjustment Clause **DSM**
Demand-Side Management Cost Recovery Mechanism

Commercial Load Management / Demand Conservation
Switch Option

- $5 per month bill credit for June, July, August, & September for air conditioning units up to 5 tons. An additional $1 per month bill credit for each additional ton of air conditioning above 5 tons based upon unit rated capacity.

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- Additional customer charges may be incurred for metering equipment necessary for this program at costs under other tariffs.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: May 31, 2012

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Fifth Revision of Original Sheet No. 86.10
Canceling P.S.C. No. 16, Fourth Revision of Original Sheet No. 86.10

Adjustment Clause **DSM**
Demand-Side Management Cost Recovery Mechanism

Monthly Adjustment Factors

Residential Service Rate RS, Volunteer Fire Department Service Rate VFD, and Low Emission Vehicle Service Rate LEV	Energy Charge
DSM Cost Recovery Component (DCR)	$ 0.00178 per kWh
DSM Revenues from Lost Sales (DRLS)	$ 0.00098 per kWh
DSM Incentive (DSMI)	$ 0.00008 per kWh
DSM Capital Cost Recovery Component (DCCR)	$ 0.00069 per kWh
DSM Balance Adjustment (DBA)	$ 0.00041 per kWh
Total DSMRC for Rates RS, VFD and LEV	$ 0.00394 per kWh

General Service Rate GS	Energy Charge
DSM Cost Recovery Component (DCR)	$ 0.00086 per kWh
DSM Revenues from Lost Sales (DRLS)	$ 0.00151 per kWh
DSM Incentive (DSMI)	$ 0.00004 per kWh
DSM Capital Cost Recovery Component (DCCR)	$ 0.00003 per kWh
DSM Balance Adjustment (DBA)	$ 0.00056 per kWh
Total DSMRC for Rates GS	$ 0.00300 per kWh

All Electric School Rate AES	Energy Charge
DSM Cost Recovery Component (DCR)	$ 0.00029 per kWh
DSM Revenues from Lost Sales (DRLS)	$ 0.00048 per kWh
DSM Incentive (DSMI)	$ 0.00001 per kWh
DSM Capital Cost Recovery Component (DCCR)	$ 0.00014 per kWh
DSM Balance Adjustment (DBA)	$ 0.00031 per kWh
Total DSMRC for Rate AES	$ 0.00123 per kWh

Commercial Customers Served Under Power Service Rate PS, Time of Day Secondary Service Rate TODS, and Time-of-Day Primary Service Rate TODP	Energy Charge
DSM Cost Recovery Component (DCR)	$ 0.00030 per kWh
DSM Revenues from Lost Sales (DRLS)	$ 0.00049 per kWh
DSM Incentive (DSMI)	$ 0.00001 per kWh
DSM Capital Cost Recovery Component (DCCR)	$ 0.00006 per kWh
DSM Balance Adjustment (DBA)	$ 0.00051 per kWh
Total DSMRC for Rates PS, TODS, and TODP	$ 0.00137 per kWh

DATE OF ISSUE: February 28, 2014

DATE EFFECTIVE: April 1, 2014

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 86.10

Adjustment Clause **DSM**
Demand-Side Management Cost Recovery Mechanism

Monthly Adjustment Factors

Residential Service Rate RS, Residential Time-of-Day Energy Service Rate RTOD-Energy, Residential Time-of-Day Demand Service Rate RTOD-Demand, and Volunteer Fire Department Service Rate VFD	Energy Charge	
DSM Cost Recovery Component (DCR)	$ 0.00178 per kWh	
DSM Revenues from Lost Sales (DRLS)	$ 0.00098 per kWh	
DSM Incentive (DSMI)	$ 0.00008 per kWh	
DSM Capital Cost Recovery Component (DCCR)	$ 0.00069 per kWh	
DSM Balance Adjustment (DBA)	$ 0.00041 per kWh	
Total DSMRC for Rates RS, RTOD-Energy, RTOD-Demand, and VFD	$ 0.00394 per kWh	T

General Service Rate GS*	Energy Charge	T
DSM Cost Recovery Component (DCR)	$ 0.00086 per kWh	
DSM Revenues from Lost Sales (DRLS)	$ 0.00151 per kWh	
DSM Incentive (DSMI)	$ 0.00004 per kWh	
DSM Capital Cost Recovery Component (DCCR)	$ 0.00003 per kWh	
DSM Balance Adjustment (DBA)	$ 0.00056 per kWh	
Total DSMRC for Rate GS	$ 0.00300 per kWh	T

All Electric School Rate AES	Energy Charge
DSM Cost Recovery Component (DCR)	$ 0.00029 per kWh
DSM Revenues from Lost Sales (DRLS)	$ 0.00048 per kWh
DSM Incentive (DSMI)	$ 0.00001 per kWh
DSM Capital Cost Recovery Component (DCCR)	$ 0.00014 per kWh
DSM Balance Adjustment (DBA)	$ 0.00031 per kWh
Total DSMRC for Rate AES	$ 0.00123 per kWh

Power Service Rate PS*, Time of Day Secondary Service Rate TODS*, Time-of-Day Primary Service Rate TODP*, and Retail Transmission Service Rate RTS*	Energy Charge	T T T
DSM Cost Recovery Component (DCR)	$ 0.00030 per kWh	
DSM Revenues from Lost Sales (DRLS)	$ 0.00049 per kWh	
DSM Incentive (DSMI)	$ 0.00001 per kWh	
DSM Capital Cost Recovery Component (DCCR)	$ 0.00006 per kWh	
DSM Balance Adjustment (DBA)	$ 0.00051 per kWh	
Total DSMRC for Rates PS, TODS, TODP and RTS	$ 0.00137 per kWh	T

* These charges do not apply to industrial customers taking service under these rates because the Company currently does not offer industrial DSM programs. T T

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

Adjustment Clause **DSM**
Demand-Side Management Cost Recovery Mechanism

Monthly Adjustment Factors (continued)

Industrial Customers Served Under Power Service Rate PS, Time-of-Day Secondary Service Rate TODS, Time-of-Day Primary Service Rate TODP, and Retail Transmission Rate RTS	Energy Charge
DSM Cost Recovery Component (DCR)	$ 0.00000 per kWh
DSM Revenues from Lost Sales (DRLS)	$ 0.00000 per kWh
DSM Incentive (DSMI)	$ 0.00000 per kWh
DSM Capital Cost Recovery Component (DCCR)	$ 0.00000 per kWh
DSM Balance Adjustment (DBA)	$ 0.00000 per kWh
Total DSMRC for Rates PS, TODS, TODP, and RTS	$ 0.00000 per kWh

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

KU Demand-Side Management Cost Recovery Mechanism is now contained on eleven pages instead of the current twelve pages.

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 87
Canceling P.S.C. No. 16, Original Sheet No. 87

Adjustment Clause **ECR**
Environmental Cost Recovery Surcharge

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

This schedule is mandatory to all Standard Electric Rate Schedules listed in Section 1 of the General Index except CTAC and Special Charges, all Pilot Programs listed in Section 3 of the General Index, and the FAC and DSM Adjustment Clauses. Standard Electric Rate Schedules subject to this schedule are divided into Group 1 or Group 2 as follows:

Group 1: Rate Schedules RS; VFD; AES; LS; RLS; LE; TE; and Pilot Program LEV.
Group 2: Rate Schedules GS; PS; TODS; TODP; RTS; and FLS.

RATE

The monthly billing amount under each of the schedules to which this mechanism is applicable, shall be increased or decreased by a percentage factor calculated in accordance with the following formula.

Group Environmental Surcharge Billing Factor = Group E(m) / Group R(m)

As set forth below, Group E(m) is the sum of Jurisdictional E(m) of each approved environmental compliance plan revenue requirement of environmental compliance costs for the current expense month allocated to each of Group 1 and Group 2. Group R(m) for Group 1 is the 12-month average revenue for the current expense month and for Group 2 it is the 12-month average non-fuel revenue for the current expense month.

DEFINITIONS

1) For all Plans, E(m) = [(RB/12) (ROR + (ROR – DR) (TR / (1 – TR))] + OE – EAS + BR
   a) RB is the Total Environmental Compliance Rate Base.
   b) ROR is the Rate of Return on Environmental Compliance Rate Base, designated as the overall rate of return [cost of short-term debt, long-term debt, preferred stock, and common equity].
   c) DR is the Debt Rate [cost of short-term debt, and long-term debt].
   d) TR is the Composite Federal and State Income Tax Rate.
   e) OE is the Operating Expenses. OE includes operation and maintenance expense recovery authorized by the K.P.S.C. in all approved ECR Plan proceedings.
   f) EAS is the total proceeds from emission allowance sales.
   g) BR is the operation and maintenance expenses, and/or revenues if applicable, associated with Beneficial Reuse.
   h) Plans are the environmental surcharge compliance plans submitted to and approved by the Kentucky Public Service Commission pursuant to KRS 278.183.

DATE OF ISSUE: December 3, 2013

DATE EFFECTIVE: With Bills Rendered On and After December 31, 2013

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2013-00242 dated November 14, 2013

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 87

Adjustment Clause **ECR**
Environmental Cost Recovery Surcharge

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

This schedule is mandatory to all Standard Electric Rate Schedules listed in Section 1 of the General Index except CTAC and Special Charges, all Pilot Programs listed in Section 3 of the General Index, and the FAC and DSM Adjustment Clauses. Standard Electric Rate Schedules subject to this schedule are divided into Group 1 or Group 2 as follows:

Group 1: Rate Schedules RS; RTOD-Energy; RTOD-Demand; VFD; AES; LS; RLS; LE; and TE. T
Group 2: Rate Schedules GS; PS; TODS; TODP; RTS; and FLS.

RATE

The monthly billing amount under each of the schedules to which this mechanism is applicable, shall be increased or decreased by a percentage factor calculated in accordance with the following formula.

Group Environmental Surcharge Billing Factor = Group E(m) / Group R(m)

As set forth below, Group E(m) is the sum of Jurisdictional E(m) of each approved environmental compliance plan revenue requirement of environmental compliance costs for the current expense month allocated to each of Group 1 and Group 2. Group R(m) for Group 1 is the 12-month average revenue for the current expense month and for Group 2 it is the 12-month average non-fuel revenue for the current expense month.

DEFINITIONS

1) For all Plans, E(m) = [(RB/12) (ROR + (ROR – DR) (TR / (1 – TR))] + OE – EAS + BR
   a) RB is the Total Environmental Compliance Rate Base.
   b) ROR is the Rate of Return on Environmental Compliance Rate Base, designated as the overall rate of return [cost of short-term debt, long-term debt, preferred stock, and common equity].
   c) DR is the Debt Rate [cost of short-term debt, and long-term debt].
   d) TR is the Composite Federal and State Income Tax Rate.
   e) OE is the Operating Expenses. OE includes operation and maintenance expense recovery authorized by the K.P.S.C. in all approved ECR Plan proceedings.
   f) EAS is the total proceeds from emission allowance sales.
   g) BR is the operation and maintenance expenses, and/or revenues if applicable, associated with Beneficial Reuse.
   h) Plans are the environmental surcharge compliance plans submitted to and approved by the Kentucky Public Service Commission pursuant to KRS 278.183.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 87.1

Adjustment Clause **ECR**

Environmental Cost Recovery Surcharge

2) Total E(m) (sum of each approved environmental compliance plan revenue requirement) is multiplied by the Jurisdictional Allocation Factor. Jurisdictional E(m) is adjusted for any (Over)/Under collection or prior period adjustment and by the subtraction of the Revenue Collected through Base Rates for the Current Expense month to arrive at Adjusted Net Jurisdictional E(m). Adjusted Net Jurisdictional E(m) is allocated to Group 1 and Group 2 on the basis of Revenue as a Percentage of Total Revenue for the 12 months ending with the Current Month to arrive at Group 1 E(m) and Group 2 E(m).

3) The Group 1 R(m) is the average of total Group 1 monthly base revenue for the 12 months ending with the current expense month. Base revenue includes the customer, energy, and lighting charges for each rate schedule included in Group 1 to which this mechanism is applicable and automatic adjustment clause revenues for the Fuel Adjustment Clause and the Demand-Side Management Cost Recovery Mechanism as applicable for each rate schedule in Group 1.

4) The Group 2 R(m) is the average of total Group 2 monthly base non-fuel revenue for the 12 months ending with the current expense month. Base non-fuel revenue includes the customer, non-fuel energy, and demand charges for each rate schedule included in Group 2 to which this mechanism is applicable and automatic adjustment clause revenues for the Demand-Side Management Cost Recovery Mechanism as applicable for each rate schedule in Group 2. Non-fuel energy is equal to the tariff energy rate for each rate schedule included in Group 2 less the base fuel factor as defined on Sheet No. 85.1, Paragraph 6.

5) Current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: February 29, 2012

ISSUED BY: ***/s/*** Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2011-00231 dated February 29, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 87.1

Adjustment Clause **ECR**

Environmental Cost Recovery Surcharge

DEFINITIONS (continued) T

2) Total E(m) (sum of each approved environmental compliance plan revenue requirement) is multiplied by the Jurisdictional Allocation Factor. Jurisdictional E(m) is adjusted for any (Over)/Under collection or prior period adjustment and by the subtraction of the Revenue Collected through Base Rates for the Current Expense month to arrive at Adjusted Net Jurisdictional E(m). Adjusted Net Jurisdictional E(m) is allocated to Group 1 and Group 2 on the basis of Revenue as a Percentage of Total Revenue for the 12 months ending with the Current Month to arrive at Group 1 E(m) and Group 2 E(m).

3) The Group 1 R(m) is the average of total Group 1 monthly base revenue for the 12 months ending with the current expense month. Base revenue includes the customer, energy, and lighting charges for each rate schedule included in Group 1 to which this mechanism is applicable and automatic adjustment clause revenues for the Fuel Adjustment Clause and the Demand-Side Management Cost Recovery Mechanism as applicable for each rate schedule in Group 1.

4) The Group 2 R(m) is the average of total Group 2 monthly base non-fuel revenue for the 12 months ending with the current expense month. Base non-fuel revenue includes the customer, non-fuel energy, and demand charges for each rate schedule included in Group 2 to which this mechanism is applicable and automatic adjustment clause revenues for the Demand-Side Management Cost Recovery Mechanism as applicable for each rate schedule in Group 2. Non-fuel energy is equal to the tariff energy rate for each rate schedule included in Group 2 less the base fuel factor as defined on Sheet No. 85.1, Paragraph 6.

5) Current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Second Revision of Original Sheet No. 90
Canceling P.S.C. No. 16, First Revision of Original Sheet No. 90

Adjustment Clause **FF**
Franchise Fee Rider

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Available as an option for collection of revenues within governmental jurisdictions which impose on Company franchise fees, permitting fees, local taxes or other charges by ordinance, franchise, or other governmental directive and not otherwise collected in the charges of Company's base rate schedules.

DEFINITIONS
Base Year - the twelve month period ending November 30.
Collection Year - the full calendar year following the Base Year.
Base Year Amount -

1) a percentage of revenues, as determined in the franchise agreement, for the Base Year; and
2) license fees, permit fees, or other costs specifically borne by Company for the purpose of maintaining the franchise as incurred in the Base Year and applicable specifically to Company by ordinance or franchise for operation and maintenance of its facilities in the franchise area, including but not limited to costs incurred by Company as a result of governmental regulation or directives requiring construction or installation of facilities beyond that normally provided by Company in accordance with applicable Rules and Regulations approved by and under the direction of the Kentucky Public Service Commission; and
3) any adjustment for over or under collection of revenues associated with the amounts in 1) or 2).

RATE
The franchise percentage will be calculated by dividing the Base Year amount by the total revenues in the Base Year for the franchise area. The franchise percentage will be monitored during the Collection Year and adjusted to recover the Base Year Amount in the Collection Year as closely as possible.

BILLING

1) The franchise charge will be applied exclusively to the base rate and all riders of bills of customers receiving service within the franchising governmental jurisdiction, before taxes.
2) The franchise charge will appear as a separate line item on the Customer's bill and show the unit of government requiring the franchise.
3) Payment of the collected franchise charges will be made to the governmental franchising body as agreed to in the franchise agreement.
4) At its option, a governmental body imposing a franchise fee shall not be billed for that portion of a franchise fee, applied to services designated by the governmental body, that would ultimately be repaid to the governmental body.

DATE OF ISSUE: April 26, 2013

DATE EFFECTIVE: May 26, 2013

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 90

Adjustment Clause **FF**
Franchise Fee Rider

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
Available as an option for collection of revenues within governmental jurisdictions which impose on Company franchise fees, permitting fees, local taxes or other charges by ordinance, franchise, or other governmental directive and not otherwise collected in the charges of Company's base rate schedules.

DEFINITIONS
Base Year - the twelve month period ending November 30.
Collection Year - the full calendar year following the Base Year.
Base Year Amount -

1) a percentage of revenues, as determined in the franchise agreement, for the Base Year; and
2) license fees, permit fees, or other costs specifically borne by Company for the purpose of maintaining the franchise as incurred in the Base Year and applicable specifically to Company by ordinance or franchise for operation and maintenance of its facilities in the franchise area, including but not limited to costs incurred by Company as a result of governmental regulation or directives requiring construction or installation of facilities beyond that normally provided by Company in accordance with applicable Rules and Regulations approved by and under the direction of the Kentucky Public Service Commission; and
3) any adjustment for over or under collection of revenues associated with the amounts in 1) or 2).

RATE
The franchise percentage will be calculated by dividing the Base Year amount by the total revenues in the Base Year for the franchise area. The franchise percentage will be monitored during the Collection Year and adjusted to recover the Base Year Amount in the Collection Year as closely as possible.

BILLING

1) The franchise charge will be applied exclusively to the base rate and all riders of bills of customers receiving service within the franchising governmental jurisdiction, before taxes.
2) The franchise charge will appear as a separate line item on the Customer's bill and show the unit of government requiring the franchise.
3) Payment of the collected franchise charges will be made to the governmental franchising body as agreed to in the franchise agreement.
4) At its option, a governmental body imposing a franchise fee shall not be billed for that portion of a franchise fee, applied to services designated by the governmental body, that would ultimately be repaid to the governmental body.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: May 26, 2013

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 90.1

Adjustment Clause **FF**
Franchise Fee Rider

TERM OF CONTRACT
As agreed to in the franchise agreement. In the event such franchise agreement should lapse but payment of franchise fees, other local taxes, or permitting fees paid by Company by ordinance, franchise, or other governmental directive should continue, collection shall continue under this tariff.

TERMS AND CONDITIONS
Service will be furnished in accordance with the provisions of the franchise agreement in so far as those provisions do not conflict with the Terms and Conditions applicable to Company approved by and under the direction of the Kentucky Public Service Commission.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: October 16, 2003

ISSUED BY: ***/s/*** Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 90.1

Adjustment Clause **FF**
Franchise Fee Rider

TERM OF CONTRACT
As agreed to in the franchise agreement. In the event such franchise agreement should lapse but payment of franchise fees, other local taxes, or permitting fees paid by Company by ordinance, franchise, or other governmental directive should continue, collection shall continue under this tariff.

TERMS AND CONDITIONS
Service will be furnished in accordance with the provisions of the franchise agreement in so far as those provisions do not conflict with the Terms and Conditions applicable to Company approved by and under the direction of the Kentucky Public Service Commission.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: October 16, 2003

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 91

Adjustment Clause **ST**
School Tax

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This schedule is applied as a rate increase to all other schedules pursuant to KRS 160.617 for the recovery by the utility of school taxes in any county requiring a utility gross receipts license tax for schools under KRS 160.613.

RATE
The utility gross receipts license tax authorized under state law.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: August 1, 2010

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 91

Adjustment Clause **ST**
School Tax

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
This schedule is applied as a rate increase to all other schedules pursuant to KRS 160.617 for the recovery by the utility of school taxes in any county requiring a utility gross receipts license tax for schools under KRS 160.613.

RATE
The utility gross receipts license tax authorized under state law.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: August 1, 2010

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 92

Adjustment Clause **HEA**
Home Energy Assistance Program

APPLICABLE
In all territory served.

AVAILABILITY
To all residential customers.

RATE
$0.25 per meter per month.

BILLING
The HEA charge shall be shown as a separate item on customer bills.

SERVICE PERIOD
The Home Energy Assistance charge will be applied to all residential electric bills rendered during the billing cycles commencing January 1, 2013 until the effective date of new base rates, or as otherwise directed by the Public Service Commission. The HEA program is approved through September 30, 2015. Proceeds from this charge will be used to fund residential low-income demand-side management Home Energy Assistance programs which have been designed through a collaborative advisory process and then filed with, and approved by, the Commission.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: ***/s/*** Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 92

Adjustment Clause **HEA**
Home Energy Assistance Program

APPLICABLE
In all territory served.

AVAILABILITY
To all residential customers.

RATE
$0.25 per meter per month.

BILLING
The HEA charge shall be shown as a separate item on customer bills.

SERVICE PERIOD
The Home Energy Assistance charge will be applied to all residential electric bills rendered during the billing cycles commencing January 1, 2013 until the effective date of new base rates, or as otherwise directed by the Public Service Commission. The HEA program is approved through September 30, 2015. Proceeds from this charge will be used to fund residential low-income demand-side management Home Energy Assistance programs which have been designed through a collaborative advisory process and then filed with, and approved by, the Commission.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 95

TERMS AND CONDITIONS

Customer Bill of Rights

As a residential customer of a regulated public utility in Kentucky, you are guaranteed the following rights subject to Kentucky Revised Statutes and the provisions of the Kentucky Public Service Commission Administrative Regulations:

- You have the right to service, provided you (or a member of your household whose debt was accumulated at your address) are not indebted to the utility.
- You have the right to inspect and review the utility's rates and tariffed operating procedures during the utility's normal office hours.
- You have the right to be present at any routine utility inspection of your service conditions.
- You must be provided a separate, distinct disconnect notice alerting you to a possible disconnection of your service, if payment is not received.
- You have the right to dispute the reasons for any announced termination of your service.
- You have the right to negotiate a partial payment plan when your service is threatened by disconnection for non-payment.
- You have the right to participate in equal, budget payment plans for your natural gas and electric service.
- You have the right to maintain your utility service for up to thirty (30) days upon presentation of a medical certificate issued by a health official.
- You have the right to prompt (within 24 hours) restoration of your service when the cause for discontinuance has been corrected.
- If you have not been disconnected, you have the right to maintain your natural gas and electric service for up to thirty (30) days, provided you present a Certificate of Need issued by the Kentucky Cabinet for Human Resources between the months of November and the end of March.
- If you have been disconnected due to non-payment, you have the right to have your natural gas or electric service reconnected between the months of November through March provided you:
  1) Present a Certificate of Need issued by the Kentucky Cabinet for Human Resources, and
  2) Pay one third (1/3) of your outstanding bill ($200 maximum), and
  3) Accept referral to the Human Resources' Weatherization Program, and
  4) Agree to a repayment schedule that will cause your bill to become current by October 15.
- You have the right to contact the Public Service Commission regarding any dispute that you have been unable to resolve with your utility (call Toll Free 1-800-772-4636).

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: August 1, 2010

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 95

TERMS AND CONDITIONS

Customer Bill of Rights

As a residential customer of a regulated public utility in Kentucky, you are guaranteed the following rights subject to Kentucky Revised Statutes and the provisions of the Kentucky Public Service Commission Administrative Regulations:

- You have the right to service, provided you (or a member of your household whose debt was accumulated at your address) are not indebted to the utility.
- You have the right to inspect and review the utility's rates and tariffed operating procedures during the utility's normal office hours.
- You have the right to be present at any routine utility inspection of your service conditions.
- You must be provided a separate, distinct disconnect notice alerting you to a possible disconnection of your service, if payment is not received.
- You have the right to dispute the reasons for any announced termination of your service.
- You have the right to negotiate a partial payment plan when your service is threatened by disconnection for non-payment.
- You have the right to participate in equal, budget payment plans for your natural gas and electric service.
- You have the right to maintain your utility service for up to thirty (30) days upon presentation of a medical certificate issued by a health official.
- You have the right to prompt (within 24 hours) restoration of your service when the cause for discontinuance has been corrected.
- If you have not been disconnected, you have the right to maintain your natural gas and electric service for up to thirty (30) days, provided you present a Certificate of Need issued by the Kentucky Cabinet for Human Resources between the months of November and the end of March.
- If you have been disconnected due to non-payment, you have the right to have your natural gas or electric service reconnected between the months of November through March provided you:
  1) Present a Certificate of Need issued by the Kentucky Cabinet for Human Resources, and
  2) Pay one third (1/3) of your outstanding bill ($200 maximum), and
  3) Accept referral to the Human Resources' Weatherization Program, and
  4) Agree to a repayment schedule that will cause your bill to become current by October 15.
- You have the right to contact the Public Service Commission regarding any dispute that you have been unable to resolve with your utility (call Toll Free 1-800-772-4636).

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: August 1, 2010

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 96

TERMS AND CONDITIONS

General

COMMISSION RULES AND REGULATIONS

All electric service supplied by Company shall be in accordance with the applicable rules and regulations of the Public Service Commission of Kentucky.

COMPANY TERMS AND CONDITIONS

In addition to the rules and regulations of the Commission, all electric service supplied by Company shall be in accordance with these Terms and Conditions, which shall constitute a part of all applications and contracts for service.

RATES, TERMS AND CONDITIONS ON FILE

A copy of the rate schedules, terms, and conditions under which electric service is supplied is on file with the Public Service Commission of Kentucky. A copy of such rate schedules, terms and conditions, together with the law, rules, and regulations of the Commission, is available for public inspection in each office of Company where bills may be paid.

ASSIGNMENT

No order for service, agreement or contract for service may be assigned or transferred without the written consent of Company.

RENEWAL OF CONTRACT

If, upon the expiration of any service contract for a specified term, the customer continues to use the service, the contract (unless otherwise provided therein) will be automatically renewed for successive periods of one (1) year each, subject to termination at the end of any year upon thirty (30) days prior written notice by either party.

AGENTS CANNOT MODIFY AGREEMENT WITHOUT CONSENT OF P.S.C. OF KY.

No agent has power to amend, modify, alter, or waive any of these Terms and Conditions, or to bind Company by making any promises or representations not contained herein.

SUPERSEDE PREVIOUS TERMS AND CONDITIONS

These Terms and Conditions supersede all terms and conditions under which Company has previously supplied electric service.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: February 6, 2009

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 96

TERMS AND CONDITIONS

General

COMMISSION RULES AND REGULATIONS

All electric service supplied by Company shall be in accordance with the applicable rules and regulations of the Public Service Commission of Kentucky.

COMPANY TERMS AND CONDITIONS

In addition to the rules and regulations of the Commission, all electric service supplied by Company shall be in accordance with these Terms and Conditions, which shall constitute a part of all applications and contracts for service.

COMPANY AS A FEDERAL CONTRACTOR T

The United Nations Convention on Contracts for the International Sale of Goods is specifically disclaimed and excluded and will not apply to or govern agreements between customers and Company.

To the extent Company is a federal contractor, Company and its subcontractors shall abide by the requirements of 41 CFR 60-741.5(a). This regulation prohibits discrimination against qualified individuals on the basis of disability, and requires affirmative action by covered prime contractors and subcontractors to employ and advance in employment qualified individuals with disabilities.

To the extent Company is a federal contractor, Company and its subcontractors shall abide by the requirements of 41 CFR 60-300.5(a). This regulation prohibits discrimination against qualified protected veterans, and requires affirmative action by covered prime contractors and subcontractors to employ and advance in employment qualified protected veterans.

RATES, TERMS AND CONDITIONS ON FILE

A copy of the rate schedules, terms, and conditions under which electric service is supplied is on file with the Public Service Commission of Kentucky. A copy of such rate schedules, terms and conditions, together with the law, rules, and regulations of the Commission, is available for public inspection in each office of Company where bills may be paid.

ASSIGNMENT

No order for service, agreement or contract for service may be assigned or transferred without the written consent of Company.

T

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

KU TERMS and CONDITIONS – General is now contained on two pages instead of the current one page.

TERMS AND CONDITIONS

General

T

RENEWAL OF CONTRACT

If, upon the expiration of any service contract for a specified term, the customer continues to use the service, the contract (unless otherwise provided therein) will be automatically renewed for successive periods of one (1) year each, subject to termination at the end of any year upon thirty (30) days prior written notice by either party.

AGENTS CANNOT MODIFY AGREEMENT WITHOUT CONSENT OF P.S.C. OF KY.

No agent has power to amend, modify, alter, or waive any of these Terms and Conditions, or to bind Company by making any promises or representations not contained herein.

SUPERSEDE PREVIOUS TERMS AND CONDITIONS

These Terms and Conditions supersede all terms and conditions under which Company has previously supplied electric service.

Kentucky Utilities Company

TERMS AND CONDITIONS

Customer Responsibilities

APPLICATION FOR SERVICE

A written application or contract, properly executed, may be required before Company is obligated to render electric service. Company shall have the right to reject for valid reasons any such application or contract.

All applications for service shall be made in the legal name of the party desiring the service.

Where an unusual expenditure for construction or equipment is necessary or where the proposed manner of using electric service is clearly outside the scope of Company's standard rate schedules, Company may establish special contracts giving effect to such unusual circumstances. Customer accepts that non-standard service may result in the delay of required maintenance or, in the case of outages, restoration of service.

TRANSFER OF APPLICATION

Applications for electric service are not transferable and new occupants of premises will be required to make application for service before commencing the use of electricity. Customers who have been receiving electric service shall notify Company when discontinuance of service is desired, and shall pay for all electric service furnished until such notice has been given and final meter readings made by Company.

CONTRACTED DEMANDS

For rate applications where billing demand minimums are determined by the Contract Demand customer shall execute written Contract prior to rendering of service. At Company's sole discretion, in lieu of a written contract, a completed load data sheet or other written load specification, as provided by Customer, can be used to determine the maximum load on Company's system for determining Contract Demand minimum.

OPTIONAL RATES

If two or more rate schedules are available for the same class of service, it is Customer's responsibility to determine the options available and to designate the schedule under which customer desires to receive service.

Company will, at any time, upon request, advise any customer as to the most advantageous rate for existing or anticipated service requirements as defined by the customer, but Company does not assume responsibility for the selection of such rate or for the continuance of the lowest annual cost under the rate selected.

In those cases in which the most favorable rate is difficult to predetermine, Customer will be given the opportunity to change to another schedule, unless otherwise prevented by the rate schedule under which Customer is currently served, after trial of the schedule originally designated; however, after the first such change, Company shall not be required to make a change in schedule more often than once in twelve (12) months.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: August 1, 2010

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

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DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: August 1, 2010

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 97.1

TERMS AND CONDITIONS

Customer Responsibilities

From time to time, Customer should investigate Customer's operating conditions to determine a desirable change from one available rate to another. Company, lacking knowledge of changes that may occur at any time in Customer's operating conditions, does not assume responsibility that Customer will at all times be served under the most beneficial rate.

In no event will Company make refunds covering the difference between the charges under the rate in effect and those under any other rate applicable to the same class of service.

CUSTOMER'S EQUIPMENT AND INSTALLATION

Customer shall furnish, install, and maintain at Customer's expense all electrical apparatus and wiring to connect with Company's service drop or service line. All such apparatus and wiring shall be installed and maintained in conformity with applicable statutes, laws or ordinances and with the rules and regulations of the constituted authorities having jurisdiction. Customer shall not install wiring or connect and use any motor or other electricity-using device which in the opinion of Company is detrimental to its electric system or to the service of other customers of Company. Company assumes no responsibility whatsoever for the condition of Customer's electrical wiring, apparatus, or appliances, nor for the maintenance or removal of any portion thereof.

In the event Customer builds or extends its own transmission or distribution system over property Customer owns, controls, or has rights to, and said system extends or may extend into the service territory of another utility company, Customer will notify Company of their intention in advance of the commencement of construction.

OWNER'S CONSENT TO OCCUPY

Customer shall grant easements and rights-of-way on and across Customer's property at no cost to Company.

ACCESS TO PREMISES AND EQUIPMENT

Company shall have the right of access to Customer's premises at all reasonable times for the purpose of installing, meter reading, inspecting, repairing, or removing its equipment used in connection with its supply of electric service or for the purpose of turning on and shutting off the supply of electricity when necessary and for all other proper purposes. Customer shall not construct or permit the construction of any structure or device which will restrict the access of Company to its equipment for any of the above purposes.

PROTECTION OF COMPANY'S PROPERTY

Customers will be held responsible for tampering, interfering with, breaking of seals of meters, or other equipment of Company installed on Customer's premises, and will be held liable for same according to law. Customer hereby agrees that no one except the employees of Company shall be allowed to make any internal or external adjustments of any meter or any other piece of apparatus which shall be the property of Company.

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ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 97.2

TERMS AND CONDITIONS

Customer Responsibilities

POWER FACTOR

Company installs facilities to supply power to Customer at or near unity power factor.

Company expects any customer to use apparatus which shall result in a power factor near unity. However, Company will permit the use of apparatus which shall result, during normal operation, in a power factor not lower than 90 percent either lagging or leading.

Where Customer’s power factor is less than 90 percent, Company reserves the right to require Customer to furnish, at Customer’s own expense, suitable corrective equipment to maintain a power factor of 90 percent or higher.

EXCLUSIVE SERVICE ON INSTALLATION CONNECTED

Except in cases where Customer has a contract with Company for reserve or auxiliary service, no other electric light or power service will be used by Customer on the same installation in conjunction with Company's service, either by means of a throw-over switch or any other connection.

LIABILITY

Customer assumes all responsibility for the electric service upon Customer's premises at and from the point of delivery of electricity and for the wires and equipment used in connection therewith, and will protect and save Company harmless from all claims for injury or damage to persons or property occurring on Customer's premises or at and from the point of delivery of electricity, occasioned by such electricity or said wires and equipment, except where said injury or damage will be shown to have been occasioned solely by the negligence of Company.

NOTICE TO COMPANY OF CHANGES IN CUSTOMER’S LOAD

The service connections, transformers, meters, and appurtenances supplied by Company for the rendition of electric service to its customers have a definite capacity which may not be exceeded without damage. In the event that Customer contemplates any material increase in Customer’s connected load, whether in a single increment or over an extended period, Customer shall immediately give Company written notice of this fact so as to enable it to enlarge the capacity of such equipment. In case of failure to give such notice Customer may be held liable for any damage done to meters, transformers, or other equipment of Company caused by such material increase in Customer's connected load. Should Customer make a permanent change in the operation of electrical equipment that materially reduces the maximum load required by Customer, Company may reduce Customer’s contract capacity.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

**Issued by Authority of an Order of the
Public Service Commission in Case No.
2012-00221 dated December 20, 2012**

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 97.2

TERMS AND CONDITIONS

Customer Responsibilities

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
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Lexington, Kentucky

**Issued by Authority of an Order of the
Public Service Commission in Case No.
2012-00221 dated December 20, 2012**

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 97.3

TERMS AND CONDITIONS

Customer Responsibilities

PERMITS

Customer shall obtain or cause to be obtained all permits, easements, or certificates, except street permits, necessary to give Company or its agents access to Customer's premises and equipment and to enable its service to be connected therewith. In case Customer is not the owner of the premises or of intervening property between the premises and Company's distribution lines the customer shall obtain from the proper owner or owners the necessary consent to the installation and maintenance in said premises and in or about such intervening property of all such wiring or other customer-owned electrical equipment as may be necessary or convenient for the supply of electric service to customer. Provided, however, to the extent permits, easements, or certificates are necessary for the installation and maintenance of Company-owned facilities, Company shall obtain the aforementioned consent.

The construction of electric facilities to provide service to a number of customers in a manner consistent with good engineering practice and the least public inconvenience sometimes requires that certain wires, guys, poles, or other appurtenances on a customer's premises be used to supply service to neighboring customers. Accordingly, each customer taking Company's electric service shall grant to Company such rights on or across his or her premises as may be necessary to furnish service to neighboring premises, such rights to be exercised by Company in a reasonable manner and with due regard for the convenience of Customer.

Company shall make or cause to be made application for any necessary street permits, and shall not be required to supply service under Customer's application until a reasonable time after such permits are granted.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 97.3

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Company shall make or cause to be made application for any necessary street permits, and shall not be required to supply service under Customer's application until a reasonable time after such permits are granted.

CHANGES IN SERVICE T

Where Customer is receiving service and desires relocation or change in facilities not supported T
by additional load, Customer is responsible for the cost of the relocation or change in facilities T
through a Non-Refundable Advance. T

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 98
Canceling P.S.C. No. 16, Original Sheet No. 98

TERMS AND CONDITIONS

Company Responsibilities

METERING

The electricity used will be measured by a meter or meters to be furnished and installed by Company at its expense and all bills will be calculated upon the registration of said meters. When service is supplied by Company at more than one delivery point on the same premises, each delivery point will be metered and billed separately on the rate applicable. Meters include all measuring instruments. Meters will be located outside whenever possible. Otherwise, meters will be located as near as possible to the service entrance and on the ground floor of the building, in a clean, dry, safe and easily accessible place, free from vibration, agreed to by Company.

POINT OF DELIVERY OF ELECTRICITY

The point of delivery of electrical energy supplied by Company shall be at the point, as designated by Company, where Company's facilities are connected with the facilities of Customer, irrespective of the location of the meter.

EXTENSION OF SERVICE

The main transmission lines of Company, or branches thereof, will be extended to such points as provide sufficient load to justify such extensions or in lieu of sufficient load, Company may require such definite and written guarantees from a customer, or group of customers, in addition to any minimum payments required by the Tariff as may be necessary. This requirement may also be made covering the repayment, within a reasonable time, of the cost of tapping such existing lines for light or power service or both.

COMPANY'S EQUIPMENT AND INSTALLATION

Company will furnish, install, and maintain at its expense the necessary overhead service drop or service line required to deliver electricity at the voltage contracted for, to Customer's electric facilities.

Company will furnish, install, and maintain at its expense the necessary meter or meters. (The term meter as used here and elsewhere in these rules and regulations shall be considered to include all associated instruments and devices, such as current and potential transformers installed for the purpose of measuring deliveries of electricity to the customer.) Suitable provision for Company's meter, including an adequate protective enclosure for the same if required, shall be made by Customer. Title to the meter shall remain in Company, with the right to install, operate, maintain, and remove same. Customer shall protect such property of Company from loss or damage, and no one who is not an agent of Company shall be permitted to remove, damage, or tamper with the same. Customer shall execute such reasonable form of easement agreement as may be required by Company.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: February 6, 2009

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 98

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Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 98.1
Canceling P.S.C. No. 16, Original Sheet No. 98.1

TERMS AND CONDITIONS

Company Responsibilities

Notwithstanding the provisions of 807 KAR 5:006, Section 14(4), a reasonable time shall be allowed subsequent to Customer's service application to enable Company to construct or install the facilities required for such service. In order that Company may make suitable provision for enlargement, extension or alteration of its facilities, each applicant for commercial or industrial service shall furnish Company with realistic estimates of prospective electricity requirements.

COMPANY NOT LIABLE FOR INTERRUPTIONS

Company will exercise reasonable care and diligence in an endeavor to supply service continuously and without interruption but does not guarantee continuous service and shall not be liable for any loss or damage resulting from interruption, reduction, delay or failure of electric service not caused by the willful negligence of Company, or resulting from any cause or circumstance beyond the reasonable control of Company.

COMPANY NOT LIABLE FOR DAMAGE ON CUSTOMER'S PREMISES

Company is merely a supplier of electricity delivered to the point of connection of Company's and Customer's facilities, and shall not be liable for and shall be protected and held harmless for any injury or damage to persons or property of Customer or of third persons resulting from the presence, use or abuse of electricity on Customer's premises or resulting from defects in or accidents to any of Customer's wiring, equipment, apparatus, or appliances, or resulting from any cause whatsoever other than the negligence of Company

LIABILITY

In no event shall Company have any liability to Customer or any other party affected by the electrical service to Customer for any consequential, indirect, incidental, special, or punitive damages, and such limitation of liability shall apply regardless of claim or theory. In addition, to the extent that Company acts within its rights as set forth herein and/or any applicable law or regulation, Company shall have no liability of any kind to Customer or any other party. In the event that the customer's use of Company's service causes damage to Company's property or injuries to persons, Customer shall be responsible for such damage or injury and shall indemnify, defend, and hold Company harmless from any and all suits, claims, losses, and expenses associated therewith.

FIRM SERVICE

Where a customer-generator supplies all or part of the customer-generator's own load and desires Company to provide supplemental or standby service for that load, the customer-generator must contract for such service under Company's Supplemental or Standby Service Rider, otherwise Company has no obligation to supply the non-firm service. This requirement does not apply to Net Metering Service (Rider NMS).

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 4, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the
Public Service Commission in Case No.
2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 98.1

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Lexington, Kentucky

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2012-00221 dated December 20, 2012

Kentucky Utilities Company

TERMS AND CONDITIONS

Character of Service

Electric service, under the rate schedules herein, will be 60 cycle, alternating current delivered from Company's various load centers and distribution lines at typical nominal voltages and phases, as available in a given location, as follows:

SECONDARY VOLTAGES

Residential Service -

Single phase 120/240 volts three-wire service or 120/208Y volts three-wire service where network system is available.

Non-Residential Service -

1) Single phase 120/240 volts three-wire service, or 120/208Y volts three-wire service where network system is available.
2) Three phase 240 volts three-wire service, 120/240 volts four-wire service, 480 volts three-wire service, 120-208Y volts four-wire service, or 277/480Y four-wire service.

PRIMARY VOLTAGES

According to location, 2,400/4160Y volts, 7,200/12,470Y volts, or 34,500 volts

TRANSMISSION VOLTAGES

According to location, 69,000 volts, 138,000 volts, or 345,000 volts.

The voltage available to any individual customer shall depend upon the voltage of Company's lines serving the area in which Customer's electric load is located.

RESTRICTIONS

1. Except for minor loads, with approval of company, two-wire service is restricted to those customers on service July 1, 2004.
2. To be eligible for the rate applicable to any delivery voltage other than secondary voltage, Customer must furnish and maintain complete substation structure, transformers, and other equipment necessary to take service at the primary or transmission voltage available at point of connection.
   a) In the event Company is required to provide transformation to reduce an available voltage to a lower voltage for delivery to a customer, Customer shall be served at the rate applicable to the lower voltage; provided, however, that if the same rate is applicable to both the available voltage and the delivery voltage, Customer may be required to make a non-refundable payment to reflect the additional investment required to provide service.
   b) The available voltage shall be the voltage on that distribution or transmission line which Company designates as being suitable from the standpoint of capacity and other operating characteristics for supplying the requirements of Customer.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: August 1, 2010

ISSUED BY: ***/s/*** Lonnie E. Bellar, Vice President
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Non-Residential Service -

1) Single phase 120/240 volts three-wire service, or 120/208Y volts three-wire service where network system is available.
2) Three phase 240 volts three-wire service, 120/240 volts four-wire service, 480 volts three-wire service, 120-208Y volts four-wire service, or 277/480Y four-wire service.

PRIMARY VOLTAGES

According to location, 2,400/4160Y volts, 7,200/12,470Y volts, or 34,500 volts

TRANSMISSION VOLTAGES

According to location, 69,000 volts, 138,000 volts, or 345,000 volts.

The voltage available to any individual customer shall depend upon the voltage of Company's lines serving the area in which Customer's electric load is located.

RESTRICTIONS

1. Except for minor loads, with approval of company, two-wire service is restricted to those customers on service July 1, 2004.
2. To be eligible for the rate applicable to any delivery voltage other than secondary voltage, Customer must furnish and maintain complete substation structure, transformers, and other equipment necessary to take service at the primary or transmission voltage available at point of connection.
   a) In the event Company is required to provide transformation to reduce an available voltage to a lower voltage for delivery to a customer, Customer shall be served at the rate applicable to the lower voltage; provided, however, that if the same rate is applicable to both the available voltage and the delivery voltage, Customer may be required to make a non-refundable payment to reflect the additional investment required to provide service.
   b) The available voltage shall be the voltage on that distribution or transmission line which Company designates as being suitable from the standpoint of capacity and other operating characteristics for supplying the requirements of Customer.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: August 1, 2010

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 100
Canceling P.S.C. No. 16, Original Sheet No. 100

TERMS AND CONDITIONS

Residential Rate Specific Terms and Conditions

Residential electric service is available for uses customarily associated with residential occupation, including lighting, cooking, heating, cooling, refrigeration, household appliances, and other domestic purposes.

1. Residential rates are based on service to single family units and are not applicable to multi-family dwellings served through a single meter. Where two or more families occupy a residential building, Company will require, as a condition precedent to the application of the residential rate, that the wiring in the building be so arranged as to permit each family to be served through a separate meter. In those cases where such segregation of wiring would involve undue expense to Customer, Company will allow service to two or more families to be taken through one meter, but in this event the minimum bills of the applicable residential rate shall be multiplied by the number of families thus served, such number of families to be determined on the basis of the number of kitchens in the building. At Customer's option, in lieu of the foregoing, electric service rendered to a multi-family residential building through a single meter will be classified as commercial and billed on the basis of service to one customer at an appropriate non-residential rate.

2. Single family unit service shall include usage of electric energy customarily incidental to home occupations, such as the office of a physician, surgeon, dentist, musician or artist when such occupation is carried on by Customer in his residence.

3. A residential building used by a single family as a home, which is also used to accommodate roomers or boarders for compensation, will be billed at the residential rate provided it does not exceed twelve (12) rooms in size. Such a residential building of more than twelve (12) rooms used to accommodate roomers or borders for compensation will be classified as commercial and billed on the appropriate rate. In determining the room rating of rooming and boarding houses, all wired rooms shall be counted except hallways, vestibules, alcoves, closets, bathrooms, lavatories, garrets, attics, storage rooms, trunk rooms, basements, cellars, porches and private garages.

4. Service used in residential buildings occupied by fraternity or sorority organizations associated with educational institutions will be classified as residential and billed at the residential rate.

5. Where both residential and general or commercial classes of service are supplied through a single meter, such combined service shall be billed at the appropriate non-residential rate. Customer may arrange his wiring so as to separate the general service from the residential service, in which event two meters will be installed by Company and separate residential and general service rates applied to the respective classes of service.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: February 6, 2009

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 100

TERMS AND CONDITIONS

Residential Rate Specific Terms and Conditions

Residential electric service is available for uses customarily associated with residential occupation, including lighting, cooking, heating, cooling, refrigeration, household appliances, and other domestic purposes.

1. **DEFINITION OF RESIDENTIAL RATE** - Residential rates are based on service to single family units served through a single meter. Such service may include incidental usage of electricity for home occupations, such as the office of a physician, surgeon, dentist, musician or artist when such occupation is practiced by Customer in Customer's residence. Service to both a single family unit and a detached structure may both be served through a single meter, regardless of the meter location, and qualify for the residential service provided the consumption in the non-residential portion of the detached structure is incidental. T

2. **DEFINITION OF SINGLE FAMILY UNIT** - A single family unit is a structure or part of a structure used or intended to be used as a home, residence, or sleeping place by one or more persons maintaining a common household. Residential service is not available to transient multi-family structures including, but not limited to, hotels, motels, studio apartments, college dormitories, or any structure without a permanent foundation or attached to sanitation facilities. Fraternity or sorority organizations associated with educational institutions may be classified as residential and billed at the residential rate.

3. **DETACHED STRUCTURES** - If Customer has detached structures that are located at such distance from Customer's residence as to make it impracticable to supply service through customer's residential meter, the separate meter required to measure service to the detached structures will be considered a separate service and billed as a separate customer.

4. **POWER REQUIREMENT -** Single-phase power service used for domestic purposes will be permitted under Residential Rate RS when measured through the residential meter subject to the conditions set forth below:

   (a) Single-phase motors may be served at 120 volts if the locked-rotor current at rated voltage does not exceed 50 amperes. Motors with locked-rotor current ratings in excess of 50 amperes must be served at 240 volts.

   (b) Single-phase motors of new central residential cooling installations with total locked-rotor ratings of not to exceed 125 amperes (inclusive of any auxiliary motors arranged for simultaneous starting with the compressor) may be connected for across-the-line starting provided the available capacity of Company's electric distribution facilities at desired point of supply is such that, in Company's judgment, the starting of such motors will not result in excessive voltage dips and undue disturbance of lighting service and television reception of

DATE OF ISSUE: November 26, 2014

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

TERMS AND CONDITIONS

Residential Rate Specific Terms and Conditions

6. If Customer's barns, pump house or other outbuildings are located at such distance from his residence as to make it impracticable to supply service thereto through his residential meter, the separate meter required to measure service to such remotely located buildings will be considered a separate service contract and billed as a separate customer on the applicable non-residential rate.

7. Single-phase power service used for domestic purposes will be permitted under Residential Rate RS when measured through the residential meter subject to the conditions set forth below:

   (a) Single-phase motors may be served at 120 volts if the locked-rotor current at rated voltage does not exceed 50 amperes. Motors with locked-rotor current ratings in excess of 50 amperes must be served at 240 volts.

   (b) Single-phase motors of new central residential cooling installations with total locked-rotor ratings of not to exceed 125 amperes (inclusive of any auxiliary motors arranged for simultaneous starting with the compressor) may be connected for across-the-line starting provided the available capacity of Company's electric distribution facilities at desired point of supply is such that, in Company's judgment, the starting of such motors will not result in excessive voltage dips and undue disturbance of lighting service and television reception of nearby electric customers. However, except with Company's express written consent, no new single-phase central residential cooling unit having a total lock-rotor rating in excess of 125 amperes inclusive of auxiliary motors arranged for simultaneous starting with the compressor) shall hereafter be connected to Company's lines, or be eligible for electric service therefrom, unless it is equipped with an approved type of current-limiting device for starting which will reduce the initial and incremental starting current inrush to a maximum of 100 amperes per step. Company shall be furnished with reasonable advance notice of any proposed central residential cooling installation.

   (c) In the case of multi-motored devices arranged for sequential starting of the motors, the above rules are considered to apply to the locked-rotor currents of the individual motors; if arranged for simultaneous starting of the motors, the rules apply to the sum of the locked-rotor currents of all motors so started.

   (d) Any motor or motors served through a separate meter will be billed as a separate customer.

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State Regulation and Rates
Lexington, Kentucky

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TERMS AND CONDITIONS

Residential Rate Specific Terms and Conditions

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 101
Canceling P.S.C. No. 16, Original Sheet No. 101

TERMS AND CONDITIONS

BILLING

METER READINGS AND BILLS

Each bill for utility service shall be issued in compliance with 807 KAR 5:006, Section 7.

All bills will be based upon meter readings made in accordance with Company's meter reading schedule. Company, except if prevented by reasons beyond its control, shall read customers meters at least quarterly, except that customer-read meters shall be read at least once during the calendar year.

In the case of opening and closing bills when the total period between regular and special meter readings is less than thirty days, the minimum charges of the applicable rate schedules will be prorated on the basis of the ratio of the actual number of days in such period to thirty days.

When Company is unable to read Customer's meter after reasonable effort, or when Company experiences circumstances which make actual meter readings impossible or impracticable, Customer may be billed on an estimated basis and the billing will be adjusted as necessary when the meter is read.

In the event Company's meter fails to register properly by reason of damage, accident, etc., Company shall have the right to estimate Customer's consumption during the period of failure on the basis of such factors as Customer's connected load, heating degree days, and consumption during a previous corresponding period and during a test period immediately following replacement of the defective meter.

Bills are due and payable at the office of Company during business hours, or at other locations designated by Company, within sixteen (16) business days (no less than twenty-two (22) calendar days) from date of rendition thereof. If full payment is not received by the due date of the bill, a late payment charge will be assessed on the current month's charges. Beginning October 1, 2010, residential customers who receive a pledge for or notice of low income energy assistance from an authorized agency will not be assessed or required to pay a late payment charge for the bill for which the pledge or notice is received, nor will they be assessed or required to pay a late payment charge in any of the eleven (11) months following receipt of such pledge or notice. There will be no adverse credit impact on the customer's payment and credit record, including credit scoring, both internally and externally, and the account will not be considered delinquent for any purpose if the Company receives the customer's payment within fifteen days after the date on which the Company issues the customer's bill.

Failure to receive a bill does not exempt Customer from these provisions of Company's Terms and Conditions.

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ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 101

TERMS AND CONDITIONS

BILLING

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 101.1
Canceling P.S.C. No. 16, Original Sheet No. 101.1

TERMS AND CONDITIONS

BILLING

READING OF SEPARATE METERS NOT COMBINED

For billing purposes, each meter upon Customer's premises will be considered separately and readings of two (2) or more meters will not be combined except where Company's operating convenience requires the installation of two (2) or more meters upon Customer's premises instead of one (1) meter.

CUSTOMER RATE ASSIGNMENT

If Customer takes service under a rate schedule the eligibility for which contains a minimum or maximum demand parameter (or both), Company will review Customer's demand and usage data at least once annually to determine the rate schedule under which Customer will take service until the next review and rate determination. Company will also conduct such a review and determination upon Customer's request. Company shall not be obligated to change Customer's rate determination based upon detection of a substantial deviation of Customer's demand or usage if, after consultation with Customer, Company determines in its sole discretion that such deviation is not indicative of Customer's likely long-term demand. Similarly, Company may assign Customer to a rate schedule for which Customer would not be eligible based solely on Customer's historical demand or usage, but Company may do so only as part of a review and rate determination that involves consulting with Customer about Customer's likely future demand, as well as Customer's special contract demand, if applicable.

Any such review and rate determination shall be deemed conclusively to be the correct rate determination for Customer for all purposes and for all periods until Company conducts the next such review and determination for Customer. Therefore, Company shall not be liable for any refunds to Customer based upon Customer's rate assignment, and Company shall not seek to back-bill Customer based upon Customer's rate assignment, for any periods between and including such reviews and determinations unless, and only in the event that, a particular review and rate determination are shown to have been materially erroneous at the time they were conducted, in which case Company may be liable for a refund, or may back-bill Customer, only for the period from the erroneous review and determination to the present or the next non-erroneous review and determination, whichever is shorter.

If Company determines during a review as described above that Customer is eligible to take service under more than one rate schedule and that Customer is then taking service under such a rate schedule, Company will not change Customer's rate assignment; it will remain Customer's responsibility to choose between optional rates, as stated in the Optional Rates section of Customer Responsibilities at Original Sheet Nos. 97 and 97.1.

DATE OF ISSUE: January 31, 2013

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ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 101.1

TERMS AND CONDITIONS

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DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

P. S. C. No. 16, First Revision of Original Sheet No. 101.2
Canceling P.S.C. No. 16, Original Sheet No. 101.2

TERMS AND CONDITIONS

BILLING

If Company determines during a review as described above that Customer is eligible to take service under more than one rate schedule and that Customer is not then taking service under such a rate schedule, Company will (1) provide reasonable notice to Customer of the options available and (2) assign Customer to the rate schedule Company reasonably believes will be most financially beneficial to Customer based on Customer's historical demand and usage, which assignment Company will change upon Customer's request to take service under another rate schedule for which Customer is eligible. Company shall have no refund obligation or bear any other liability or responsibility for its initial assignment of Customer to a rate for which Customer is eligible; it is at all times Customer's responsibility to choose between optional rates, as stated in the Optional Rates section of Customer Responsibilities at Original Sheet Nos. 97 and 97.1.

Nothing in this section is intended to curtail or diminish Customer's responsibility to choose among optional rates, as stated in the Optional Rates section of Customer Responsibilities at Original Sheet Nos. 97 and 97.1. Likewise, except as explicitly stated in the paragraph above, nothing in this section creates an obligation or responsibility for Company to assign Customer to a particular rate schedule for which Customer is eligible if Customer is eligible for more than one rate schedule.

CUSTOMER RATE MIGRATION

A change from one rate to another will be effective with the first full billing period following a customer's request for such change, or with a rate change mandated by changes in a customer's load. In cases where a change from one rate to another necessitates a change in metering, the change from one rate to another will be effective with the first full billing period following the meter change.

CLASSIFICATION OF CUSTOMERS

For purposes of rate application hereunder, non-residential customers will be considered "industrial" if they are primarily engaged in a process or processes which create or change raw or unfinished materials into another form or product, and/or in accordance with the North American Industry Classification System, Sections 21, 22, 31, 32 and 33. All other non-residential customers will be defined as "commercial."

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ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 101.2

TERMS AND CONDITIONS

BILLING

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DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 16, Second Revision of Original Sheet No. 101.3
Canceling P.S.C. No. 16, First Revision of Original Sheet No. 101.3

TERMS AND CONDITIONS

BILLING

MONITORING OF CUSTOMER USAGE

In order to detect unusual deviations in individual customer consumption, Company will monitor the usage of each customer at least once quarterly. In addition, Company may investigate usage deviations brought to its attention as a result of its ongoing meter reading or billing processor customer inquiry. Should an unusual deviation in Customer's consumption be found which cannot be attributed to a readily identified cause, Company may perform a detailed analysis of Customer's meter reading and billing records. If the cause for the usage deviation cannot be determined from analysis of Customer's meter reading and billing records, Company may contact Customer to determine whether there have been changes such as different number of household members or work staff, additional or different appliances, changes in business volume. Where the deviation is not otherwise explained, Company will test Customer's meter to determine whether the results show the meter is within the limits allowed by 807 KAR 5:041, Section 17(1). Company will notify Customer of the investigation, its findings, and any refunds or back-billing in accordance with 807 KAR 5:006, Section 11(4) and (5).

RESALE OF ELECTRIC ENERGY

Electric energy furnished under Company's standard application or contract is for the use of Customer only and Customer shall not resell such energy to any other person, firm, or corporation on the Customer's premises, or for use on any other premises. This does not preclude Customer from allocating Company's billing to Customer to any other person, firm, or corporation provided the sum of such allocations does not exceed Company's billing.

MINIMUM CHARGE

Without limiting the foregoing, the Demand Charge shall be due regardless of any event or occurrence that might limit (a) Customer's ability or interest in operating Customer's facility, including, but without limitation, any acts of God, fires, floods, earthquakes, acts of government, terrorism, severe weather, riot, embargo, changes in law, or strikes or (b) Company's ability to serve customer.

DATE OF ISSUE: April 22, 2013

DATE EFFECTIVE: January 4, 2013

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 101.3

TERMS AND CONDITIONS

BILLING

MONITORING OF CUSTOMER USAGE

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DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 4, 2013

ISSUED BY: ***/s/*** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P. S. C. No. 16, First Revision of Original Sheet No. 102
Canceling P.S.C. No. 16, Original Sheet No. 102

TERMS AND CONDITIONS

Deposits

GENERAL

1) Company may require a cash deposit or other guaranty from customers to secure payment of bills in accordance with 807 KAR 5:006, Section 8, except for customers qualifying for service reconnection pursuant to 807 KAR 5:006, Section 16, Winter Hardship Reconnection.
2) Deposits may be required from all customers not meeting satisfactory credit and payment criteria. Satisfactory credit for customers will be determined by utilizing independent credit sources (primarily utilized with new customers having no prior history with Company), as well as historic and ongoing payment and credit history with Company.
   a) Examples of independent credit scoring resources include credit scoring services, public record financial information, financial scoring and modeling services, and information provided by independent credit/financial watch services.
   b) Satisfactory payment criteria with Company may be established by paying all bills rendered, having no disconnections for nonpayment, having no late notices, having no defaulted credit arrangements, having no returned payments, having no meter diversion or theft of service.
3) Company may offer residential or general service customers the option of paying all or a portion of their deposits in installments over a period not to exceed the first four (4) normal billing periods. Service may be refused or discontinued for failure to pay and/or maintain the requested deposit.
4) Interest on deposits will be calculated at the rate prescribed by law, from the date of deposit, and will be paid annually either by refund or credit to Customer's bills, except that no refund or credit will be made if Customer's bill is delinquent on the anniversary date of the deposit. If interest is paid or credited to Customer's bill prior to twelve (12) months from the date of deposit, the payment or credit will be on a prorated basis. Upon termination of service, the deposit, any principal amounts, and interest earned and owing will be credited to the final bill, with any remainder refunded to Customer.

RESIDENTIAL

1) Residential customers are those customers served under Residential Service, Sheet No. 5.
2) The deposit for a residential customer is in the amount of $135.00, which is calculated in accordance with 807 KAR 5:006, Section 8(1)(d)(2).
3) Company will retain Customer's deposit for a period not to exceed twelve (12) months, provided Customer has met satisfactory payment and credit criteria.
4) If a deposit is held longer than eighteen (18) months, the deposit will be recalculated at Customer's request, and based on Customer's actual usage. If the deposit on account differs from the recalculated amount by more than $10.00, Company may collect any underpayment and shall refund any overpayment by check or credit to Customer's bill. No refund will be made if Customer's bill is delinquent at the time of the recalculation.
5) If Customer fails to maintain a satisfactory payment or credit record, or otherwise become a new or greater credit risk, as determined by Company in its sole discretion, Company may require a new or additional deposit from Customer.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 102

TERMS AND CONDITIONS

DEPOSITS

GENERAL

1) Company may require a cash deposit or other guaranty from customers to secure payment of bills in accordance with 807 KAR 5:006, Section 8, except for customers qualifying for service reconnection pursuant to 807 KAR 5:006, Section 16, Winter Hardship Reconnection.
2) Deposits may be required from all customers not meeting satisfactory credit and payment criteria. Satisfactory credit for customers will be determined by utilizing independent credit sources (primarily utilized with new customers having no prior history with Company), as well as historic and ongoing payment and credit history with Company.
   a) Examples of independent credit scoring resources include credit scoring services, public record financial information, financial scoring and modeling services, and information provided by independent credit/financial watch services.
   b) Satisfactory payment criteria with Company may be established by paying all bills rendered, having no disconnections for nonpayment, having no late notices, having no defaulted credit arrangements, having no returned payments, having no meter diversion or theft of service.
3) Company may offer residential or general service customers the option of paying all or a portion of their deposits in installments over a period not to exceed the first four (4) normal billing periods. Service may be refused or discontinued for failure to pay and/or maintain the requested deposit.
4) Interest on deposits will be calculated at the rate prescribed by law, from the date of deposit, and will be paid annually either by refund or credit to Customer's bills, except that no refund or credit will be made if Customer's bill is delinquent on the anniversary date of the deposit. If interest is paid or credited to Customer's bill prior to twelve (12) months from the date of deposit, the payment or credit will be on a prorated basis. Upon termination of service, the deposit, any principal amounts, and interest earned and owing will be credited to the final bill, with any remainder refunded to Customer.

RESIDENTIAL

1) Residential customers are those customers served under Residential Service Rate RS - Sheet No. 5, Residential Time-of-Day Energy Service Rate RTOD-Energy - Sheet No. 6, and Residential Time-of-Day Demand Service Rate RTOD-Demand - Sheet No. 7. T T T
2) The deposit for a residential customer is in the amount of $160.00, which is calculated in accordance with 807 KAR 5:006, Section 8(1)(d)(2). I
3) Company will retain Customer's deposit for a period not to exceed twelve (12) months, provided Customer has met satisfactory payment and credit criteria.
4) If a deposit is held longer than eighteen (18) months, the deposit will be recalculated at Customer's request, and based on Customer's actual usage. If the deposit on account differs from the recalculated amount by more than $10.00, Company may collect any underpayment and shall refund any overpayment by check or credit to Customer's bill. No refund will be made if Customer's bill is delinquent at the time of the recalculation.

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DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 102.1
Canceling P.S.C. No. 16, Original Sheet No. 102.1

TERMS AND CONDITIONS

Deposits

GENERAL SERVICE

1) General service customers are those customers served under General Service, Sheet No. 10.
2) The deposit for a general service customer is in the amount of $220.00, which is calculated in accordance with 807 KAR 5:006, Section 8(1)(d)(2). The deposit for a General Service customer may be waived when the General Service delivery is to a detached building used in conjunction with a Residential Service and the General Service usage is no more than 300 kWh per month.
3) Company shall retain Customer's deposit as long as Customer remains on service.
4) For a deposit held longer than eighteen (18) months, the deposit will be recalculated, at Customer's request, and based on Customer's actual usage. If the deposit on account differs from the recalculated amount by more than ten (10%) percent, Company may collect any underpayment and shall refund any overpayment by check or credit to Customer's bill. No refund will be made if Customer's bill is delinquent at the time of the recalculation.
5) If Customer fails to maintain a satisfactory payment or credit record, or otherwise becomes a new or greater credit risk, as determined by Company in its sole discretion, Company may require a new or additional deposit from Customer.

OTHER SERVICE

1) The deposit for all other customers, those not classified herein as residential or general service, shall not exceed 2/12 of Customer's actual or estimated annual bill where bills are rendered monthly in accordance with 807 KAR 5:006, Section 8(1)(d)(1).
2) For customers not meeting the parameters of GENERAL SERVICE ¶ 2, above, Company may retain Customer's deposit as long as Customer remains on service.
3) For a deposit held longer than eighteen (18) months, the deposit will be recalculated, at Customer's request, and based on Customer's actual usage. If the deposit on account differs from the recalculated amount by more than ten (10%) percent, Company may collect any underpayment and shall refund any overpayment by check or credit to Customer's bill. No refund will be made if Customer's bill is delinquent at the time of the recalculation.
4) If Customer fails to maintain a satisfactory payment or credit record, or otherwise become a new or greater credit risk, as determined by Company in its sole discretion, Company may require a new or additional deposit from Customer.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 4, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 102.1

TERMS AND CONDITIONS

DEPOSITS

RESIDENTIAL (Continued) T

5) If Customer fails to maintain a satisfactory payment or credit record, or otherwise become a new or greater credit risk, as determined by Company in its sole discretion, Company may require a new or additional deposit from Customer. T T T

GENERAL SERVICE

1) General service customers are those customers served under General Service Rate GS, Sheet No. 10. T
2) The deposit for a general service customer is in the amount of $240.00, which is calculated in accordance with 807 KAR 5:006, Section 8(1)(d)(2). The deposit for a General Service customer may be waived when the General Service delivery is to a detached building used in conjunction with a Residential Service and the General Service usage is no more than 300 kWh per month. I
3) Company shall retain Customer's deposit as long as Customer remains on service.
4) For a deposit held longer than eighteen (18) months, the deposit will be recalculated, at Customer's request, and based on Customer's actual usage. If the deposit on account differs from the recalculated amount by more than ten (10%) percent, Company may collect any underpayment and shall refund any overpayment by check or credit to Customer's bill. No refund will be made if Customer's bill is delinquent at the time of the recalculation.
5) If Customer fails to maintain a satisfactory payment or credit record, or otherwise becomes a new or greater credit risk, as determined by Company in its sole discretion, Company may require a new or additional deposit from Customer.

OTHER SERVICE

1) The deposit for all other customers, those not classified herein as residential or general service, shall not exceed 2/12 of Customer's actual or estimated annual bill where bills are rendered monthly in accordance with 807 KAR 5:006, Section 8(1)(d)(1).
2) For customers not meeting the parameters of GENERAL SERVICE ¶ 2, above, Company may retain Customer's deposit as long as Customer remains on service.
3) For a deposit held longer than eighteen (18) months, the deposit will be recalculated, at Customer's request, and based on Customer's actual usage. If the deposit on account differs from the recalculated amount by more than ten (10%) percent, Company may collect any underpayment and shall refund any overpayment by check or credit to Customer's bill. No refund will be made if Customer's bill is delinquent at the time of the recalculation.
4) If Customer fails to maintain a satisfactory payment or credit record, or otherwise become a new or greater credit risk, as determined by Company in its sole discretion, Company may require a new or additional deposit from Customer.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 103

TERMS AND CONDITIONS

Budget Payment Plan

Company's Budget Payment Plan is available to any residential customer or general service customer. Under this plan, a customer may elect to pay, each billing period, a budgeted amount in lieu of billings for actual usage. A customer may enroll in this plan at any time.

The budgeted amount will be determined by Company and will be based on one-twelfth of Customer's usage for either an actual or estimated twelve (12) months. The budgeted amount will be subject to review and adjustment by Company at any time during Customer's budget year. If actual usage indicates Customer's account will not be current with the final payment in Customer's budget year, Customer will be required to pay their Budget Payment Plan account to $0 prior to the beginning of the customer's next budget year.

If a customer fails to pay bills as agreed under the Budget Payment Plan, Company reserves the right to remove the customer from the plan, restore the customer to regular billing, and require immediate payment of any deficiency. A customer removed from the Budget Payment Plan for non-payment may be prohibited from further participation in the plan for twelve (12) months.

Failure to receive a bill in no way exempts a customer from the provisions of these terms and conditions.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: August 1, 2010

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 103

TERMS AND CONDITIONS

Budget Payment Plan

Company's Budget Payment Plan is available to any residential customer served under Residential Service Rate RS or any general service customer served under General Service Rate GS. If a residential customer, who is currently served under Residential Service Rate RS and is currently enrolled in the Budget Payment Plan, elects to take service under Residential Time-of-Day Energy Service Rate RTOD-Energy or Residential Time-of-Day Demand Service Rate RTOD-Demand, such customer would be removed from the Budget Payment Plan and restored to regular billing. T

Under this plan, a customer may elect to pay, each billing period, a budgeted amount in lieu of billings for actual usage. A customer may enroll in this plan at any time.

The budgeted amount will be determined by Company and will be based on one-twelfth of Customer's usage for either an actual or estimated twelve (12) months. The budgeted amount will be subject to review and adjustment by Company at any time during Customer's budget year. If actual usage indicates Customer's account will not be current with the final payment in Customer's budget year, Customer will be required to pay their Budget Payment Plan account to $0 prior to the beginning of the customer's next budget year.

If a customer fails to pay bills as agreed under the Budget Payment Plan, Company reserves the right to remove the customer from the plan, restore the customer to regular billing, and require immediate payment of any deficiency. A customer removed from the Budget Payment Plan for non-payment may be prohibited from further participation in the plan for twelve (12) months.

Failure to receive a bill in no way exempts a customer from the provisions of these terms and conditions.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

TERMS AND CONDITIONS

Bill Format

KU a PPL company

Customer Service: 1-800-981-0600 (M-F, 7 a.m.to 7 p.m ET)
Telephone Payments: 1-800-981-0600; press 1-2-3
(24 hours a day; $2.95 fee)
Walk-in Center: Open Mon-Fri 8 a.m. to 5 p.m. ET
Online Customer Self-Service: www.lge-ku.com (24 hours a day)

DUE DATE	Pay This Amount
04/30/13	$130.59

Late Payment Fees will be applied to current charges if the current amount due is not received in full by the payment due date on this bill even if payment arrangements have been made. Please have your account number available when calling to discuss your account.

ACCOUNT INFORMATION

Account Number:	3000-0216-5900
Account Name:	JOHN DOE
Service Address:	1234 Anywhere St LEXINGTON KY
Next Read Will Occur:	05/02/13 - 05/06/13
Date Bill Mailed:	04/08/13 (Meter Read Portion 04)

Averages for Billing Period	This Year	Last Year
Average Temperature	59 °	47 °
Number of Days Billed	30	30
Electric/kwh per day	48.1	39.9

BILLING SUMMARY

Previous Balance		150.00
Payment(s) Received 3/6 - 4/5		-150.00
Balance as of 4/5		0.00
Current Electric Charges	123.19	
Current Taxes and Fees	7.40	
Current Charges as of 4/5		130.59
Total Amount Due		**130.59**

ELECTRIC CHARGES

Rate Type: Residential Service

Basic Service Charge	10.75	**Meter Reading Information**	
Energy Charge ($0.07235 x 1,444 kwh)	104.47	Meter # C123456-A	
Electric DSM ($0.00223 x 1,444 kwh)	3.22	Actual Reading on 4/5/13	27628
Fuel Adjustment ($0.00150 x 1,444 kwh)	2.17	Previous Reading on 3/5/13	26184
Environmental Surcharge (2.030% x $120.61)	2.33	**Current kwh Usage**	**1444**
Home Energy Assistance Fund Charge	0.25	Meter Multiplier	1
Total Electric Charges	**$123.19**	**Metered kwh Usage**	**1444**

TAXES AND FEES

Rate Increase For School Tax (3.00% x $123.19)	3.70
Franchise Fee-Lexington (3.00% x $123.19)	3.70
Total Taxes and Fees	**$7.40**

Please see reverse side for additional charges.

Customer Service (800) 981-0600

PLEASE RETURN THIS PORTION WITH YOUR PAYMENT

Account Number	Payment Due Date	Pay This Amount	Pay This Amount After Due Date	Winter Care Donation	Amount Enclosed
3000-0216-5900	4/30/13	$130.59	$130.59	$	$

☐ Check here if plan(s) requested on back of stub.

OFFICE USE ONLY:
MRU0481170, G000000
P23.07
PF:Y eB:P

KU
PO BOX 9001954
LOUISVILLE, KY 40290-1954

#131900062 4#
JOHN DOE
1234 Anywhere St
Lexington, KY KY 40026-8746

PRINTED ON RECYCLED PAPER Rev. 11/11/14

Service Address: 1234 Anywhere St

020000000000000000000000124560000001189500000000000000

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

T

TERMS AND CONDITIONS

Bill Format

KU a PPL company

Customer Service:	1-800-981-0600 (M-F, 7 a.m. to 7 p.m. ET)
Telephone Payments:	1-800-981-0600; press 1-2-3 (24 hours a day; $2.25 fee)
Walk-in Center:	Open Mon-Fri 8 a.m. to 5 p.m. ET
Online Customer Self-Service:	www.lge-ku.com (24 hours a day)

DUE DATE	Pay This Amount
10/24/14	$91.00

Late Payment Fees will be applied to current charges if the current amount due is not received in full by the payment due date on this bill even if payment arrangements have been made. Please have your account number available when calling to discuss your account.

ACCOUNT INFORMATION

Account Number:	3000-2000-0000
Account Name:	KU CUSTOMER
Service Address:	200 State Street ANYTOWN KY
Next Read Will Occur:	10/28/14 - 10/30/14
Date Bill Mailed:	09/29/14 (Meter Read Portion 20)

Averages for Billing Period	This Year	Last Year
Average Temperature	70°	74°
Number of Days Billed	30	30
Electric/kwh per day	30.6	34.1

BILLING SUMMARY

Previous Balance		99.78
Payment(s) Received 8/28 - 9/26		-99.78
Balance as of 9/26		0.00
Current Electric Charges	88.36	
Current Taxes and Fees	2.64	
Current Charges as of 9/26		91.00
Total Amount Due		**91.00**

ELECTRIC CHARGES

Rate Type: Residential Service

Basic Service Charge	10.75	**Meter Reading Information**	
		Meter # 2040621	
Energy Charge ($0.07744 x 918 kWh)	71.09	Actual Reading on 9/26/14	14089
Electric DSM ($0.00394 x 918 kWh)	3.62	Previous Reading on 8/27/14	13171
Fuel Adjustment ($0.00004 x 918 kWh)	0.04	**Current kwh Usage**	**918**
Environmental Surcharge (3.050% x $85.50)	2.61	Meter Multiplier	1
Home Energy Assistance Fund Charge	0.25	**Metered kwh Usage**	**918**
Total Electric Charges	**$88.36**		

TAXES AND FEES

Rate Increase For School Tax (3.00% x $88.11)	2.64
Total Taxes and Fees	**$2.64**

Please see reverse side for additional charges.

Customer Service 1-800-981-0600

PLEASE RETURN THIS PORTION WITH YOUR PAYMENT

Account Number	Payment Due Date	Pay This Amount	Amount Due After Due Date	Winter Care Donation	Amount Enclosed
3000-2000-0000	10/24/14	$91.00	$93.73		$

☐ **Check here if plan(s) requested on back of stub**

OFFICE USE ONLY:
MRU20161420, G000000
P99.78
PF:Y eB:P

KU
PO BOX 9001954
LOUISVILLE, KY 40290-1954

**#215296305 0#
KU CUSTOMER
2000 STATE RD
ANYTOWN KY 42000**

PRINTED ON RECYCLED PAPER Rev. 140925

Service Address: 200 State Street

02030002000000000000000009373000000091000000000000000019

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: /s/ Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 104.1

TERMS AND CONDITIONS

Bill Format

Account Number 3000-0216-5900 Page 2

BILLING INFORMATION	
Late Charge to be Assessed After Due Date	$3.92

Environmental Surcharge: A monthly charge or credit passed on to customers to pay for the cost of pollution-control equipment needed to meet government-mandated air emission reduction requirements.

IMPORTANT INFORMATION

The power to save. It's in your hands. The amount of electricity you consumed during this billing cycle resulted in the production of approximately 10 pounds of CO2 (carbon). A typical residential customer uses 1,000 kilowatt hours of electricity per month, which would result in the production of 2,000 lbs. of carbon. Visit our Web site at www.lge-ku.com for Smart Saver tips designed to help you better manage and lessen the environmental impact of your engery usage.

For a copy of your rate schedule, visit www.lge-ku.com or call our Customer Service Department.

New enrollment only - **Please check box(es) below and on front of stub.**

☐ Budget Plan

☐ I would like to enroll in Demand Conservation

☐ Auto Pay (voided check must be provided). *Please note that any past due balance on your KU account will be debited from your bank account immediately upon enrollment in the Auto Pay program. To avoid unintended debits to your bank account, please make sure your KU account balance is current before enrolling in Auto Pay.*

Please deduct my Auto Pay Payment from my Checking Account.
I hereby authorize KU to debit my bank account for payment of my monthly bill. This authorization applies to all my current and future KU accounts, and will remain in effect until revoked by me or KU.

Signature: ______________________________

Date: ______________________

Processing Auto Pay requests can take up to two billing cycles. Please continue making regular payments until you receive a bill that indicates the amount due will be deducted from your bank account on the payment due date.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 1, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 104.1

TERMS AND CONDITIONS

Bill Format

Account Number 3000-2000-0000 Page 2

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BILLING INFORMATION	
Late Charge to be Assessed After Due Date	$2.73

IMPORTANT INFORMATION

The power to save. It's in your hands. The amount of electricity you consumed during this billing cycle resulted in the production of approximately 1,836 pounds of CO2 (carbon). A typical residential customer uses 1,000 kilowatt hours of electricity per month, which would result in the production of 2,000 lbs. of carbon. Visit our website at www.lge-ku.com/savingenergy for energy-saving tips designed to help you better manage and lessen the environmental impact of your energy usage.

For a copy of your rate schedule, visit www.lge-ku.com or call our Customer Service Department.

New enrollment only - **Please check box(es) below and on front of stub.**

☐ Budget Plan

☐ Auto Pay (voided check must be provided). *Please note that any past due balance on your KU account will be debited from your bank account immediately upon enrollment in the Auto Pay program. To avoid unintended debits to your bank account, please make sure your KU account balance is current before enrolling in Auto Pay.*

Please deduct my Auto Pay Payment from my Checking Account.
I hereby authorize KU to debit my bank account for payment of my monthly bill. This authorization applies to all my current and future KU accounts, and will remain in effect until revoked by me or KU.

Signature: ______________________________

Date: ______________________

Processing Auto Pay requests can take up to two billing cycles. Please continue making regular payments until you receive a bill that indicates the amount due will be deducted from your bank account on the payment due date.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 105
Canceling P.S.C. No. 16, Original Sheet No. 105

TERMS AND CONDITIONS

Discontinuance of Service

In accordance with and subject to the rules and regulations of the Public Service Commission of Kentucky, Company shall have the right to refuse or discontinue service to an applicant or customer under the following conditions:

A. When Company's or Commission's rules and regulations have not been complied with. However, service may be discontinued or refused only after Company has made a reasonable effort to induce Customer to comply with its rules and then only after Customer has been given at least ten (10) days written notice of such intention, mailed to his last known address.

B. When a dangerous condition is found to exist on Customer's or applicant's premises. In such case service will be discontinued without notice or refused, as the case might be. Company will notify Customer or applicant immediately of the reason for the discontinuance or refusal and the corrective action to be taken before service can be restored or initiated.

C. When Customer or applicant refuses or neglects to provide reasonable access and/or easements to and on his premises for the purposes of installation, operation, meter reading, maintenance, or removal of Company's property. Customer shall be given fifteen (15) days written notice of Company's intention to discontinue or refuse service.

D. When Applicant is indebted to Company for service furnished. Company may refuse to serve until indebtedness is paid.

E. When Customer or Applicant does not comply with state, municipal or other codes, rules and regulations applying to such service.

F. When directed to do so by governmental authority.

G. Service will not be supplied to any premises if Applicant or Customer is indebted to Company for service previously supplied at the same or any other premises until payment of such indebtedness shall have been made. Service will not be continued to any premises if Applicant or Customer is indebted to Company for service previously supplied at the same premises in accordance with 807 KAR 5:006, Section 15(1)(f). Unpaid balances of previously rendered Final Bills may be transferred to any account for which Customer has responsibility and may be included on initial or subsequent bills for the account to which the transfer was made. Such transferred Final Bills, if unpaid, will be a part of the past due balance of the account to which they are transferred. When there is no lapse in service, such transferred Final Bills will be subject to Company's collections and disconnect procedures in accordance with 807 KAR 5:006, Section 15(1)(f). Final Bills transferred following a lapse in service will not be subject to disconnection unless: (1) such service was provided pursuant to a fraudulent application submitted by Customer; (2) Customer and Company have entered into a contractual agreement

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 4, 2013

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 105

TERMS AND CONDITIONS

Discontinuance of Service

In accordance with and subject to the rules and regulations of the Public Service Commission of Kentucky, Company shall have the right to refuse or discontinue service to an applicant or customer under the following conditions:

A. When Company's or Commission's rules and regulations have not been complied with. However, service may be discontinued or refused only after Company has made a reasonable effort to induce Customer to comply with its rules and then only after Customer has been given at least ten (10) days written notice of such intention, mailed or otherwise delivered, including, but not limited to, electronic mail, to Customer's last known address. T T

B. When a dangerous condition is found to exist on Customer's or applicant's premises. In such case service will be discontinued without notice or refused, as the case might be. Company will notify Customer or applicant immediately of the reason for the discontinuance or refusal and the corrective action to be taken before service can be restored or initiated.

C. When Customer or Applicant refuses or neglects to provide reasonable access and/or easements to and on Customer's or Applicant's premises for the purposes of installation, operation, meter reading, maintenance, or removal of Company's property. Customer shall be given fifteen (15) days written notice (either mailed or otherwise delivered, including, but not limited to, electronic mail) of Company's intention to discontinue or refuse service. T T T T

D. When Applicant is indebted to Company for service furnished. Company may refuse to serve until indebtedness is paid.

E. When Customer or Applicant does not comply with state, municipal or other codes, rules and regulations applying to such service.

F. When directed to do so by governmental authority.

G. Service will not be supplied to any premises if Applicant or Customer is indebted to Company for service previously supplied at the same or any other premises until payment of such indebtedness shall have been made. Service will not be continued to any premises if Applicant or Customer is indebted to Company for service previously supplied at the same premises in accordance with 807 KAR 5:006, Section 15(1)(f). Unpaid balances of previously rendered Final Bills may be transferred to any account for which Customer has responsibility and may be included on initial or subsequent bills for the account to which the transfer was made. Such transferred Final Bills, if unpaid, will be a part of the past due balance of the account to which they are transferred. When there is no lapse in service, such transferred Final Bills will be subject to Company's collections and disconnect procedures in accordance with 807 KAR 5:006, Section

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DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

TERMS AND CONDITIONS

Discontinuance of Service

which allows for such a disconnection; or (3) the current account is subsequently disconnected for service supplied at that point of delivery, at which time, all unpaid and past due balances must be paid prior to reconnect. Company shall have the right to transfer Final Bills between residential and commercial with residential characteristics (e.g., service supplying common use facilities of any apartment building) revenue classifications.

Service will not be supplied or continued to any premises if at the time of application for service Applicant is merely acting as an agent of a person or former customer who is indebted to Company for service previously supplied at the same or other premises until payment of such indebtedness shall have been made. Service will not be supplied where Applicant is a partnership or corporation whose general partner or controlling stockholder is a present or former customer who is indebted to Company for service previously supplied at the same premises until payment of such indebtedness shall have been made.

H. For non-payment of bills. Company shall have the right to discontinue service for non-payment of bills after Customer has been given at least ten days written notice separate from his original bill. Cut-off may be effected not less than twenty-seven (27) days after the mailing date of original bills unless, prior to discontinuance, a residential customer presents to Company a written certificate, signed by a physician, registered nurse, or public health officer, that such discontinuance will aggravate an existing illness or infirmity on the affected premises, in which case discontinuance may be effected not less than thirty (30) days from the original date of discontinuance. Company shall notify Customer, in writing, of state and federal programs which may be available to aid in payment of bills and the office to contact for such possible assistance.

I. For fraudulent or illegal use of service. When Company discovers evidence that by fraudulent or illegal means Customer has obtained unauthorized service or has diverted the service for unauthorized use or has obtained service without same being properly measured, the service to Customer may be discontinued without notice. Within twenty-four (24) hours after such termination, Company shall send written notification to Customer of the reasons for such discontinuance of service and of Customer's right to challenge the termination by filing a formal complaint with the Public Service Commission of Kentucky. Company's right of termination is separate from and in addition to any other legal remedies which the utility may pursue for illegal use or theft of service. Company shall not be required to restore service until Customer has complied with all rules of Company and regulations of the Commission and Company has been reimbursed for the estimated amount of the service rendered and the cost to Company incurred by reason of the fraudulent use.

When service has been discontinued for any of the above reasons, Company shall not be responsible for any damage that may result therefrom.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: February 6, 2009

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

TERMS AND CONDITIONS

Discontinuance of Service

15(1)(f). Final Bills transferred following a lapse in service will not be subject to disconnection unless: (1) such service was provided pursuant to a fraudulent application submitted by Customer; (2) Customer and Company have entered into a contractual agreement T T T
which allows for such a disconnection; or (3) the current account is subsequently disconnected for service supplied at that point of delivery, at which time, all unpaid and past due balances must be paid prior to reconnect. Company shall have the right to transfer Final Bills between residential and commercial with residential characteristics (e.g., service supplying common use facilities of any apartment building) revenue classifications.

Service will not be supplied or continued to any premises if at the time of application for service Applicant is merely acting as an agent of a person or former customer who is indebted to Company for service previously supplied at the same or other premises until payment of such indebtedness shall have been made. Service will not be supplied where Applicant is a partnership or corporation whose general partner or controlling stockholder is a present or former customer who is indebted to Company for service previously supplied at the same premises until payment of such indebtedness shall have been made.

H. For non-payment of bills. Company shall have the right to discontinue service for non-payment of bills after Customer has been given at least ten days written notice separate from Customer's original bill. T Cut-off may be effected not less than twenty-seven (27) days after the mailing date of original bills unless, prior to discontinuance, a residential customer presents to Company a written certificate, signed by a physician, registered nurse, or public health officer, that such discontinuance will aggravate an existing illness or infirmity on the affected premises, in which case discontinuance may be effected not less than thirty (30) days from the original date of discontinuance. Company shall notify Customer, in writing (either mailed or otherwise T delivered, including, but not limited to, electronic mail), of state and federal programs which T may be available to aid in payment of bills and the office to contact for such possible assistance.

I. For fraudulent or illegal use of service. When Company discovers evidence that by fraudulent or illegal means Customer has obtained unauthorized service or has diverted the service for unauthorized use or has obtained service without same being properly measured, the service to Customer may be discontinued without notice. Within twenty-four (24) hours after such termination, Company shall send written notification to Customer of the reasons for such discontinuance of service and of Customer's right to challenge the termination by filing a formal complaint with the Public Service Commission of Kentucky. Company's right of termination is separate from and in addition to any other legal remedies which the utility may pursue for illegal

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 105.2

TERMS AND CONDITIONS

Discontinuance of Service

Discontinuance or refusal of service shall be in addition to, and not in lieu of, any other rights or remedies available to Company.

Company may defer written notice based on Customer's payment history provided Company continues to provide the required ten (10) days written notice prior to discontinuance of service.

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State Regulation and Rates
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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 105.2

TERMS AND CONDITIONS

Discontinuance of Service

use or theft of service. Company shall not be required to restore service until Customer has complied with all rules of Company and regulations of the Commission and Company has been reimbursed for the estimated amount of the service rendered and the cost to Company incurred by reason of the fraudulent use. T

When service has been discontinued for any of the above reasons, Company shall not be responsible for any damage that may result therefrom.

Discontinuance or refusal of service shall be in addition to, and not in lieu of, any other rights or remedies available to Company.

Company may defer written notice (either mailed or otherwise delivered, including, but not limited to, electronic mail) based on Customer's payment history provided Company continues to provide the required ten (10) days written notice prior to discontinuance of service. T T

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2015

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 106, First Revision of Original Sheet No. 106
Canceling P.S.C. No. 16, Original Sheet No. 106

TERMS AND CONDITIONS

Line Extension Plan

A. AVAILABILITY
In all territory served by where Company does not have existing facilities to meet Customer's electric service needs.

B. DEFINITIONS
1) "Company" shall mean Kentucky Utilities Company.
2) "Customer" shall mean the applicant for service. When more than one electric service is requested by an applicant on the same extension, such request shall be considered one customer under this plan when the additional service request(s) is only for incidental or minor convenience loads or when the applicant for service is the developer of a subdivision.
3) "Line Extension" shall mean the single phase facilities required to serve Customer by the shortest route most convenient to Company from the nearest existing adequate Company facilities to Customer's delivery point, approved by Company, and excluding transformers, service drop, and meters, if required and normally provided to like customers.
4) "Permanent Service" shall mean service contracted for under the terms of the applicable rate schedule but not less than one year and where the intended use is not seasonal, intermittent, or speculative in nature.
5) "Commission" shall mean the Public Service Commission of Kentucky.

C. GENERAL
1) All extensions of service will be made through the use of overhead facilities except as provided in these rules.
2) Customer requesting service which requires an extension(s) shall furnish to Company, at no cost, properly executed easement(s) for right-of-way across Customer's property to be served.
3) Customer requesting extension of service into a subdivision, subject to the jurisdiction of a public commission, board, committee, or other agency with authority to zone or otherwise regulate land use in the area and require a plat (or Plan) of the subdivision, Customer shall furnish, at no cost, Company with the plat (or plan) showing street and lot locations with utility easement and required restrictions. Plats (or plans) supplied shall have received final approval of the regulating body and recorded in the office of the appropriate County Court Clerk when required. Should no regulating body exist for the area into which service is to be extended, Customer shall furnish Company the required easement.
4) The title to all extensions, rights-of way, permits, and easements shall be and remain with Company.
5) Where Company is required or elects to construct an additional extension or lateral to serve Customer or another customer, Company reserves the right to connect to any extension constructed under this plan and Customer shall grant to Company, at no cost, properly executed easement(s) for right-of-way across Customer's property for the additional extension or lateral.

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State Regulation and Rates
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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 106

TERMS AND CONDITIONS

Line Extension Plan

A. AVAILABILITY
In all territory served by where Company does not have existing facilities to meet Customer's electric service needs.

B. DEFINITIONS
1) "Company" shall mean Kentucky Utilities Company.
2) "Customer" shall mean the applicant for service. When more than one electric service is requested by an applicant on the same extension, such request shall be considered one customer under this plan when the additional service request(s) is only for incidental or minor convenience loads or when the applicant for service is the developer of a subdivision.
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State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 106.1
Canceling P.S.C. No. 16, Original Sheet No. 106.1

TERMS AND CONDITIONS

Line Extension Plan

C. GENERAL (continued)

6) Customer must agree in writing to take service when the extension is completed and have his building or other permanent facility wired and ready for connection.
7) Nothing herein shall be construed as preventing Company from making electric line extensions under more favorable terms than herein prescribed provided the potential revenue is of such amount and permanency as to warrant such terms and render economically feasible the capital expenditure involved and provided such extensions are made to other customers under similar conditions.
8) Company may require a non-refundable deposit in cases where Customer does not have a real need or in cases where the estimated revenue does not justify the investment.
9) Company shall not be obligated to extend its lines in cases where such extensions, in the good judgment of Company, would be infeasible, impractical, or contrary to good engineering or operating practice, unless otherwise ordered by Commission.

D. NORMAL LINE EXTENSIONS

1) In accordance with 807 KAR 5:041, Section 11(1), Company will provide, at no cost, a line extension of up to 1,000 feet to Customer requesting permanent service where the installed transformer capacity does not exceed 25 kVA.
2) Where Customer requires poly-phase service or transformer capacity in excess of 25 kVA and Company provides such facilities, Company may require Customer to pay, in advance, a non-refundable amount for the additional cost to Company in providing facilities above that required in NORMAL LINE EXTENSIONS ¶ 1 above.

E. OTHER LINE EXTENSIONS

1) In accordance with 807 KAR 5:041, Section 11(2), Company shall provide to Customer requesting permanent service a line extension in excess of 1,000 feet per customer but Company may require the total cost of the footage in excess of 1,000 feet per customer, based on the average cost per foot of the total extension, be deposited with Company by Customer.
2) Each year for ten (10) years Company shall refund to Customer, who made the deposit for excess footage, the cost of 1,000 feet of extension for each additional customer connected during that year directly to the original extension for which the deposit was made.
3) Each year for ten (10) years Company shall refund to Customer, who made the deposit for excess footage, the cost of 1,000 feet of extension less the length of the lateral or extension for each additional customer connected during that year by a lateral or extension to the original extension for which the deposit was made.
4) No refund shall be made for additional customers connected to an extension or lateral from the original extension for which the deposit was made.
5) The total amount refunded shall not exceed the amount originally deposited nor shall any refund be made after the ten (10) year refund period ends.

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State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 106.1

TERMS AND CONDITIONS

Line Extension Plan

C. GENERAL (continued)

5) Customer must agree in writing to take service when the extension is completed and have Customer's building or other permanent facility wired and ready for connection. T T
6) Nothing herein shall be construed as preventing Company from making electric line extensions under more favorable terms than herein prescribed provided the potential revenue is of such amount and permanency as to warrant such terms and render economically feasible the capital expenditure involved and provided such extensions are made to other customers under similar conditions. T
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1) In accordance with 807 KAR 5:041, Section 11(2), Company shall provide to Customer requesting permanent service a line extension in excess of 1,000 feet per customer but Company may require the total cost of the footage in excess of 1,000 feet per customer, based on the average cost per foot of the total extension, be deposited with Company by Customer.
2) Each year for ten (10) years Company shall refund to Customer, who made the deposit for excess footage, the cost of 1,000 feet of extension for each additional customer connected during that year directly to the original extension for which the deposit was made.
3) Each year for ten (10) years Company shall refund to Customer, who made the deposit for excess footage, the cost of 1,000 feet of extension less the length of the lateral or extension for each additional customer connected during that year by a lateral or extension to the original extension for which the deposit was made.
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State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 106.2
Canceling P.S.C. No. 16, Original Sheet No. 106.2

TERMS AND CONDITIONS

Line Extension Plan

E. OTHER LINE EXTENSIONS (continued)

6) Where Customer requires poly-phase service or transformer capacity above 25 kVA per customer and Company provides such facilities, Company may require Customer to pay, in advance, a non-refundable amount for the additional cost to Company in providing facilities above that required in OTHER LINE EXTENSIONS ¶ 1 above.

F. OVERHEAD LINE EXTENSIONS TO SUBDIVISIONS

1) In accordance with 807 KAR 5:041, Section 11(3), Customer desiring service extended for and through a subdivision may be required by Company to deposit the total cost of the extension.
2) Each year for ten (10) years Company shall refund to Customer, the cost of 1,000 feet of extension for each additional customer connected during that year directly to the original extension for which the deposit was made.
3) The total amount refunded shall not exceed the amount originally deposited nor shall any refund be made after the ten-year refund period ends.

G. MOBILE HOME LINE EXTENSIONS

1) Company will make line extensions for service to mobile homes in accordance with 807 KAR 5:041, Section 12, and Commission's Order, dated August 9, 1991, in Case No. 91-213,
2) Company shall provide, at no cost, a line extension of up to 300 feet to Customer requesting permanent service for a mobile home.
3) Company shall provide to Customer requesting permanent service for a mobile home a line extension in excess of 300 feet and up to 1,000 feet but Company may require the total cost of the footage in excess of 300 feet, based on the average cost per foot of the total extension, be deposited with Company by Customer. Beyond 1,000 feet, the policies set forth in OTHER LINE EXTENSIONS shall apply.
4) Each year for four (4) years Company shall refund to Customer equal amounts of the deposit for the extension from 300 feet to 1,000 feet.
5) If service is disconnected for sixty (60) days, if the original mobile home is removed and not replaced by another mobile home or a permanent structure in sixty (60) days, the remainder of the deposit is forfeited.
6) No refund will be made except to the original customer.

H. UNDERGROUND LINE EXTENSIONS
General

1) Company will make underground line extensions for service to new residential customers and subdivisions in accordance with 807 KAR 5:041, Section 21.
2) In order that Company may make timely provision for materials, and supplies, Company may require Customer to execute a contract for an underground extension under these Terms and Conditions with Company at least six (6) months prior to the anticipated date service is needed and Company may require Customer to deposit with Company at least 10% of any

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State Regulation and Rates
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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 106.2

TERMS AND CONDITIONS

Line Extension Plan

E. OTHER LINE EXTENSIONS (continued)

5) Where Customer requires poly-phase service or transformer capacity above 25 kVA per customer and Company provides such facilities, Company may require Customer to pay, in advance, a non-refundable amount for the additional cost to Company in providing facilities above that required in OTHER LINE EXTENSIONS ¶ 1 above. T

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State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 106.3
Canceling P.S.C. No. 16, Original Sheet No. 106.3

TERMS AND CONDITIONS

Line Extension Plan

H. UNDERGROUND EXTENSIONS
General (continued)

amounts due under the contract at the time of execution. Customer shall deposit the balance of any amounts due under the contract with Company prior to ordering materials or commencement of actual construction by Company of facilities covered by the contract.

3) Customer shall give Company at least 120 days written notice prior to the anticipated date service is needed and Company will undertake to complete installation of its facilities at least thirty (30) days prior to that date. However, nothing herein shall be interpreted to require Company to extend service to portions of subdivisions not under active development.
4) At Company's discretion, Customer may perform a work contribution to Company's specifications, including but not limited to conduit, setting pads, or any required trenching and backfilling, and Company shall credit amounts due from Customer for underground service by Company's estimated cost for such work contribution.
5) Customer will provide, own, operate and maintain all electric facilities on his side of the point of delivery with the exception of Company's meter.
6) In consideration of Customer's underground service, Company shall credit any amounts due under the contract for each service at the rate of $50.00 or Company's average estimated installed cost for an overhead service whichever is greater.
7) Unit charges, where specified herein, are determined from Company's estimate of Company's average unit cost of such construction and the estimated cost differential between underground and overhead distribution systems in representative residential subdivisions.
8) Three phase primary required to supply either individual loads or the local distribution system may be overhead unless Customer chooses underground construction and deposits with Company a non-refundable deposit for the cost differential.

Individual Premises

Where Customer requests and Company agrees to supply underground service to an individual premise, Company may require Customer to pay, in advance, a non-refundable amount for the additional cost of the underground extension (including all associated facilities) over the cost of an overhead extension of equivalent capacity.

Medium Density Subdivisions

1) A medium density residential subdivision is defined as containing ten or more lots for the construction of new residential buildings each designed for less than five (5)-family occupancy.

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State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 106.3

TERMS AND CONDITIONS

Line Extension Plan

H. UNDERGROUND LILNE EXTENSIONS
General (continued)

2) In order that Company may make timely provision for materials, and supplies, Company may require Customer to execute a contract for an underground extension under these Terms and Conditions with Company at least six (6) months prior to the anticipated date service is needed and Company may require Customer to deposit with Company at least 10% of any amounts due under the contract at the time of execution. Customer shall deposit the balance of any amounts due under the contract with Company prior to ordering materials or commencement of actual construction by Company of facilities covered by the contract. T T T T
3) Customer shall give Company at least 120 days written notice prior to the anticipated date service is needed and Company will undertake to complete installation of its facilities at least thirty (30) days prior to that date. However, nothing herein shall be interpreted to require Company to extend service to portions of subdivisions not under active development.
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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

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Canceling P.S.C. No. 16, First Revision of Original Sheet No. 106.4

TERMS AND CONDITIONS

Line Extension Plan

H. UNDERGROUND EXTENSIONS (continued)

2) Customer shall provide any required trenching and backfilling or at Company's discretion be required to deposit with Company a non-refundable amount determined by a unit charge of $8.01 per aggregate lot front-foot along all streets contiguous to the lots to be served through an underground extension.

3) The Customer may be required to advance to the Company the Company's full estimated cost of construction of an underground electric distribution extension. Where Customer is required to provide trenching and backfilling, advance will be the Company's full estimate cost of construction. Where Customer is required to deposit with the Company a non-refundable advance in place of trenching and backfilling, advance will be determined by a unit charge of $21.77 per aggregate lot front-foot along all streets contiguous to the lots to be served through an underground extension.

4) Each year for ten (10) years Company shall refund to Customer an amount determined as follows:
   a. Where customer is required to provide trenching and backfilling, a refund of $5,000 for each customer connected during that year.
   b. Where customer is required to provide a non-refundable advance, 500 times the difference in the unit charge advance amount in 3) and the non-refundable unit charge advance in 2) for each customer connected during that year

5) In no case shall the refunds provided for herein exceed the amounts deposited less any non-refundable charges applicable to the project nor shall any refund be made after a ten-year refund period ends.

High Density Subdivisions

1) A high density residential subdivision is defined as building complexes consisting of two or more buildings each not more than three stories above grade and each designed for five (5) or more family occupancy.
2) Customer shall provide any required trenching and backfilling or at Company's discretion be required to deposit with Company a non-refundable amount for the additional cost of the underground extension (including all associated facilities) over the cost of an overhead extension of equivalent capacity.
3) The Customer may be required to advance to the Company the Company's full estimated cost of construction of an underground electric distribution extension.

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 106.4

TERMS AND CONDITIONS

Line Extension Plan

H. UNDERGROUND LINE EXTENSIONS (continued)

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Kentucky Utilities Company

P.S.C. No. 16, Original Sheet No. 106.5

TERMS AND CONDITIONS

Line Extension Plan

High Density Subdivisions (continued)

i. Company shall refund to Customer any amounts due when permanent service is provided by Company to twenty (20%) percent of the family units in Customer's project.
ii. In no case shall the refunds provided for herein exceed the amounts deposited less any non-refundable charges applicable to the project nor shall any refund be made after a ten-year refund period ends.

Other Underground Subdivisions

In cases where a particular residential subdivision does not meet the conditions provided for above, Customer requests and Company agrees to supply underground service, Company may require Customer to pay, in advance, a non-refundable amount for the additional cost of the underground extension (including all associated facilities) over the cost of an overhead extension of equivalent capacity.

I. SPECIAL CASES

1) Where Customer requests service that is seasonal, intermittent, speculative in nature, at voltages of 34.5kV or greater, or where the facilities requested by Customer do not meet the Terms and Conditions outlined in previous sections of LINE EXTENSION PLAN and the anticipated revenues do not justify Company's installing facilities required to meet Customer's needs, Company may request that Customer deposit with Company a refundable amount to justify Company's investment.
2) Each year for ten (10) years Company shall refund to Customer, an amount calculated by:
   a. Adding the sum of Customer's annual base rate monthly electric demand billing for that year to the sum of the annual base rate monthly electric billing of the monthly electric demand billing for that year of any customer(s), who connects directly to the facilities provided for in this agreement and requiring no further investment by Company
   b. times the refundable amount divided by the estimated total ten-year base rate electric demand billing required to justify the investment.
3) The total amount refunded shall not exceed the amount originally deposited nor shall any refund be made after the ten-year refund period ends.

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ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

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TERMS AND CONDITIONS

Line Extension Plan

High Density Subdivisions (continued)

i. Company shall refund to Customer any amounts due when permanent service is provided by Company to twenty (20%) percent of the family units in Customer's project.
ii. In no case shall the refunds provided for herein exceed the amounts deposited less any non-refundable charges applicable to the project nor shall any refund be made after a ten-year refund period ends.

Other Underground Subdivisions

In cases where a particular residential subdivision does not meet the conditions provided for above, Customer requests and Company agrees to supply underground service, Company may require Customer to pay, in advance, a non-refundable amount for the additional cost of the underground extension (including all associated facilities) over the cost of an overhead extension of equivalent capacity.

I. SPECIAL CASES

1) Where Customer requests service that is seasonal, intermittent, speculative in nature, at voltages of 34.5kV or greater, or where the facilities requested by Customer do not meet the Terms and Conditions outlined in previous sections of LINE EXTENSION PLAN and the anticipated revenues do not justify Company's installing facilities required to meet Customer's needs, Company may request that Customer deposit with Company a refundable amount to justify Company's investment.
2) Each year for ten (10) years Company shall refund to Customer, an amount calculated by:
   a. Adding the sum of Customer's annual base rate monthly electric demand billing for that year to the sum of the annual base rate monthly electric billing of the monthly electric demand billing for that year of any customer(s), who connects directly to the facilities provided for in this agreement and requiring no further investment by Company
   b. times the refundable amount divided by the estimated total ten-year base rate electric demand billing required to justify the investment.
3) The total amount refunded shall not exceed the amount originally deposited nor shall any refund be made after the ten-year refund period ends.

DATE OF ISSUE: November 26, 2014

DATE EFFECTIVE: January 1, 2013

ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2012-00221 dated December 20, 2012

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 107
Canceling P.S.C. No. 16, Original Sheet No. 107

TERMS AND CONDITIONS

Energy Curtailment and Service Restoration Procedures

PURPOSE

To provide procedures for reducing the consumption of electric energy on the Kentucky Utilities Company (Company) system in the event of a capacity shortage and to restore service following an outage. Notwithstanding any provisions of these Energy Curtailment and Service Restoration Procedures, the Company shall have the right to take whatever steps, with or without notice and without liability on Company's part, that the Company believes necessary, in whatever order consistent with good utility practices and not on an unduly discriminatory basis, to preserve system integrity and to prevent the collapse of the Company's electric system or interconnected electric network or to restore service following an outage. Such actions will be taken giving priority to maintaining service to the Company's retail and full requirements customers relative to other sales whenever feasible and as allowed by law.

ENERGY CURTAILMENT PROCEDURE

PRIORITY LEVELS

For the purpose of these procedures, the following Priority Levels have been established:

I. Essential Health and Safety Uses -- to be given special consideration in these procedures shall, insofar as the situation permits, include the following types of use

A. "Hospitals", which shall be limited to institutions providing medical care to patients.

B. "Life Support Equipment", which shall be limited to kidney machines, respirators, and similar equipment used to sustain the life of a person.

C. "Police Stations and Government Detention Institutions", which shall be limited to essential uses required for police activities and the operation of facilities used for the detention of persons.

D. "Fire Stations", which shall be limited to facilities housing mobile fire-fighting apparatus.

E. "Communication Services", which shall be limited to essential uses required for telephone, telegraph, television, radio and newspaper operations, and operation of state and local emergency services.

F. "Water and Sewage Services", which shall be limited to essential uses required for the supply of water to a community, flood pumping and sewage disposal.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 8, 2007

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 107

TERMS AND CONDITIONS

Energy Curtailment and Service Restoration Procedures

PURPOSE

To provide procedures for reducing the consumption of electric energy on the Kentucky Utilities Company (Company) system in the event of a capacity shortage and to restore service following an outage. Notwithstanding any provisions of these Energy Curtailment and Service Restoration Procedures, the Company shall have the right to take whatever steps, with or without notice and without liability on Company's part, that the Company believes necessary, in whatever order consistent with good utility practices and not on an unduly discriminatory basis, to preserve system integrity and to prevent the collapse of the Company's electric system or interconnected electric network or to restore service following an outage. Such actions will be taken giving priority to maintaining service to the Company's retail and full requirements customers relative to other sales whenever feasible and as allowed by law.

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State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 107.1
Canceling P.S.C. No. 16, Original Sheet No. 107.1

TERMS AND CONDITIONS

Energy Curtailment and Service Restoration Procedures

PRIORITY LEVELS (continued)

G. "Transportation and Defense-related Services", which shall be limited to essential uses required for the operation, guidance control and navigation of air, rail and mass transit systems, including those uses essential to the national defense and operation of state and local emergency services. These uses shall include essential street, highway and signal-lighting services.

Although, when practical, these types of uses will be given special consideration when implementing the manual load-shedding provisions of this program, any customer may be affected by rotating or unplanned outages and should install emergency generation equipment if continuity of service is essential. Where the emergency is system-wide in nature, consideration will be given to the use of rotating outages as operationally practicable. In case of customers supplied from two utility sources, only one source will be given special consideration. Also, any other customers who, in their opinion, have critical equipment should install emergency generation equipment.

Company maintains lists of customers with life support equipment and other critical needs for the purpose of curtailments and service restorations. Company, lacking knowledge of changes that may occur at any time in customer's equipment, operation, and backup resources, does not assume the responsibility of identifying customers with priority needs. It shall, therefore, be the customer's responsibility to notify Company if Customer has critical needs.

II. Critical Commercial and Industrial Uses -- Except as described in Section III below, these uses shall include commercial or industrial operations requiring regimented shutdowns to prevent conditions hazardous to the general population, and to energy utilities and their support facilities critical to the production, transportation, and distribution of service to the general population. Company shall maintain a list of such customers for the purpose of curtailments and service restoration.

III. Residential Use -- The priority of residential use during certain weather conditions (for example severe winter weather) will receive precedence over critical commercial and industrial uses. The availability of Company service personnel and the circumstances associated with the outage will also be considered in the restoration of service.

IV. Non-critical commercial and industrial uses.

V. Nonessential Uses -- The following and similar types of uses of electric energy shall be considered nonessential for all customers:

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: August 1, 2010

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 107.1

TERMS AND CONDITIONS

Energy Curtailment and Service Restoration Procedures

PRIORITY LEVELS (continued)

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Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 16, First Revision of Original Sheet No. 107.2
Canceling P.S.C. No. 16, Original Sheet No. 107.2

TERMS AND CONDITIONS

Energy Curtailment and Service Restoration Procedures

PRIORITY LEVELS (continued)

A. Outdoor flood and advertising lighting, except for the minimum level to protect life and property, and a single illuminated sign identifying commercial facilities when operating after dark.

B. General interior lighting levels greater than minimum functional levels.

C. Show-window and display lighting.

D. Parking-lot lighting above minimum functional levels.

E. Energy use to lower the temperature below 78 degrees during operation of cooling equipment and above 65 degrees during operation of heating equipment.

F. Elevator and escalator use in excess of the minimum necessary for non-peak hours of use.

G. Energy use greater than that which is the minimum required for lighting, heating, or cooling of commercial or industrial facilities for maintenance cleaning or business-related activities during non-business hours.

Non-jurisdictional customers will be treated in a manner consistent with the curtailment procedures contained in the service agreement between the parties or the applicable tariff.

CURTAILMENT PROCEDURES

In the event Company's load exceeds internal generation, transmission, or distribution capacity, or other system disturbances exist, and internal efforts have failed to alleviate the problem, including emergency energy purchases, the following steps may be taken, individually or in combination, in the order necessary as time permits:

1. Customers having their own internal generation capacity will be curtailed, and customers on curtailable contracts will be curtailed for the maximum hours and load allowable under their contract. Nothing in this procedure shall limit Company's rights under the Curtailable Service Rider tariff.
2. Power output will be maximized at Company's generating units.
3. Company use of energy at its generating stations will be reduced to a minimum.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 8, 2007

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

P.S.C. No. 17, Original Sheet No. 107.2

TERMS AND CONDITIONS

Energy Curtailment and Service Restoration Procedures

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ISSUED BY: **/s/** Edwin R. Staton, Vice President
State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

TERMS AND CONDITIONS

Energy Curtailment and Service Restoration Procedures

CURTAILMENT PROCEDURES (continued)

4. Company's use of electric energy in the operation of its offices and other facilities will be reduced to a minimum.

5. The Kentucky Public Service Commission will be advised of the situation.

6. An appeal will be made to customers through the news media and/or personal contact to voluntarily curtail as much load as possible. The appeal will emphasize the defined priority levels as set forth above.

7. Customers will be advised through the use of the news media and personal contact that load interruption is imminent.

8. Implement procedures for interruption of selected distribution circuits.

SERVICE RESTORATION PROCEDURES

Where practical, priority uses will be considered in restoring service and service will be restored in the order I through IV as defined under PRIORITY LEVELS. However, because of the varieties of unpredictable circumstances which may exist or precipitate outages, it may be necessary to balance specific individual needs with infrastructure needs that affect a larger population. When practical, Company will attempt to provide estimates of repair times to aid customers in assessing the need for alternative power sources and temporary relocations.

DATE OF ISSUE: January 31, 2013

DATE EFFECTIVE: January 8, 2007

ISSUED BY: /s/ Lonnie E. Bellar, Vice President
State Regulation and Rates
Lexington, Kentucky

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Kentucky Utilities Company

TERMS AND CONDITIONS

Energy Curtailment and Service Restoration Procedures

CURTAILMENT PROCEDURES (continued)

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State Regulation and Rates
Lexington, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2009-00548 dated July 30, 2010

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(1)(b)(5)
Sponsoring Witness: Edwin R. Staton

Description of Filing Requirement:

A statement that notice has been given in compliance with Section 17 of this administrative regulation with a copy of the notice.

Response:

Customer notice has been given in compliance with 807 KAR 5:001, Section 17. Notice given pursuant to 807 KAR 5:001, Section 17 satisfies the requirements of 807 KAR 5:051, Section 2.

See attached Certificate of Notice.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC RATES	)))	**CASE NO. 2014-00371**

CERTIFICATE OF NOTICE

Pursuant to the Kentucky Public Service Commission's Regulation 807 KAR 5:001, Section 16(1)(b)(5), I hereby certify that I am Edwin "Ed" R. Staton, Vice President, State Regulation and Rates, for Kentucky Utilities Company ("KU" or "Company"), a utility furnishing retail electric service within the Commonwealth of Kentucky which, on the 26th day of November, 2014, filed an application with the Kentucky Public Service Commission for the approval of an adjustment of the electric rates, terms, conditions and tariffs of KU, and that notice to the public of the filing of the application has been completed in all respects as required by 807 KAR 5:001, Section 17 and 807 KAR 5:011, Sections 8(2)(c) and 9(2), as follows:

On the 26th day of November, 2014, the notice to the public was delivered for exhibition and public inspection at the offices and places of business of the Company in the territory affected thereby, to-wit, at the following places:

Barlow
Campbellsville
Carrollton
Danville
Earlington
Eddyville
Elizabethtown
Georgetown
Greenville
Harlan
Lexington
London
Maysville
Middlesboro
Morehead
Morganfield
Mt. Sterling
Paris
Richmond
Shelbyville
Somerset
Versailles
Winchester

and that the same will be kept open to public inspection at said offices and places of business in conformity with the requirements of 807 KAR 5:001, Section 17(1)(a) and 807 KAR 5:011, Section 8(1)(a).

I further certify that more than twenty (20) customers will be affected by said change by way of an increase in their rates or charges, and that on the 5th day of November, 2014, there was delivered to the Kentucky Press Association, an agency that acts on behalf of newspapers of general circulation throughout the Commonwealth of Kentucky in which customers affected reside, for publication therein once a week for three consecutive weeks beginning on November 19, 2014, a notice of the filing of KU's application, including its proposed rates, a copy of said notice being attached hereto as Exhibit A, and a list of newspapers of general circulation throughout the Commonwealth of Kentucky in which customers affected reside, a copy of said list being attached hereto as Exhibit B. A certificate of publication of said notice will be furnished to the Kentucky Public Service Commission upon completion of same pursuant to 807 KAR 5:001, Section 17(3)(b).

In addition, beginning on November 26, 2014, KU began including a general statement explaining the Application in this case with the bills for all Kentucky retail customers during the course of their regular monthly billing cycle. An accurate copy of this general statement is attached as Exhibit C.

Also beginning on November 19, 2014, KU posted on its Internet website a copy of the notice to the public and a hyperlink to the location on the Kentucky Public Service Commission's website where the case documents and tariff filings are available. Beginning on November 26, 2014, KU posted on its Internet website a complete copy of KU's application in this case. Both the notice being published in newspapers and the bill inserts being sent to customers include the web address to the online posting.

Given under my hand this 26th day of November, 2014.

Edwin "Ed" R. Staton
Vice President, State Regulation and Rates
LG&E and KU Services Company
220 West Main Street
Louisville, Kentucky 40202

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 26th day of November, 2014

Judy Schooler (SEAL)
Notary Public

My Commission Expires:
July 18, 2018

Exhibit A

Notice of the Filing

NOTICE

Notice is hereby given that, in a November 26, 2014 Application, Kentucky Utilities Company is seeking approval by the Public Service Commission of an adjustment of electric rates and charges proposed to become effective on and after January 1, 2015.

KU CURRENT AND PROPOSED ELECTRIC RATES

Residential Service - Rate RS

	Current	Proposed
Basic Service Charge per Month:	$10.75	$18.00
Energy Charge per kWh:	$ 0.07744	$ 0.08057

Availability of Service: Text proposed to be added to clarify that single phase service is for secondary service only.

Residential Time-of-Day Energy Service - Rate RTOD-Energy

Current – This rate schedule is not currently available.

Proposed

Basic Service Charge per Month:	$18.00
Plus an Energy Charge per kWh:	
Off-Peak Hours	$ 0.05100
On-Peak Hours	$ 0.25874

Availability of Service: Service under this rate schedule is limited to a maximum of five hundred (500) customers taking service on RTOD-Energy and RTOD-Demand combined that are eligible for Rate RS. This service is also available to customers on Rate Schedule GS (where the GS service is used in conjunction with an RS service to provide service to a detached garage and energy usage is no more than 300 kWh per month) who demonstrate power delivered to such detached garage is consumed in part for the powering of low emission vehicles licensed for operation on public street or highways. A customer electing to take service under this rate schedule who subsequently elects to take service under the standard Rate RS may not be allowed to return to this optional rate for 12 months from the date of exiting the rate schedule.

Determination of Pricing Periods: Pricing periods are established in Eastern Standard Time year round by season for weekdays and weekends.

Summer Period - Five Billing Periods of May through September

Weekdays: Off Peak (5pm-1pm), On Peak (1pm-5pm)

Weekends: Off Peak (All Hours), On Peak (N/A)

Winter Period - All Other Months

Weekdays: Off Peak (11am-7am), On Peak (7am-11am)

Weekends: Off Peak (All Hours), On Peak (N/A)

Minimum Bill: The Basic Service Charge shall be the minimum charge.

Residential Time-of-Day Demand Service - Rate RTOD-Demand

Current – This rate schedule is not currently available.

Proposed

Basic Service Charge per Month:	$18.00
Plus an Energy Charge per kWh:	$ 0.04008
Plus a Demand Charge per kW:	
Off-Peak Hours	$ 3.25
On-Peak Hours	$11.56

Availability of Service: Service under this rate schedule is limited to a maximum of five hundred (500) customers taking service on RTOD-Energy and RTOD-Demand combined that are eligible for Rate RS. This service is also available to customers on Rate Schedule GS (where the GS service is used in conjunction with an RS service to provide service to a detached garage and energy usage is no more than 300 kWh per month) who demonstrate power delivered to such detached garage is consumed in part for the powering of low emission vehicles licensed for operation on public street or highways. A customer electing to take service under this rate schedule who subsequently elects to take service under the standard Rate RS may not be allowed to return to this optional rate for 12 months from the date of exiting the rate schedule.

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Weekends: Off Peak (All Hours), On Peak (N/A)

Winter Period - All Other Months
Weekdays: Off Peak (11am-7am), On Peak (7am-11am)
Weekends: Off Peak (All Hours), On Peak (N/A)

Minimum Bill: The Basic Service Charge shall be the minimum charge.

Volunteer Fire Department Service - Rate VFD

	Current	**Proposed**
Basic Service Charge per Month:	$10.75	$18.00
Energy Charge per kWh:	$ 0.07744	$ 0.08057

General Service – Rate GS

Single Phase	**Current**	**Proposed**
Basic Service Charge per Month	$20.00	$25.00
Energy Charge per kWh	$ 0.09225	$ 0.10055
Three Phase		
Basic Service Charge per Month	$35.00	$40.00
Energy Charge per kWh	$ 0.09225	$ 0.10055

All Electric School – Rate AES

Single Phase	**Current**	**Proposed**
Basic Service Charge per Month	$20.00	$25.00
Energy Charge per kWh	$ 0.07440	$ 0.08231
Three Phase		
Basic Service Charge per Month	$35.00	$40.00
Energy Charge per kWh	$ 0.07440	$ 0.08231

Power Service – Rate PS

Secondary Service	**Current**	**Proposed**
Basic Service Charge (per Month)	$90.00	$90.00
Energy Charge (per kWh)	$ 0.03564	$ 0.03570
Demand Charge (per kW per month of billing demand)		
Summer Rate (May through September)	$15.30	$18.01
Winter Rate (All Other Months)	$13.20	$15.91

Primary Service	**Current**	**Proposed**
Basic Service Charge (per Month)	$170.00	$200.00
Energy Charge (per kWh)	$ 0.03562	$ 0.03445
Demand Charge (per kW per month of billing demand)		
Summer Rate (May through September)	$ 15.28	$ 18.50

Winter Rate (All Other Months)	$ 13.18	$ 16.40

Time-of-Day Secondary Service - Rate TODS

	Current	**Proposed**
Basic Service Charge (per Month)	$200.00	$200.00
Energy Charge (per kWh)	$ 0.03773	$ 0.03526
Maximum Load Charge (per kW per month)		
Peak Demand Period	$ 4.55	$ 5.92
Intermediate Demand Period	$ 2.95	$ 4.32
Base Demand Period	$ 3.62	$ 4.99

Time-of-Day Primary Service - Rate TODP

Availability of Service:

Present: This schedule is available for primary service. Service under this schedule will be limited to customers whose 12-month-average monthly minimum average loads exceed 250 kVA and whose 12-month-average monthly maximum new loads do not exceed 50,000 kVA. Existing customers may increase loads to a 12-month-average monthly maximum of 75,000 kVA by up to 2,000 kVA per year or in greater increments with approval of Company's transmission operator.

Proposed: This schedule is available for primary service to any customer: (1) who has a 12-month average monthly minimum average demand exceeding 250 kVA; and (2) whose new or additional load receives any required approval of Company's transmission operator.

	Current	**Proposed**
Basic Service Charge (per Month)	$300.00	$300.00
Energy Charge (per kWh)	$ 0.03765	$ 0.03427
Maximum Load Charge (per kVA per month)		
Peak Demand Period	$ 4.26	$ 5.76
Intermediate Demand Period	$ 2.76	$ 4.26
Base Demand Period	$ 1.71	$ 3.21

Retail Transmission Service - Rate RTS

Availability of Service:

Current: This schedule is available for transmission service. Service under this schedule will be limited to customers whose 12-month-average monthly maximum new loads do not exceed 50,000 kVA. Existing customers may increase loads to a 12-month-average monthly maximum of 75,000 kVA by up to 2,000 kVA per year or in greater increments with approval of Company's transmission operator.

Proposed: This schedule is available for transmission service to any customer: (1) who has a 12-month average monthly minimum average demand exceeding 250 kVA; and (2) whose new or additional load receives any required approval of Company's transmission operator.

	Current	**Proposed**
Basic Service Charge (per Month)	$750.00	$1,000.00
Energy Charge (per kWh)	$ 0.03634	$ 0.03352
Maximum Load Charge (per kVA per month)		
Peak Demand Period	$ 3.97	$ 4.63
Intermediate Demand Period	$ 2.87	$ 4.53
Base Demand Period	$ 1.34	$ 3.00

Fluctuating Load Service – Rate FLS

Primary Service	**Current**	**Proposed**
Basic Service Charge (per Month)	$750.00	$1,000.00
Energy Charge (per kWh)	$ 0.03643	$ 0.03643

Maximum Load Charge (per kVA per month)		
Peak Demand Period	$ 2.41	$ 2.86
Intermediate Demand Period	$ 1.52	$ 1.97
Base Demand Period	$ 1.80	$ 2.25

Transmission Service	**Current**	**Proposed**
Basic Service Charge (per Month)	$750.00	$1,000.00
Energy Charge (per kWh)	$ 0.03261	$ 0.03343
Maximum Load Charge (per kVA per month)		
Peak Demand Period	$ 2.41	$ 2.86
Intermediate Demand Period	$ 1.52	$ 1.97
Base Demand Period	$ 1.05	$ 1.50

Lighting Service - Rate LS

	Rate Per Light Per Month	
OVERHEAD SERVICE	**Current**	**Proposed**
High Pressure Sodium		
462 Cobra Head – 5,800 Lumen – Fixture Only	$ 8.66	$ 9.52
472 Cobra Head – 5,800 Lumen – Ornamental	$11.60	$12.75
463 Cobra Head – 9,500 Lumen – Fixture Only	$ 9.14	$10.05
473 Cobra Head – 9,500 Lumen – Ornamental	$12.30	$13.52
464 Cobra Head – 22,000 Lumen – Fixture Only	$14.25	$15.67
474 Cobra Head – 22,000 Lumen – Ornamental	$17.41	$19.14
465 Cobra Head – 50,000 Lumen – Fixture Only	$22.84	$25.11
475 Cobra Head – 50,000 Lumen – Ornamental	$24.46	$26.89
487 Directional – 9,500 Lumen – Fixture Only	$ 9.00	$ 9.90
488 Directional – 22,000 Lumen – Fixture Only	$13.64	$15.00
489 Directional – 50,000 Lumen – Fixture Only	$19.46	$21.40
428 Open Bottom – 9,500 Lumen – Fixture Only	$ 7.84	$ 8.62
Metal Halide		
450 Directional – 12,000 Lumen – Fixture Only	$14.25	$15.67
451 Directional – 32,000 Lumen – Fixture Only	$20.20	$22.21
452 Directional – 107,800 Lumen – Fixture Only	$42.35	$46.56

	Rate Per Light Per Month	
UNDERGROUND SERVICE	**Current**	**Proposed**
High Pressure Sodium		
467 Colonial – 5,800 Lumen – Decorative	$10.77	$11.84
468 Colonial – 9,500 Lumen – Decorative	$11.16	$12.27
401 Acorn – 5,800 Lumen – Smooth Pole	$14.86	$16.34
411 Acorn – 5,800 Lumen – Fluted Pole	$21.38	$23.51
420 Acorn – 9,500 Lumen – Smooth Pole	$15.36	$16.89
430 Acorn – 9,500 Lumen – Fluted Pole	$22.00	$24.19
414 Victorian 5,800 Lumen – Fluted Pole	$30.84	$33.91
415 Victorian 9,500 Lumen – Fluted Pole	$31.22	$34.33
476 Contemporary – 5,800 Lumen – Fixture/Pole	$16.79	$18.46
492 Contemporary – 5,800 Lumen – 2nd Fixture	$15.37	$16.90
477 Contemporary – 9,500 Lumen – Fixture/Pole	$20.97	$23.06
497 Contemporary – 9,500 Lumen – 2nd Fixture	$15.35	$16.88
478 Contemporary– 22,000 Lumen – Fixture/Pole	$26.86	$29.53
498 Contemporary– 22,000 Lumen – 2nd Fixture	$17.72	$19.48
479 Contemporary– 50,000 Lumen – Fixture/Pole	$33.12	$36.42

499 Contemporary– 50,000 Lumen – 2nd Fixture	$21.49	$23.63
300 Dark Sky – 4,000 Lumen	$22.49	$24.73
301 Dark Sky – 9,500 Lumen	$23.50	$25.84
360 Granville Pole and Fixture, 16,000 Lumen And Accessories	**Moved to Rate RLS**	
Metal Halide		
490 Contemporary – 12,000 Lumen – Fixture Only	$15.47	$17.01
494 Contemporary – 12,000 Lumen – Smooth Pole	$28.37	$31.19
491 Contemporary – 32,000 Lumen – Fixture Only	$21.93	$24.11
495 Contemporary – 32,000 Lumen – Smooth Pole	$34.83	$38.30
493 Contemporary – 107,800 Lumen – Fixture Only	$45.70	$50.25
496 Contemporary – 107,800 Lumen – Smooth Pole	$58.59	$64.42

Restricted Lighting Service - Rate RLS

Availability of Service:

Present: Service under this rate schedule is restricted to those lighting fixtures in service as of August 1, 2012, except where a spot replacement maintains the continuity of multiple fixtures/poles composing a neighborhood lighting system.

Proposed: Service under this rate schedule is restricted to those lighting fixtures in service as of January 1, 2013, except where a spot replacement maintains the continuity of multiple fixtures/poles composing a neighborhood lighting system or continuity is desired for a subdivision being developed in phases.

	Rate Per Light Per Month	
OVERHEAD SERVICE	**Current**	**Proposed**
High Pressure Sodium		
461 Cobra Head – 4,000 Lumen – Fixture Only	$ 7.54	$ 8.29
471 Cobra Head – 4,000 Lumen – Fixture & Pole	$10.49	$11.53
409 Cobra Head – 50,000 Lumen – Fixture Only	$11.71	$12.88
426 Open Bottom – 5,800 Lumen – Fixture Only	$ 7.44	$ 8.18
Metal Halide		
454 Direct – 12,000 Lumen – Flood Fixture & Pole	$18.65	$20.51
455 Direct – 32,000 Lumen – Flood Fixture & Pole	$24.59	$27.04
459 Direct – 107,800 Lumen – Flood Fixture & Pole	$46.74	$51.39
Mercury Vapor		
446 Cobra Head – 7,000 Lumen – Fixture Only	$ 9.56	$10.51
456 Cobra Head – 7,000 Lumen – Fixture & Pole	$11.87	$13.05
447 Cobra Head – 10,000 Lumen – Fixture Only	$11.32	$12.45
457 Cobra Head – 10,000 Lumen – Fixture & Pole	$13.36	$14.69
448 Cobra Head – 20,000 Lumen – Fixture Only	$12.81	$14.08
458 Cobra Head – 20,000 Lumen – Fixture & Pole	$15.08	$16.58
404 Open Bottom – 7,000 Lumen – Fixture Only	$10.57	$11.62
Incandescent		
421 Tear Drop – 1,000 Lumen – Fixture Only	$ 3.39	$ 3.73
422 Tear Drop – 2,500 Lumen – Fixture Only	$ 4.54	$ 4.99
424 Tear Drop – 4,000 Lumen – Fixture Only	$ 6.78	$ 7.45
434 Tear Drop – 4,000 Lumen – Fixture & Pole	$ 7.74	$ 8.51
425 Tear Drop – 6,000 Lumen – Fixture Only	$ 9.06	$ 9.96

	Rate Per Light Per Month	
UNDERGROUND SERVICE	**Current**	**Proposed**
Metal Halide		
460 Direct – 12,000 Lumen – Flood Fixture & Pole	$27.15	$29.85

469 Direct – 32,000 Lumen – Flood Fixture & Pole	$33.10	$36.39
470 Direct – 107,800 Lumen – Flood Fixture & Pole	$55.25	$60.75
High Pressure Sodium		
440 Acorn – 4,000 Lumen – Flood Fixture & Pole	$13.61	$14.96
410 Acorn – 4,000 Lumen – Fluted Pole	$20.26	$22.28
466 Colonial – 4,000 Lumen – Smooth Pole	$ 9.62	$10.58
412 Coach – 5,800 Lumen – Smooth Pole	$30.84	$33.91
413 Coach – 9,500 Lumen – Smooth Pole	$31.22	$34.33
360 Granville Pole and Fixture, 16,000 Lumen and Accessories	**Moved From Rate LS**	
360 Granville Pole and Fixture, 16000L	$55.33	$60.84
(Granville Accessories)		
Twin Crossarm Bracket (Inc. 1 Fixture)	$20.57	N/A
24 Inch Banner Arm	$ 3.21	N/A
24 Inch Clamp Banner Arm	$ 4.43	N/A
18 Inch Banner Arm	$ 2.95	N/A
18 Inch Clamp Banner Arm	$ 3.66	N/A
Flagpole Holder	$ 1.36	N/A
Post-Mounted Receptacle	$19.19	N/A
Additional Post-Mounted Receptacle	$ 2.62	N/A
Planter	$ 4.45	N/A
Clamp On Planter	$ 4.94	N/A

Lighting Energy Service - Rate LE

	Current	**Proposed**
Energy Charge per kWh:	$0.06380	$0.07020

Traffic Energy Service - Rate TE

	Current	**Proposed**
Basic Service Charge per Month:	$3.25	$4.00
Energy Charge per kWh:	$0.07978	$0.08501

Cable Television Attachment Charges – Rate CTAC

	Current	**Proposed**
Attachment Charge per year for each attachment to pole:	$9.69	$9.69

Curtailable Service Rider 10 – Rider CSR10

Primary	**Current**	**Proposed**
Monthly Demand Credit Per kVA:	($5.50)	($5.50)
Non-Compliance Charge:	$16.00	$16.00
Transmission	**Current**	**Proposed**
Monthly Demand Credit Per kVA:	($5.40)	($5.40)
Non-Compliance Charge:	$16.00	$16.00

Company further proposes text changes to: (1) eliminate buy-through hours and Automatic Buy Through Pricing; (2) eliminate all restrictions on Company's ability to request physical-curtailment hours, though Company does not propose to change the number of physical-curtailment hours; (3) replace all references of "kW" and "MW" with "kVA" and "MVA," respectively; and (4) to require each customer taking service under CSR10 to demonstrate or certify to Company's satisfaction at the commencement of service and annually thereafter the customer's capability to reduce its demand pursuant to the amount designated in the contract in the event of a request for curtailment.

Curtailable Service Rider 30 – Rider CSR30

Primary	**Current**	**Proposed**
Monthly Demand Credit Per kVA:	($ 4.40)	($ 4.40)
Non-Compliance Charge:	$16.00	$16.00
Transmission	**Current**	**Proposed**
Monthly Demand Credit Per kVA:	($4.30)	($4.30)
Non-Compliance Charge:	$16.00	$16.00

Company further proposes text changes to: (1) eliminate buy-through hours and Automatic Buy Through Pricing; (2) eliminate all restrictions on Company's ability to request physical-curtailment hours, though Company does not propose to change the number of physical-curtailment hours; (3) replace all references of "kW" and "MW" with "kVA" and "MVA," respectively; and (4) to require each customer taking service under CSR30 to demonstrate or certify to Company's satisfaction at the commencement of service and annually thereafter the customer's capability to reduce its demand pursuant to the amount designated in the contract in the event of a request for curtailment.

Standard Rider for Excess Facilities – Rider EF

Customer shall pay for excess facilities by:	**Current**	**Proposed**
(a) Making a monthly Excess Facilities charge payment equal to the installed cost of the excess facilities times the following percentage:		
Percentage with No Contribution-in-Aid-of-Construction	1.24%	1.24%
(b) Making a one-time Contribution-in-Aid-of-Construction equal to the installed cost of the excess facilities plus a monthly Excess Facilities Charge payment equal to the installed cost of the excess facilities times the following percentage:		
Percentage with Contribution-in-Aid-of-Construction	0.48%	0.48%

Net Metering Service – Rate NMS

Company proposes text changes to the definition of "Billing Period Credit" to clarify that such a credit is a kWh-denominated electricity credit only, not a monetary credit. Company further proposes text changes to the Metering and Billing section to clarify how the Company accounts for billing period credits for customers taking service under time-of-day rates.

Standard Rider for Redundant Capacity Charge – Rider RC

Capacity Reservation Charge per Month:	**Current (Per kW/kVA)**	**Proposed (Per kW/kVA)**
Secondary Distribution	$1.49	$1.12
Primary Distribution	$1.25	$1.11

Standard Rider for Supplemental or Standby Service – Rider SS

Contract Demand per month:	**Current (Per kW/kVA)**	**Proposed (Per kW/kVA)**
Secondary	$12.54	$12.84
Primary	$11.99	$11.63
Transmission	$10.84	$10.58

Also, Company proposes text changes to the Minimum Charge provision to clarify that for a Rider SS customer, Company will bill the customer monthly for all of the charges under the customer's applicable rate schedule, including, but not limited to, the applicable basic service charge, energy charges, and adjustment clauses. In addition to those charges, Company will bill the customer monthly a demand charge that is the greater of: (1) the customer's total demand charge calculated under the applicable rate schedule; or (2) the demand charge calculated using the applicable demand rate shown above applied to the Contract Demand.

Temporary and/or Seasonal Electric Service - Rider TS

Availability of Service:

Current: This rider is available at the option of the Customer where Customer's business does not require permanent installation of Company's facilities and is of such nature to require:

1. only seasonal service or temporary service, including service provided for construction of residences or commercial buildings, and where in the judgment of Company the local and system electrical facility capacities are adequate to serve the load without impairment of service to other customers; or
2. where Customer has need for temporary use of Company facilities and Company has facilities it is willing to provide.

This service is available for not less than one (1) month (approximately 30 days), but when service is used longer than one (1) month, any fraction of a month's use will be prorated for billing purposes.

Proposed: This rider is available at the option of Company where:

1. Customer's business does not require permanent installation of Company's facilities excluding service provided for construction of permanent delivery points for residences and commercial buildings, and is of such nature to require only seasonal service or temporary service; or
2. the service is over 50 kW, provided for construction purposes, and where in the judgment of Company the local and system electrical facility capacities are adequate to serve the load without impairment of service to other customers; or
3. where Customer has need for temporary intermittent use of Company facilities and Company has facilities it is willing to provide Customer for installation and operational testing of Customer's equipment.

This service is available for not less than one (1) month (approximately thirty (30) days), but when service is used longer than one (1) month, any fraction of a month's use will be prorated for billing purposes. Where this service is provided under 2 or 3 above, Company will determine the term of service, which shall not exceed one (1) year.

Standard Rate for Low Emission Vehicle Service – Rate LEV

Current

Basic Service Charge per Month:	$10.75
Energy Charge per kWh:	
Off-Peak Hours	$0.05587
Intermediate Hours	$0.07763
Peak Hours	$0.14297

Proposed – This rate schedule is proposed to be eliminated. The Company will make all reasonable efforts to contact Rate LEV customers to advise them of their new rate options after the Commission approves the new rates but before they take effect (at which time Rate LEV will terminate). Because Rate RTOD-Energy is the new rate most similar to Rate LEV, the Company will automatically transfer to Rate RTOD-Energy all Rate LEV customers who have not responded to the Company's outreach efforts by the effective date of the new rates; however, the Company will continue to make reasonable efforts to obtain those customers' input even after the rate change.

Economic Development Rider – Rider EDR

Company proposes changes to Rider EDR's Terms and Conditions to: (1) clarify the minimum demand required for the rider to be available to customer; (2) increase the range of certifications that can make a customer eligible for Rider EDR to include the Kentucky Business Investment Program (KBI), or the Kentucky Industrial Revitalization Act (KIRA), or the Kentucky Jobs Retention Act (KJRA), or other comparable programs approved by the Commonwealth of Kentucky; and (3) clarify that no credit under EDR will be calculated or applied to a customer's billing in any billing month in which the customer's metered load is less than the load required to be eligible for either Brownfield Development or Economic Development.

Meter Test Charge

Current Rate $75.00
Proposed Rate $75.00

Disconnecting and Reconnecting Service Charge

Current Rate: $28.00
Proposed Rate: $28.00

Meter Pulse Charge

Current Rate:
$15.00 per month per installed set of pulse-generating equipment
Proposed Rate:
$15.00 per month per installed set of pulse-generating equipment

Customer Deposits

Current Rate:

For Customers Served Under Residential Service Rate RS:	$135.00
For Customers Served Under General Service Rate GS:	$220.00

For all other Customers not classified herein, the deposit will be no more than 2/12 of Customer's actual or estimated annual bill where bills are rendered monthly.

Proposed Rate:

For Customers Served Under Residential Service Rates RS, RTOD-Energy, and RTOD-Demand:	$160.00
For Customers Served Under General Service Rate GS:	$240.00

For all other Customers not classified herein, the deposit will be no more than 2/12 of Customer's actual or estimated annual bill where bills are rendered monthly.

Terms and Conditions – Customer Responsibilities

Adding the following provision that could result in a charge to certain customers:
Changes in Service
Where Customer is receiving service and desires relocation or change in facilities not supported by additional load, Customer is responsible for the cost of the relocation or change in facilities through a Non-Refundable Advance.

Terms and Conditions – Budget Payment Plan

Current:
Company's Budget Payment Plan is available to any residential customer or general service customer. Under this plan, a customer may elect to pay, each billing period, a budgeted amount in lieu of billings for actual usage. A customer may enroll in the plan at any time.
Proposed:
Company's Budget Payment Plan is available to any residential customer served under Residential Service Rate RS or any general service customer served under General Service Rate GS. If a residential customer, who is currently served under Residential Service Rate RS and is

currently enrolled in the Budget Payment Plan, elects to take service under Residential Time-of-Day Energy Service Rate RTOD-Energy or Residential Time-of-Day Demand Service Rate RTOD-Demand, such customer would be removed from the Budget Payment Plan and restored to regular billing. Under this plan, a customer may elect to pay, each billing period, a budgeted amount in lieu of billings for actual usage. A customer may enroll in the plan at any time.

Kentucky Utilities Company also proposes to change the text of the following electric tariffs: Residential Service Rate RS, General Service Rate GS, All Electric School Rate AES, Time-of-Day Primary Service Rate TODP, Retail Transmission Service Rate RTS, Lighting Service Rate LS, Restricted Lighting Service Rate RLS, Special Charges, Curtailable Service Rider CSR10, Curtailable Service Rider CSR30, Net Metering Service Rate NMS, Supplemental or Standby Service Rider SS, Temporary and/or Seasonal Service Rider TS, Economic Development Rider, Low Emission Vehicle Service Rate LEV, Demand Side Management Cost Recovery Mechanism DSM, Environmental Cost Recovery Surcharge ECR, and the Terms and Conditions.

Changes to the Terms and Conditions include the addition of a section on Company as a Federal Contractor, meter placement, proposed clarifications on terms and conditions specific to residential electric service, and expanded options for the Company to provide written notice for discontinuance of service due to nonpayment or non-compliance.

Complete copies of the proposed tariffs containing text changes and proposed rates may be obtained by contacting Edwin R. Staton, Kentucky Utilities Company at 220 West Main Street, Louisville, Kentucky, 502-627-4314, or visiting Kentucky Utilities Company's website at www.lge-ku.com.

The foregoing rates reflect a proposed annual increase in revenues of approximately 9.6% to Kentucky Utilities Company.

The estimated amount of the annual change and the average monthly bill to which the proposed electric rates will apply for each electric customer class is as follows:

Electric Rate Class	Average Monthly Usage (kWh)	Annual $ Increase	Annual % Increase	Monthly Bill $ Increase	Monthly Bill % Increase
Residential	1,200	56,838,067	9.57	11.01	9.57
General Service	1,934	20,741,924	9.56	21.05	9.56
All Electric School	19,934	1,238,148	9.57	162.68	9.57
Power Service	40,301	21,023,825	9.57	360.95	9.57
TODS (Secondary)	287,430	11,341,999	9.56	2,026.09	9.56
TODP (Primary)	1,406,795	27,203,590	9.57	8,907.53	9.57
Retail Transmission	4,181,329	9,554,633	9.57	24,881.86	9.57
Fluctuating Load	46,733,045	3,010,052	9.57	250,837.67	9.57
Outdoor Lights	59	2,473,044	9.59	1.23	9.63
Lighting Energy	12,325	2,840	9.58	78.89	9.58
Traffic Energy	138	13,216	9.57	1.48	9.60
CTAC	N/A	0	0	0	0
LEV to RTOD-Energy	1,158	1,344	15.51	15.81	15.51

The rates contained in this notice are the rates proposed by Kentucky Utilities Company; however, the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice.

Notice is further given that any corporation, association, body politic or person with a substantial interest in the matter may by written request, within thirty (30) days after publication of the notice of the proposed rate changes, request to intervene. The request shall be submitted to the Public Service Commission, P. O. Box 615, Frankfort, Kentucky 40602, and shall set forth the grounds for the request, including the status and interest of the party. Intervention may be granted beyond the thirty (30) day period for good cause shown, however, if the Commission does not receive a written request for intervention within thirty (30) days of initial publication, the Commission may take final action on the application. Any person who has been granted intervention may obtain copies of the application and any other filing made by the utility by contacting Edwin R. Staton, Vice President – State Regulation and Rates, Kentucky Utilities Company, c/o LG&E and KU Energy LLC, 220 West Main Street, Louisville, Kentucky, 502-627-4314.

A copy of the application and testimony shall be available for public inspection at the office of Kentucky Utilities Company, 100 Quality Street, Lexington, Kentucky.

A copy of the application and testimony shall also be available for public inspection at the offices of the Kentucky Public Service Commission located at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the commission's Web site at http://psc.ky.gov. Comments regarding the application may be submitted to the Public Service Commission through its Web site or by mail to Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602.

A copy of this Notice and the proposed tariff, once filed, shall also be available for public inspection on Kentucky Utilities Company's website at www.lge-ku.com, or through the Public Service Commission's website at http://psc.ky.gov.

Kentucky Utilities Company
c/o LG&E and KU Energy LLC
220 West Main Street
P. O. Box 32010
Louisville, Kentucky 40232
502-627-4314

Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40601
502-564-3940

Exhibit B

Listing of Newspapers Publishing Notice

List of Newspapers in KU Territory

Barbourville Mountain Advocate
Bardstown Kentucky Standard
Bardwell Carlisle County News
Bardwell Carlisle Weekly
Beattyville Enterprise
Bedford Trimble Banner
Berea Citizen
Brandenburg Meade Messenger
Brooksville Bracken County News
Brownsville Edmonson News
Calhoun McLean County News
Campbellsville Central Kentucky News Journal
Carlisle Mercury
Carrollton News Democrat
Cave City Barren Progress
Central City Leader News
Central City Times Argus
Clinton Hickman County Gazette
Columbia Adair Progress
Corbin Times Tribune
Cumberland Tri City News
Cynthiana Democrat
Dawson Springs Progress
Eddyville Herald Ledger
Elizabethtown News Enterprise
Falmouth Outlook
Flemingsburg Gazette
Florence Boone Recorder
Frankfort State Journal
Fulton Leader
Georgetown Graphic
Glasgow Daily Times
Greensburg Record Herald
Harlan Enterprise
Harrodsburg Herald
Hartford Ohio County Times
Henderson Gleaner
Hickman Courier
Hodgenville Larue County Herald
Hopkinsville Kentucky New Era
Irvine Citizen Voice Times
Irvine Estill County Tribune
Lagrange Oldham Era
Lancaster Central Record

Lawrenceburg Anderson News
Lebanon Enterprise
Leitchfield News Gazette
Leitchfield Record
Lexington Herald Leader
Liberty Casey County News
London Sentinel Echo
Louisville Courier Journal
Madisonville Messenger
Manchester Enterprise
Marion Crittenden Press
Maysville Ledger Independent
Middlesboro Daily News
Morehead News
Morganfield Union County Advocate
Mt. Sterling Advocate
Mt. Vernon Signal
Munfordville Hart County News
New Castle Henry County Local
Nicholasville Jessamine Journal
Owensboro Messenger Enquirer
Owenton News Herald
Owingsville Bath Outlook
Paducah Sun
Paris Bourbon Citizen
Pineville Sun
Princeton Times Leader
Providence Journal Enterprise
Richmond Register
Robertson County News
Russell Springs Times
Sebree Banner
Shelbyville Sentinel News
Shepherdsville Pioneer
Smithland Livingston Ledger
Somerset Commonwealth Journal
Springfield Sun
Stanford Interior Journal
Sturgis News
Taylorsville Spencer Magnet
The Advocate Messenger
Three Forks Tradition
Versailles Woodford Sun
Warsaw Gallatin News
Whitley City McCreary Record
Whitley City McCreary Voice

Wickliffe Advance Yeoman
Williamsburg News Journal
Williamstown Grant County News
Winchester Sun

Exhibit C

Customer Bill Insert
General Statement

NOTICE TO CUSTOMERS OF
KENTUCKY UTILITIES COMPANY

PLEASE TAKE NOTICE that, in a November 26, 2014 Application, Kentucky Utilities Company ("KU") is seeking approval by the Kentucky Public Service Commission ("Commission") of an adjustment of its rates and charges to become effective on and after January 1, 2015.

The proposed rates reflect a proposed annual increase in revenues of approximately 9.6% to KU.

The estimated amount of the annual change and the average monthly bill to which the proposed electric rates will apply for each electric customer class are as follows:

Electric Rate Class	Average Usage (kWh)	Annual $ Increase	Annual % Increase	Mthly Bill $ Increase	Mthly Bill % Increase
Residential	1,200	56,838,067	9.57	11.01	9.57
General Service	1,934	20,741,924	9.56	21.05	9.56
All Electric School	19,934	1,238,148	9.57	162.68	9.57
Power Service	40,301	21,023,825	9.57	360.95	9.57
TODS Power – Secondary	287,430	11,341,999	9.56	2,026.09	9.56
TODP Power – Primary	1,406,795	27,203,590	9.57	8,907.53	9.57
Retail Transmission	4,181,329	9,554,633	9.57	24,881.86	9.57
Fluctuating Load Service	46,733,045	3,010,052	9.57	250,837.67	9.57
Outdoor Lights	59	2,473,044	9.59	1.23	9.63
Lighting Energy	12,325	2,840	9.58	78.89	9.58
Traffic Energy	138	13,216	9.57	1.48	9.60
CTAC	N/A	0	0	0	0
LEV to RTOD-Energy	1,158	1,344	15.51	15.81	15.51

KU is also proposing the following increases in its Customer Deposits: For Customers served under Residential Rate RS, proposed Residential Time-of-Day Energy Service Rate RTOD-Energy, and proposed Residential Time-of-Day Demand Service Rate RTOD-Demand, the deposit amount will increase from $135 to $160, and for Customers served under General Service Rate GS, the deposit amount will increase from $220.00 to $240.00. All other non-residential electric customers will continue to pay a deposit not to exceed 2/12 of the customer's actual or estimated annual bill.

KU is also proposing changes in the text of some of its rate schedules and other tariff provisions, including its terms and conditions for electric service. Complete copies of the proposed tariffs containing the proposed text changes and rates may be obtained by contacting Edwin R. Staton, Kentucky Utilities Company at 220 West Main Street, Louisville, Kentucky, 40202, 502-627-4314, or by visiting Kentucky Utilities Company's website at www.lge-ku.com.

KU's application contains the rates proposed by Kentucky Utilities Company; however, the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice.

Notice is further given that any corporation, association, body politic or person with a substantial interest in the matter may by written request, within thirty (30) days after publication of the notice of the proposed rate changes, request to intervene. The request shall be submitted to the Public Service

Commission, P. O. Box 615, Frankfort, Kentucky 40602, and shall set forth the grounds for the request, including the status and interest of the party. Intervention may be granted beyond the thirty (30) day period for good cause shown; however, if the Commission does not receive a written request for intervention within thirty (30) days of initial publication, the Commission may take final action on the application. Any person who has been granted intervention may obtain copies of the application and any other filing made by the utility by contacting Edwin R. Staton, Vice President – State Regulation and Rates, Kentucky Utilities Company, c/o LG&E and KU Energy LLC, 220 West Main Street, Louisville, Kentucky, 502-627-4314.

A copy of the application and testimony shall be available for public inspection at the office of Kentucky Utilities Company, One Quality Street, Lexington, Kentucky.

A copy of the application and testimony shall also be available for public inspection at the offices of the Kentucky Public Service Commission located at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the commission's website at http://psc.ky.gov. Comments regarding the application may be submitted to the Public Service Commission through its website or by mail to Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602.

A copy of the Notice of Filing and the proposed tariff, once filed, shall also be available for public inspection on Kentucky Utilities Company's website at www.lge-ku.com, or through the Public Service Commission's website at http://psc.ky.gov.

Kentucky Utilities Company
c/o LG&E and KU Energy LLC
220 West Main Street
P. O. Box 32010
Louisville, Kentucky 40232
502-627-4314

Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602
502-564-3940

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(2)
Sponsoring Witness: Edwin R. Staton

Description of Filing Requirement:

Notice of Intent. Utilities with gross annual revenues greater than $5,000,000 shall notify the Commission in writing of its intent to file a rate application at least thirty (30) days, but not more than sixty (60) days, prior to filing its application.

(a) The notice of intent shall state if the rate application will be supported by a historical test period or a fully forecasted test period.

(b) Upon filing the notice of intent, an application may be made to the commission for permission to use an abbreviated form of newspaper notice of proposed rate increases provided the notice includes a coupon that may be used to obtain a copy from the applicant of the full schedule of increases or rate changes.

(c) Upon filing the notice of intent with the commission, the applicant shall mail to the Attorney General's Office of Rate Intervention at a copy of the notice of intent or send by electronic mail in a portable document format, to rateintervention@ag.ky.gov.

Response:

See attached.

KU
a PPL company

Mr. Jeff DeRouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

Kentucky Utilities Company
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.lge-ku.com

Ed Staton
Vice President
T 502-627-4314
F 502-217-2055
Ed.Staton@lge-ku.com

October 22, 2014

RE: ***Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates* – Case No. 2014-00_____**

Dear Mr. DeRouen:

Please take notice that Kentucky Utilities Company ("KU") intends to file on or after November 26, 2014, a rate application for a general adjustment in its electric rates, including changes to its electric tariffs. The application will be supported by a fully forecasted test period ending June 30, 2016.

KU has contemporaneously filed a Request to Use Electronic Case Filing. Please assign this matter a case number and style and advise us of same so that it can be incorporated in the application and supporting testimony before filing with the Commission.

Sincerely,

Ed Staton

cc: Jennifer B. Hans, Esq.
Executive Director, Office of the Attorney General
Rate Intervention Division (via electronic mail)

a PPL company

Kentucky Utilities Company
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.lge-ku.com

Robert M. Conroy
Director, Rates
T 502-627-3324
F 502-627-3213
robert.conroy@lge-ku.com

Mr. Jeff DeRouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

October 22, 2014

RE: ***Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates*** **– Case No. 2014-00______**

Dear Mr. DeRouen:

Enclosed please find and accept a notice of election of use of electronic filing procedures in accordance with 807 KAR 5:001, Section 8. Kentucky Utilities Company intends to file on or after November 26, 2014, a rate application for a general adjustment in its electric rates, including changes to its electric tariffs.

Should you have any questions regarding the enclosed, please do not hesitate to contact me.

Sincerely,

Robert M. Conroy

cc: Jennifer B. Hans, Esq.
Executive Director, Office of the Attorney General
Rate Intervention Division (via electronic mail)

NOTICE OF ELECTION OF USE OF ELECTRONIC FILING PROCEDURES

(Complete All Shaded Areas and Check Applicable Boxes)

In accordance with 807 KAR 5:001, Section 8, Kentucky Utilities Company gives notice of its intent to file an application for Adjustment of Its Electric Rates with the Public Service Commission no later than December 1, 2014 and to use the electronic filing procedures set forth in that regulation.

Kentucky Utilities Company further states that:

	Yes	No
1. It requests that the Public Service Commission assign a case number to the intended application and advise it of that number as soon as possible;	☑	☐
2. It or its authorized representatives have registered with the Public Service Commission and are authorized to make electronic filings with the Public Service Commission;	☑	☐
3. Neither it nor its authorized representatives have registered with the Public Service Commission for authorization to make electronic filings but will do so no later than seven days before the date of its filing of its application for rate adjustment;	☐	☑
4. Pursuant to KRS 278.380, it waives any right to service of Public Service Commission orders by mail for purposes of this proceeding only;	☑	☐
5. It or its authorized agents possess the facilities to receive electronic transmissions;	☑	☐

6. The following persons are authorized to make filings on its behalf and to receive electronic service of Public Service Commission orders and any pleadings filed by any party or the Public Service Commission Staff:

Name	Electronic Mail Address
Robert M. Conroy	robert.conroy@lge-ku.com
Allyson K. Sturgeon	allyson.sturgeon@lge-ku.com
Ed Staton	ed.staton@lge-ku.com

	Yes	No
7. It and its authorized representatives listed above have read and understand the procedures for electronic filing set forth in 807 KAR 5:001 and will fully comply with those procedures unless the Public Service Commission directs otherwise.	☑	☐

Signed

Name: Robert M. Conroy

Title: Director, Rates

Address: 220 West Main Street
Louisville, KY 40202

Telephone Number: 502-627-3324

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(6)(a)
Sponsoring Witness: Kent W. Blake

Description of Filing Requirement:

The financial data for the forecasted period shall be presented in the form of pro forma adjustments to the base period.

Response:

The financial data for the forecasted period is presented in the form of pro forma adjustments to the base period.

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(6)(b)
Sponsoring Witness: Kent W. Blake

Description of Filing Requirement:

Forecasted adjustments shall be limited to the twelve (12) months immediately following the suspension period.

Response:

Forecasted adjustments have been limited to the twelve (12) months immediately following the suspension period.

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(6)(c)
Sponsoring Witness: Kent W. Blake

Description of Filing Requirement:

Capitalization and net investment rate base shall be based on a thirteen (13) month average for the forecasted period.

Response:

Capitalization and net investment rate base are based on a thirteen (13) month average for the forecasted period.

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(6)(d)
Sponsoring Witness: Kent W. Blake

Description of Filing Requirement:

After an application based on a forecasted test period is filed, there shall be no revisions to the forecast, except for the correction of mathematical errors, unless the revisions reflect statutory or regulatory enactments that could not, with reasonable diligence, have been included in the forecast on the date it was filed. There shall be no revisions filed within thirty (30) days of a scheduled hearing on the rate application.

Response:

KU acknowledges this requirement.

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(6)(e)
Sponsoring Witness: Kent W. Blake

Description of Filing Requirement:

The commission may require the utility to prepare an alternative forecast based on a reasonable number of changes in the variables, assumptions, and other factors used as the basis for the utility's forecast.

Response:

KU acknowledges this requirement.

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(6)(f)
Sponsoring Witness: Kent W. Blake

Description of Filing Requirement:

The utility shall provide a reconciliation of the rate base and capital used to determine its revenue requirements.

Response:

See attached.

KENTUCKY UTILITIES COMPANY

Reconciliation of Capitalization and Rate Base

Line No.	Description	13 Month Average Total Company Balance	13 Month Average Kentucky Jurisdictional	13 Month Average Other Jurisdictional
1	Rate Base Percentage (Schedule J-1.1/J-1.2)		88.88%	11.12%
2	Capitalization:			
3	Common Equity	$ 2,745,650,329		
4	Long-Term Debt	2,275,223,678		
5	Short-Term Debt	157,804,449		
6	Subtotal	$ 5,178,678,456	$ 4,602,809,412	$ 575,869,044
7	Adjustments to Capitalization:			
8	Investment in EEI	686,427	610,096	76,331
9	Investment in OVEC and Other	(1,221,720)	(1,085,865)	(135,855)
10	Environmental Compliance Plans		(1,029,495,031)	-
11	Demand Side Management Plans		(3,836,782)	-
12	Granville Light Sales		(33,403)	-
13	Subtotal	(535,293)	(1,033,840,984)	(59,525)
14				
15	Total Adjusted Capitalization (Schedule J-1.1/J-1.2)	$ 5,178,143,163	$ 3,568,968,428	$ 575,809,519
16				
17	Assets per books not included in rate base:			
18	Net ARO Assets		(126,711,966)	
19	Cash and Temporary Investments	(18,557,948)	(16,494,304)	(2,063,644)
20	Accounts Receivable	(141,807,833)	(126,038,802)	(15,769,031)
21	Other Current Assets	(94,079,233)	(83,617,622)	(10,461,611)
22	Deferred Regulatory Assets	(264,008,632)	(234,650,872)	(29,357,760)
23	Other Deferred Debits	(56,401,677)	(50,129,811)	(6,271,867)
24	Accumulated Deferred Income Taxes	(4,239,764)	(3,768,302)	(471,462)
25	Subtotal	(579,095,087)	(641,411,679)	(64,395,374)
26				
27	Liabilities per books not included in rate base:			
28	Other Deferred Credits	40,153,748	35,688,651	4,465,097
29	Regulatory Liabilities	138,613,923	123,200,054	15,413,868
30	ARO Liabilities	221,539,768	196,904,545	24,635,222
31	Other Current Liabilities	295,448,899	262,594,981	32,853,918
32	Accumulated Provision for Pension & Postretirement	23,623,150	20,996,256	2,626,894
33	Subtotal	719,379,487	639,384,488	79,994,999
34				
35	Capitalization per books not included in rate base:			
36	Debt Average Differences	(16,719,804)	(14,860,561)	(1,859,242)
37				
38	Items not included in rate base:			
39	Environmental Compliance Cash Working Capital		3,257,515	-
40				
41	Items included in rate base:			
42	Cash Working Capital Formula	131,788,560	119,087,393	9,443,652
43	Capitalization / Rate Base Allocation Differences	-	(5,157,041)	5,157,041
44	Subtotal	131,788,560	113,930,352	14,600,693
45				
46	Total Reconciliation	255,353,157	100,300,114	28,341,076
47				
48	Total Rate Base (Schedule B-1)	$ 5,433,496,320	$ 3,669,268,542	$ 604,150,596

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(a)
Sponsoring Witness: Edwin R. Staton

Description of Filing Requirement:

The written testimony of each witness the utility proposes to use to support its application, which shall include testimony from the utility's chief officer in charge of Kentucky operations on the existing programs to achieve improvements in efficiency and productivity, including an explanation of the purpose of the program.

Response:

Please refer to the testimonies and exhibits of the following persons:

- Victor S. Staffieri
- Paul W. Thompson
- Kent W. Blake
- David S. Sinclair
- John J. Spanos
- Dr. Martin Blake
- William E. Avera and Adrien M. McKenzie
- Edwin R. Staton
- Robert M. Conroy

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(b)
Sponsoring Witness: Kent W. Blake

Description of Filing Requirement:

The utility's most recent capital construction budget containing at a minimum a three (3) year forecast of construction expenditures.

Response:

See attached.

Kentucky Utilities Company
Case No. 2014-00371
Capital Expenditure Budget
Years 2014-2017

	Projected Capital Expenditures			
Category of Spend	**2014**	**2015**	**2016**	**2017**
Generation Capacity	96,271,750	33,766,011	15,272,934	1,710,639
Environmental	340,365,921	228,075,494	187,445,121	186,508,765
Generation	41,627,643	71,059,111	55,322,086	80,341,237
Transmission	42,390,069	43,351,263	41,437,646	58,563,815
Electric Distribution	76,842,151	86,853,678	90,034,713	94,329,000
Customer Services	8,584,644	7,487,602	10,117,518	9,321,848
IT & Shared Services	20,849,121	21,021,974	27,656,750	24,797,524
Total	**626,931,299**	**491,615,133**	**427,286,767**	**455,572,828**

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(c)
Sponsoring Witnesses: Kent W. Blake / David S. Sinclair / Paul W. Thompson

Description of Filing Requirement:

A complete description, which may be filed in written testimony form, of all factors used in preparing the utility's forecast period. All econometric models, variables, assumptions, escalation factors, contingency provisions, and changes in activity levels shall be quantified, explained, and properly supported.

Response:

A complete description of all factors used in preparing KU's forecast period, including the quantification, explanation and support for all econometric models, variables, assumptions, escalation factors, contingency provisions, and changes in activity levels in KU's forecast period are contained in the written direct testimony of Kent W. Blake and David S. Sinclair filed with KU's application and are also otherwise quantified, explained and properly supported in the following documents attached to this Filing Schedule. All confidential information responsive to this request is being provided under seal pursuant to a Petition for Confidential Protection.

A. 2015 Financial Planning Modeling Process	Kent W. Blake
B. Annual Electric Sales & Demand Forecast Process	David S. Sinclair
C. 2015 Business Plan Electric Sales Forecast	David S. Sinclair
D. [This line intentionally left blank.]	
E. [This line intentionally left blank.]	
F. Annual Generation & Off-System Sales Forecast Process	David S. Sinclair
G. 2015 Business Plan Generation and OSS Forecast	David S. Sinclair
H. 2015 – 2019 Business Plan LOB Presentation Template	Kent W. Blake
I. Line of Business Presentations	Kent W. Blake/Paul W. Thompson

Financial Forecast Modeling Process

Table of Contents

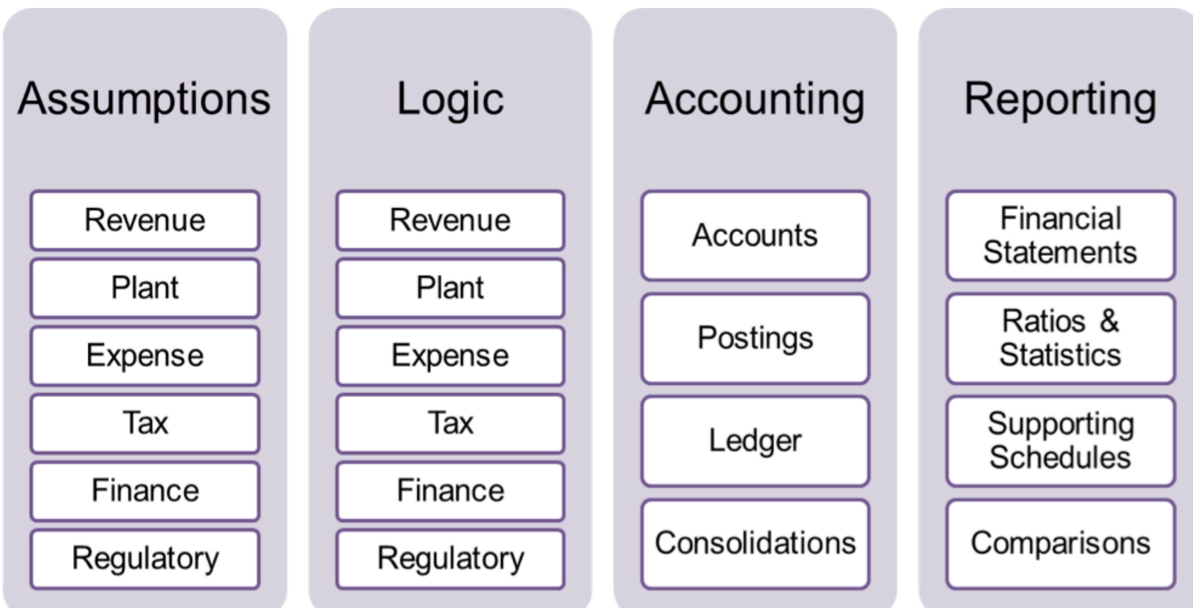
1. <u>General</u>

Introduction

The Financial Planning & Analysis group develops the five-year Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") and LG&E and KU Energy LLC (collectively "the Companies") business plan. The business plan is developed using the financial planning system, UIPlanner, an iterative model, which incorporates numerous inputs from the business as well as various formulas, algorithms and set logic. The business plan includes the projected five-year income statements, balance sheets and cash flows for the Companies.

UIPlanner (UI)

UI allows the company to manage all of the assumptions in the business plan, integrates the business logic, utilizes built in accounting controls, and produces robust analyses and reports.



[1]

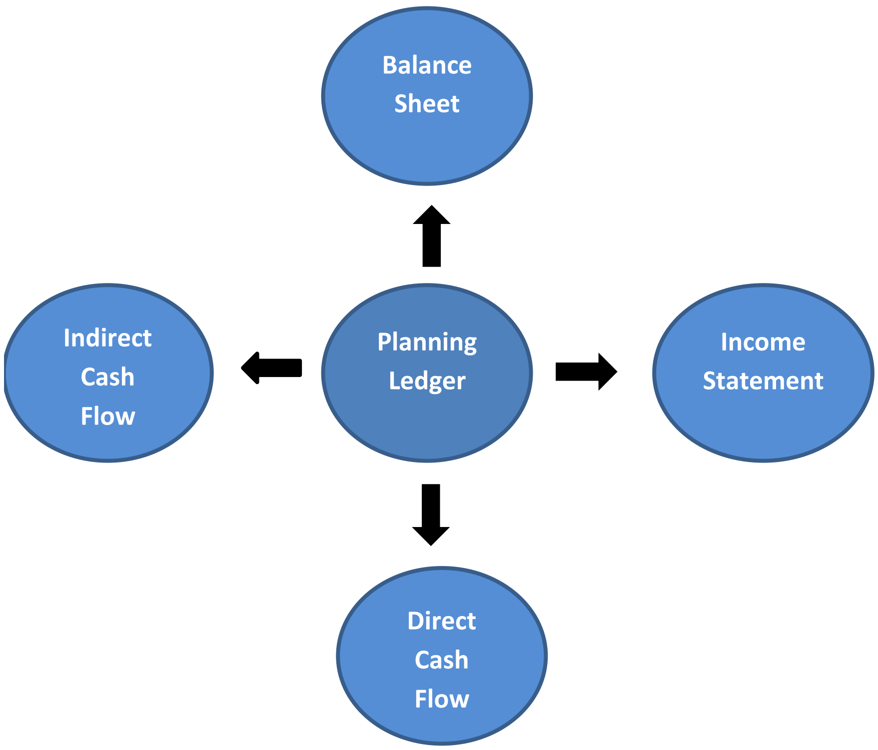
Planning assumptions are managed in UI. UI is superior to an excel based model because it allows for sharing assumptions in a common database. UI tracks changes to assumptions and maintains a record of who made the change and when.

UI has built-in accounting functions, which function identical to a general ledger (see Planning Ledger flow chart below). Double-entry accounting of debits and credits is developed in UI to maintain integrity of financial statements. If a posting is not entered in UI or if one side of the debit/credit is missing, UI will produce an error message before it will produce a financial statement. Ledger accounts are organized with a configurable roll-up structure. UI also allows for combining several accounts to a summary account for consistent and concise formatting in

[1] http://utilitiesinternational.com/uiplanner-software/planning/

the production of financial statements. These summary accounts are rolled up into a high-level area (asset, direct cash, expense, indirect cash, liability, or revenue). Each account in the ledger is also associated with an indirect cash flow account which can be customized to generate a detailed cash flow statement.

Planning Ledger Flow Chart



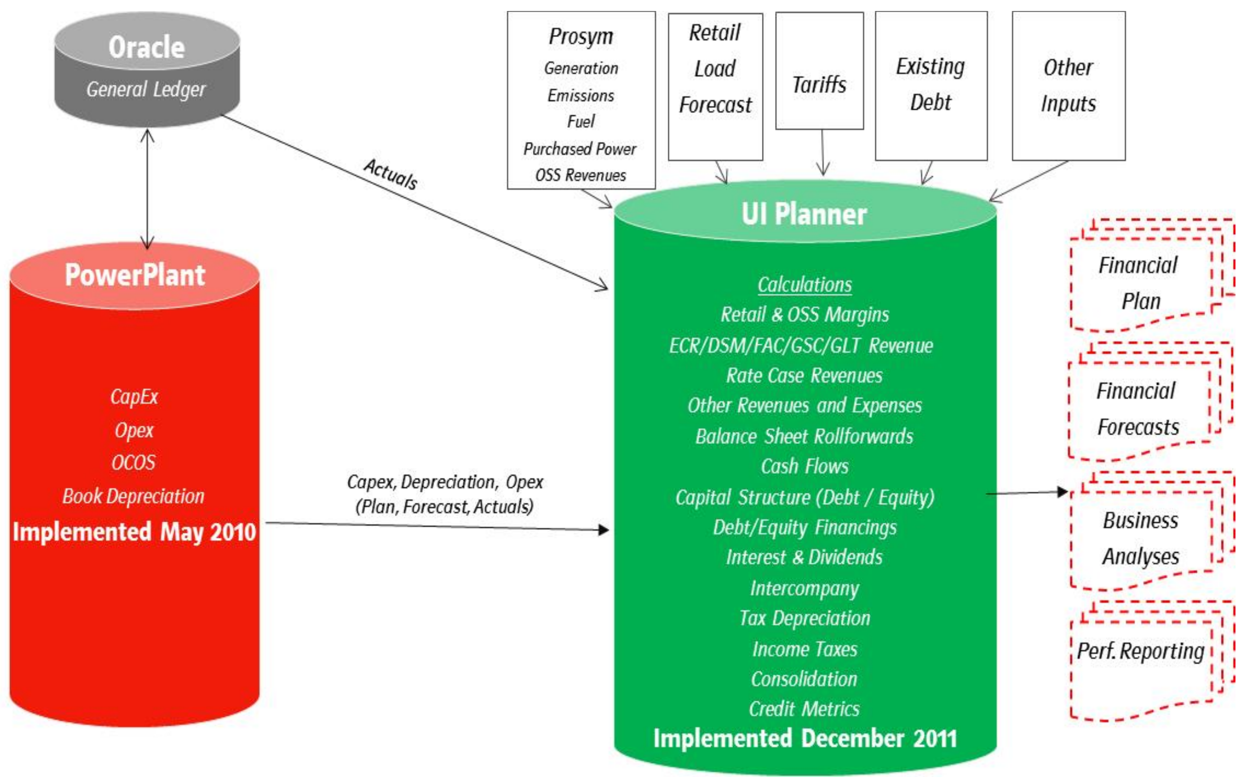
Each month actual balances are imported from the Oracle General Ledger (GL) to update UI with the latest balances and to compare the budget and revised forecast to actuals. The actuals imported into UI are compared to the trial balance in Oracle monthly to ensure completeness and accuracy.

Data in UI is entered via edit time data and housed within "cases". A collection of cases is grouped to create a "scenario". For example, the "2015 Business Plan" is a scenario in UI. After a scenario runs through the iterative process in UI, users can view the Financial Statements and other various reports in UI.

Security is specific by user in UI. When data assumptions are entered and who enters the assumptions is tracked within UI for auditing purposes. Only certain users have the ability to edit data entry and logic assumptions. In addition, when a scenario, such as the business plan, is finalized, the scenario is locked so no further changes can be made. Only certain users have the ability to lock and unlock scenario and cases. Logic from a case and/or scenario can be copied and utilized in additional what-if analyses. UI allows for creating and managing multiple scenarios with various planning assumptions and business logic in a transparent and efficient manner.

See Financial Planning Software Flow Diagram below, detailing which systems provide data and other forms of inputs to UI to create the financial plan, forecast, business analysis and other management reports. This document summarizes the systems used to produce the business plan.

Financial Planning Software Flow Diagram



Budgeting Overview

LKE uses a "bottom up" budgeting approach. The process begins with the various business units preparing detailed budgets for their individual areas of responsibility, consisting of expense items, certain types of revenues, and capital spending. The budgets prepared by the business units are reviewed and approved by LKE management. The LKE Officers ultimately approve the LKE consolidated annual budget. If any changes occur during the review and approval process, the changes are communicated to the appropriate line of business (LOB), and each LOB submits a revised budget through the same review and approval process.

Each year, LKE prepares a five-year forecast of operating revenues and expenses, which is the starting point for preparing the annual budget. Each business unit is required to create its own five-year capital and operation and maintenance (O&M) expense plan to produce an all-inclusive operating plan which is presented for review by the Officers. The five-year capital and O&M plan is developed and accumulated in PowerPlant, the Company's corporate budgeting application. These details from PowerPlant are uploaded into the financial planning system – UI.

2. Revenue and Load Forecast

Retail Revenue

In order to calculate revenues, UI logic uses the load forecast and the tariffs that need to be applied to the forecast. For energy, UI multiplies megawatt hours times the energy tariff. For customer revenue, UI multiplies the number of customer times the customer charge. For demand, UI calculates base, intermediate and peak demand revenue by multiplying the megawatt or kilovolt-ampere (kVA) times the demand tariff for base, intermediate and peak demand.

The first step in preparing the operating revenues is to obtain an energy, demand and customer forecast of the projected electric and gas sales. The load forecasts are calculated on a yearly basis for each tariff. See the 2015 Plan Electric Energy and Demand Forecast Process Document and the 2015 Plan Gas Volume Forecast Process Document, for detailed descriptions of the assumptions and methodology used in developing the electricity and gas load forecast. The following information is uploaded into UI:

- Energy forecast for each month and year in the business plan, by tariff
- Demand forecast by month and year, by tariff
- Customer count by month and year, by tariff

Allocators are used to convert the load from tariff rate to revenue class in UI. The tariffs are entered into UI from the tariff book based on the last rate case. UI then calculates energy, demand and customer revenues by revenue class. The revenues are then posted to the income statement.

Transmission Revenue

External Transmission revenue is imported into UI from an excel spreadsheet prepared by the Transmission Policy and Tariffs department. The projected external transmission amounts are calculated as follows:

1. Load serving (the forecast multiplied by the associated rates)
    a. The forecasts are provided by the customer for 2015-2020. If a customer did not supply the utilities with a forecast, a one percent annual escalator is applied to the average of the past 5 years for that customer.
    b. Rates are projected to increase three percent annually.
        i. For the 2015 BP, three percent was used for rate projections based on the historical trending and audits performed on the OATT rate.
        ii. The annual rate change occurs each June.
2. Point to Point Service (Service request multiplied by the associated rates)
    a. Long term service – is based on the original transmission request, these volumes remain fixed until their expiration.
    b. Short-term firm service– is projected based on annual historical revenue and escalated three percent annually.

c. Rates are projected to increase three percent annually.

  i. For the 2015 BP three percent was used for rate projections based on the historical trending and audits performed on the OATT rate.

  ii. The annual rate change happens June of each year.

The projected intercompany transmission revenue is imported into UI from PowerPlant.

The transmission rates are documented in the LG&E and KU Open Access Transmission Tariff, which is reviewed and approved by the FERC. The projected load is applied to the appropriate transmission rates to calculate the transmission revenue.

Miscellaneous Revenue

Miscellaneous revenue is comprised of:

- Forfeited discounts and late payment charges
- Reconnect, gas meter and inspection charges and temporary service charges
- Rent from electric and gas property
- Coal sales
- Returned check charges

For the above items, except for coal sales, the miscellaneous revenue is calculated by utilizing the historical trends and applying an inflation factor to the next five years, which is then uploaded into UI. A coal sale is essentially revenue derived from the transportation of coal for a third party. The Company does not purchase the coal or take possession of it; the Company utilizes an existing barge contract to transport the customer's coal. The revenues are based on the contract with the customer, which incorporates costs of the barging, trucking, labor hours, maintenance, plus the profit.

3. Mechanisms

Background

The Kentucky Public Service Commission has adopted a series of regulatory mechanisms that reduce regulatory lag and provide for timely recovery of and a return on, as appropriate, prudently incurred costs. The following represents an overview of certain key mechanisms and assumptions reflected in the business plan.

Environmental Cost Recovery (ECR)

The Utilities are entitled to recovery of and on costs of complying with Federal Clean Air Act with a two-month lag. The first step is to calculate the total revenue requirement which involves determination of environmental rate base and operating expenses for each KPSC approved ECR project.

Within UI the revenue requirement for ECR is calculated using the following:

- The logic calculates a monthly ending rate base by adding ECR capital expenditures from the capital plan to the previous months' ending rate base; subtracting ECR depreciation for the period and increase/decrease in ECR deferred taxes calculated within UI. A return on the ending rate base is calculated using a weighted average cost of capital computed within UI using weighted average cost of debt and allowed return on equity;
- ECR Depreciation and O&M is then added to the return on rate base to calculate a total revenue requirement;
- A jurisdictional factor is computed within UI using a ratio of KY retail to total revenue and applied to the total revenue requirement to calculate a jurisdictionalized ECR Revenue Requirement;
- The model then deducts any ECR revenue recovered within the base rates to generate a net ECR revenue.

Demand Side Management (DSM)

DSM provides for concurrent recovery of DSM costs and provides incentive for implementing DSM programs, including lost revenue.

In UI, there are four components for DSM revenue:

- DSM expense as imported from PowerPlant within the Cost of Sales import
- DSM incentive revenue as calculated in UI on the eligible portion of programs
- DSM Lost sales revenue as calculated in UI using the imported lost sales volume and rates from the DSM Energy Efficiency model
- DSM Capital revenue requirement is calculated in UI by adding the capital spend imported from PowerPlant to the previous' month ending rate base, adjusted for depreciation, an increase/decrease in deferred taxes. A return on the rate base is calculated using a weighted average cost of capital computed within UI using weighted

average cost of debt and allowed return on equity. In addition, the depreciation and O&M expenses are added to the return on the rate base to calculate the total DSM Capital Revenue Requirement.

- DSM expense, incentive revenue, and lost sales revenues are added to the capital revenue requirement to calculate the total DSM revenue requirement.

Gas Line Tracker (GLT)

GLT provides for recovery of costs associated with LG&E's gas main replacement program, gas service lines and risers.

The GLT revenue requirement is calculated in UI using the following:

- The rate base is rolled forward for identified GLT projects using capital spend and in service dates per PowerPlant as well as the calculated deferred income taxes;
- The rate of return on rate base is computed within UI using weighted average cost of debt and allowed rate of return on equity.
- GLT Depreciation and O&M is then added to the return on rate base to calculate a total revenue requirement;

Fuel Adjustment Clause (FAC)

The FAC mechanism allows for near-real time recovery of allowed fuel expenses.

Total fuel expense incurred consists of all generation and purchased power costs. For FAC purposes, total recoverable fuel expense includes total incurred expense reduced by the following components: non-energy components of purchased power expense; substitute generation or purchased power costs during forced outages; coal burned for OSS electric generation, company use, and unrecoverable intercompany sales. The total recoverable fuel expenses is then compared to the base fuel revenues calculated by multiplying the base fuel rate times the megawatt hour sales by jurisdiction. The over/under is booked to The Fuel Adjustment Clause.

Mechanism Revenue Calculations

For all mechanisms, except for the GLT, the total mechanism revenue requirement is divided by the total forecasted megawatt hours by electric rate code associated with each mechanism. These values are applied as a dollar per megawatt hour to calculate the revenue by electric rate code.

For GLT, the total mechanism revenue requirement is allocated to the customer class associated with GLT based on the class allocation percentages from the most recent filing.

The revenues from all mechanisms are recorded to the income statement as revenues from customers.

4. Generation Forecast, Off-System Sales (OSS) and Other Cost of Sales (COS)

Generation forecast and OSS

The PROSYM application is used to calculate generation and OSS. See the 2015 Plan Generation and Off-System Sales Forecast Process Document, for a detailed description of the assumptions and methodology used to calculate these inputs.

The projected data includes fuel burn, generation, purchase power, emissions, and OSS levels from an hourly dispatch model. Imported into UI is a monthly, by unit, volumes, revenues and / costs associated with off system sales, purchased power, emissions, generation, and fuel burn for the planning period. The OSS revenues are included in the Total Electric Revenue section of the Income Statement.

Power Purchase Agreement

Power purchase agreement costs are based on the contracts set with the third party power producer. The amounts per the contracts are imported into UI, which is recorded on the income statement as the purchased power cost. The information uploaded into UI by month and year includes the following costs:

- Capacity and demand payments
- Energy payments, and
- Firm gas transport costs, if applicable

UI logic ensures the power purchase cost reflects the recovery of the energy and firm gas transport costs through the fuel adjustment clause and the capacity and demand cost through base rates.

Other Cost of sales (COS)

OCOS inputs come from PowerPlant and PROSYM. Off system sales, purchased power, and fuel related costs come from PROSYM, as noted above. Emissions, mechanism (DSM, ECR, ECR, GSC, and GLT), and transmission related costs come from PowerPlant.

Other electric cost of sales includes variable production consumables used by the power plants in the generation of electricity. For coal units, this includes the cost of operating environmental controls and the cost of controlling coal combustion residuals. This includes:

- Limestone – SO_2 emission control for flue gas desulfurization (FGD) systems
- Ammonia – NO_X emission control for selective catalytic reduction (SCR) systems
- Hydrated Lime – SO_3 emission control for sorbent injection systems
- Powder Activated Carbon – Hg emission control for pulse jet fabric filter systems

The individual power plant's budget coordinator, in coordination with the operations leadership team at the plant, calculates the costs. This is a function of the usage rates for the consumables utilized by each individual operating unit. This is multiplied by the unit price determined by fleet wide contracts with suppliers. Planned outages and forecasted generation levels by year are included in these assumptions for each unit.

The calculation for these consumables includes the following inputs and calculations:

Unit Price	Usage Rate	Unit Production	Conversion	Total Projected Cost
$/ton (lbs.)	lbs. /hour	MWH's by unit	$/MWH	Total $ by month and year

These costs are loaded into PowerPlant under the appropriate FERC account and then uploaded into UI and incorporated into the Income Statement.

The cost of sales items related to fuel burn, emissions and purchased power are reflected in the Cost of Electric Sales section of the Income Statement.

5. Operations & Maintenance (O&M) (Non-fuel)

Operations and Maintenance expenses are included as part of the Income Statement and reflect the labor and nonlabor expenditures incurred and charged to the appropriate FERC account and company location. The budget is developed in a "bottoms up" approach and is reviewed and approved by several levels of management before being entered into PowerPlant for consolidation. This information is then uploaded to UI for review and approval.

Labor Cost

The Company's current labor base is obtained from PeopleSoft annually in May. The PeopleSoft data is exported to excel where the wage increases, vacation hours, personal days, and sick time are manually added. The adjusted data is imported into PowerPlant with the labor forecast being available by mid-May. The forecast includes full-time and part-time regular employees, summarized by employee type and expenditure organization.

Updates to the forecast in PowerPlant are due in early June. This updated data is used to calculate employee benefit costs (also referred to as 'burdens' - which include costs such as pension, savings plan, medical, dental, and payroll taxes) , which will be added to the forecast by mid-June. The labor forecast is not finalized at this time and changes can be made, as required.

Non-labor Expenses

The management teams and budget coordinators throughout the lines of business areas prepare the budget for non-labor O&M expenses at the same time as the labor budget. These expenses are budgeted to the appropriate FERC account.

Planned changes in costs within accounts can be specifically escalated according to contracted changes and other volume based assumptions or expected changes in primary cost categories such as generation facilities, outages, workforce plan changes, demand-side management, and environmental costs.

Approved labor and non-labor rate inflationary assumptions;

Labor and non-labor rates	**2015**	**2016**	**2017**	**2018**	**2019**
Labor rate increases	3%	3%	3%	3%	3%
Non-labor rate increase	2%	2%	2%	2%	2%

- The labor rates are subject to possible adjustment pursuant to union negotiations. The rate increase assumptions are based on annual benchmarking studies performed. Current results from those studies support a 3% planning assumptions for labor increases.
- Non-labor – general inflationary increase of 2% for assumed growth in expenses not specifically tied to contracts or fixed amounts.

6. <u>Other Income Statement Items</u>

Other income and expense items not included above include:

- Donations
- Employee Recognition costs (non-safety related)
- Non-Utility Revenues and Expenses
- Interest and dividends received

For the above items, the income and expenses are calculated by utilizing the historical trends and applying an inflation factor to the next five years, which is then uploaded into UI.

7. <u>Taxes</u>

Current and Deferred Income Taxes

Income taxes are calculated using several schedules within UI. The calculation starts by utilizing the monthly pretax book income per UI's income statement. Pretax book income is then adjusted by permanent and temporary book/tax differences to derive taxable income. The book/tax differences are primarily pulled from multiple sources within UI, which includes;

- tax depreciation,
- book depreciation,
- regulatory asset & liability movement,
- pensions/post-retirements,
- capitalized interest, and
- Section 199, etc.

Other book/tax differences are manually input into UI. Taxable income is multiplied by the statutory tax rates to determine current tax expense. Quarterly tax payments are derived based on current tax expense.

Deferred taxes are calculated within UI by using the temporary book/tax differences used in the current tax calculation and applying the statutory tax rates. Adjustments to deferred tax expense are made for excess deferred taxes and a basis reduction due to the Trimble County 2 investment tax credit (ITC). Additionally, the ITC amortization is manually entered into UI based on ITC amortization schedules maintained by the Tax department.

Property Taxes

Property taxes are estimated annually based on net book asset values as of December 31 of the previous year and includes several current asset balances such as; fuel inventory and materials and supplies. The expense accrual is spread evenly over twelve months while cash payments are based on historic trends, which normally results in large cash payments during the fourth quarter of a calendar year. Property tax data is imported into UI by FERC account by utility.

The primary source of data used to calculate the estimates is within the UI report labeled "KY Plant Account" report from UI Planner. The plant account assignment determines the property classification (real estate, manufacturing machinery, other tangible) and then the appropriate tax rates are applied to those balances. State and local tax rates are based on prior year settlements with an assumed increase to local tax rates of two percent per year.

Property taxes related to ECR projects are calculated separately for ECR mechanism purposes.

8. Capital

Background

Each line of business develops a five-year Capital plan by individual project that includes the start date, the timing of expected spend projections and the in service date for each project. The Capital plan is entered into and maintained in PowerPlant.

The Senior Officers through their roles as members of the Investment Committee approve the Capital plan each year. The Capital plan is presented to the Investment Committee for approval by a subcommittee referred to as the Resource Allocation Committee ("RAC"). The RAC includes leaders from multiple business lines so that Capital decisions are made based on priorities of the company as a whole.

In order to import the capital budget into UI, Financial Planning receives an excel file from PowerPlant containing monthly capital construction expenditures (CWIP) and cost of removal (RWIP) by utility. There are categories in the model used to separate mechanism capital (ECR, DSM, GLT) from non-mechanism capital.

9. Closings to Plant in Service and Depreciation

After Capital Spending is booked to CWIP on the balance sheet, UI gets an import from PowerPlant by Plant account to determine additions to Plant in Service.

UI also imports a Depreciation forecast that is done based on capital plan, including property classifications and in service dates, and approved depreciation rates.

The approved depreciation rates are from the latest depreciation study, which are broken into life, salvage, and cost of removal per depreciation group. The rates are annual, so they are divided by 12 and multiplied by the monthly plant in service ending balances. The depreciation group to which an asset belongs is determined by the location and plant account selected at the time the capital project is setup in PowerPlant.

The plant in service ending balance for the most recent month of actuals is pulled out of PowerPlant. The ending balance of each forecast month is calculated as the beginning plant in service balance plus any capital additions placed in service for the month minus any asset retirements for the month. We use a half-month convention for additions and retirements that means that in the first month of an addition or retirement to plant in service, we divide the amount by two. This is done to average out the spend since the addition or retirement does not always occur on day one of the month.

The additions to plant in service are based on the capital forecast and the estimated in service dates on those assets. If the asset is already in service and additional money is spent on those assets, it is put in plant in service in that same month of spend. If the asset is not yet in service and spend occurs, it is held in CWIP until the month of the estimated in-service date in PowerPlant, on which date the entire CWIP balance is moved to plant in service.

10. Dividends, Debt and Equity

Dividends:

LG&E and KU pay dividends to its parent, LKE, on a quarterly basis. The dividend is calculated in the model using a payout assumption equal to 65% of the previous quarter's net income.

Capital Structure:

LG&E and KU strive to maintain a ratio of 53 percent equity and 47 percent debt. Within UI, the debt balancing and equity ratio targeting logic is different on the quarter versus non-quarter months. Equity ratio targeting reviews the capitalization ratios and rebalances it every quarter to 53 percent equity and 47 percent debt. The Utilities Parent serves as the medium to move cash from the utilities to parent or from the parent to the utilities to maintain this ratio. Cash balancing logic looks at the cash needs and calculates how to fund those needs. It is important to note that UI limits cash balances at the utilities to $5 million unless short-term debt is zero and there is positive cash flow from operating and investing operations.

The following information is entered into UI for each individual debt issuance: company, issue date, interest rate, first interest payment date, issue amount, and retirement date. These debt issuance properties are entered and maintained in UI under the Edit Attributes module. The attributes in the business plan are compiled to create a case, which is used to run the Business Plan scenario.

On the non- quarter months, UI calculates cash needs from operating and investing operations and issues debt equal to cash shortage. Short-term debt in the form of commercial paper is issued first until it reaches a maximum as prescribed by the Treasury department (typically $300 million by utility) The utilities each have approved commercial paper programs of $350 million and FERC has approved short-term debt of up to $500 million for each utility. However, the utilities need to maintain liquidity for emergencies and to support certain floating rate tax-exempt bonds. Therefore, the Companies have a general modeling limit of $300 million on the commercial paper balances. The maximum can be changed after discussions with Treasury and the CFO. Once the maximum short-term debt is reached, long-term debt is issued in increments of $250 million or more and the balancing starts again the next month. The $250 million minimum is used because at that size the bonds are index-eligible and more attractive to investors, which results in a lower interest rate.

On the quarter months, the model balances equity and debt to a 53:47 ratio over multiple iterations. While performing the debt: equity targeting, UI issues only short-term debt to fund cash needs from operating and investing activities. The model is monitored to make sure that short-term debt balances are always within the acceptable limits. Similarly, to the non-quarter months, once the maximum short-term debt is reached, long-term debt is issued in increments of $250 million or more. Capital contributions in the form of equity from LKE are used to maintain the proper equity: debt ratios. LKE receives capital contributions from PPL to fund the utilities cash needs.

All short-term rates and interest on cash balances are based on a spread to the three-month LIBOR. The spread is based on current market issuances for similarly rated companies. For long-term debt, the rates are based on a spread to the US treasury rates (five-year, ten-year, thirty-year, etc.). The long-term debt spreads are also based on current levels for similarly rated entities and projected changes in those spreads for forecast periods.

11. Pension & Postretirement

Plan assumptions are evaluated by senior Financial officers and Human Resources associates and the independent actuary. These assumptions are approved on an annual basis, barring any events requiring an interim re-measurement.

During the first half of the year, the independent actuary delivers a projection of estimated Plan funding, pension expense and pension liability for the five-year plan based on management’s assumptions. These assumptions include the annual discount rate, the expected return on plan assets, the expected wage increase, the annual mortality rate table, funding policy and other assumptions as needed.

The projected pension and postretirement costs received from the actuary such as the service cost, interest cost, return on plan assets, and amortizations of prior service cost, transition, and (gain)/loss are summarized by company and by program offering. These amounts are used to update the annual budget by reflecting changes to the balance sheet for the revised liability projections and the pension cost used when calculating the employee burden rates by company.

The pension burden rates are included in the O&M and Capital budgets entered into PowerPlant. These amounts are spread by month consistent with the timing of the labor budget.

Pension funding occurs annually in January while postretirement funding is quarterly with the 401(h) portion of the funding occurring all in the fourth quarter.

12. Other Balance Sheet assumptions

a. Balances

The actual August 2014 balances from the balance sheet were the starting point for this forecast. The amounts were imported from Oracle General Ledger (GL) and imported through the Day 6 process, which imports the actuals from the GL by running a query and exporting the details into Excel. A detailed and thorough balancing process is also done to ensure all details from Oracle translate appropriately into UI.

b. Cash

As noted above minimum cash balances are set each year at $5 million per utility. This is based on discussion with Treasury and if UI determines insufficient cash balances based on the projected activity short-term debt is issued.

c. Accounts Receivable and Unbilled Revenue

The monthly balances are based on forecasted revenues from customers and projected days of sales in receivables based on historical trends.

d. Fuels, materials and supplies (M&S)

Fuel inventory balances are developed based on targeted inventory levels for each generation plant. PROSYM is utilized to determine the amount of purchases needed to achieve the targeted inventory levels. Price assumptions for coal purchases utilize existing contract information as well as the assumed cost of coal that will be contracted in the future.

Natural Gas Inventory: Storage inventory levels are set within storage operating parameters in order to achieve maximum deliverability needed to meet winter season requirements. Price assumptions for gas purchases reflect forecasted gas prices and estimated pipeline transport costs. Materials and supplies inventory is based on the August 2014 balance and is adjusted for disposals.

e. Prepayments affecting the balance sheet include insurance, PSC Fees, and TVA fees. For insurance, the amortization of the balance/expense begins at the start of the policy and continues through the term of the policy. For the PSC fees, and TVA fees, we receive a bill for the current year. The out years of the budget are escalated at an appropriate rate and the yearly cost is amortized over twelve months.

f. Unamortized debt expenses

For each bond issued, the Company incurs debt issuance costs, which are amortized over the life of the debt issued. Additional financing costs that require amortization are unamortized loss on reacquired or remarketed debt, which is the expense that remains to be amortized when a debt instrument is remarketed/refinanced/repurchased. The financing costs are amortized over the life of the replacement debt. Amortized financing costs are calculated in excel for future periods and input into UI. The amortization expense flows to the income statement under interest expense. The unamortized financing costs are found on the balance sheet under other non-current assets and the unamortized loss on reacquired or remarketed debt are found on the balance sheet under regulatory assets.

g. Regulatory Assets and Liabilities

Adjustments to the regulatory assets and liabilities are obtained from schedules produced by the Company's Accounting Department, reflecting amortization rates previously approved by the Commission. These schedules include storm costs, rate case expenses, MISO exit fees, interest rate swaps, deferred income taxes, etc.

Unrecognized pension and post-retirement costs are amortized as part of the monthly expense projections discussed earlier.

UI performs calculations for regulatory assets and liabilities associated with the various rate mechanisms to address regulatory lag issues and under/over recoveries. The amortization of interest rate swap regulatory liabilities is performed using UI logic.

h. Accounts Payable

The forecasted balances of accounts payable is a function of the capital and O&M spend, adjusted for some payment lag.

i. Asset retirement obligations (ARO)

The calculation of accretion expense is performed in an automated fashion within the PowerPlant Fixed Asset System. Accretion expense is calculated by taking the beginning ARO liability balance multiplied by the discount rate for each ARO.

Annual Electric Sales & Demand Forecast Process

PPL companies

Sales Analysis & Forecasting
September 2014

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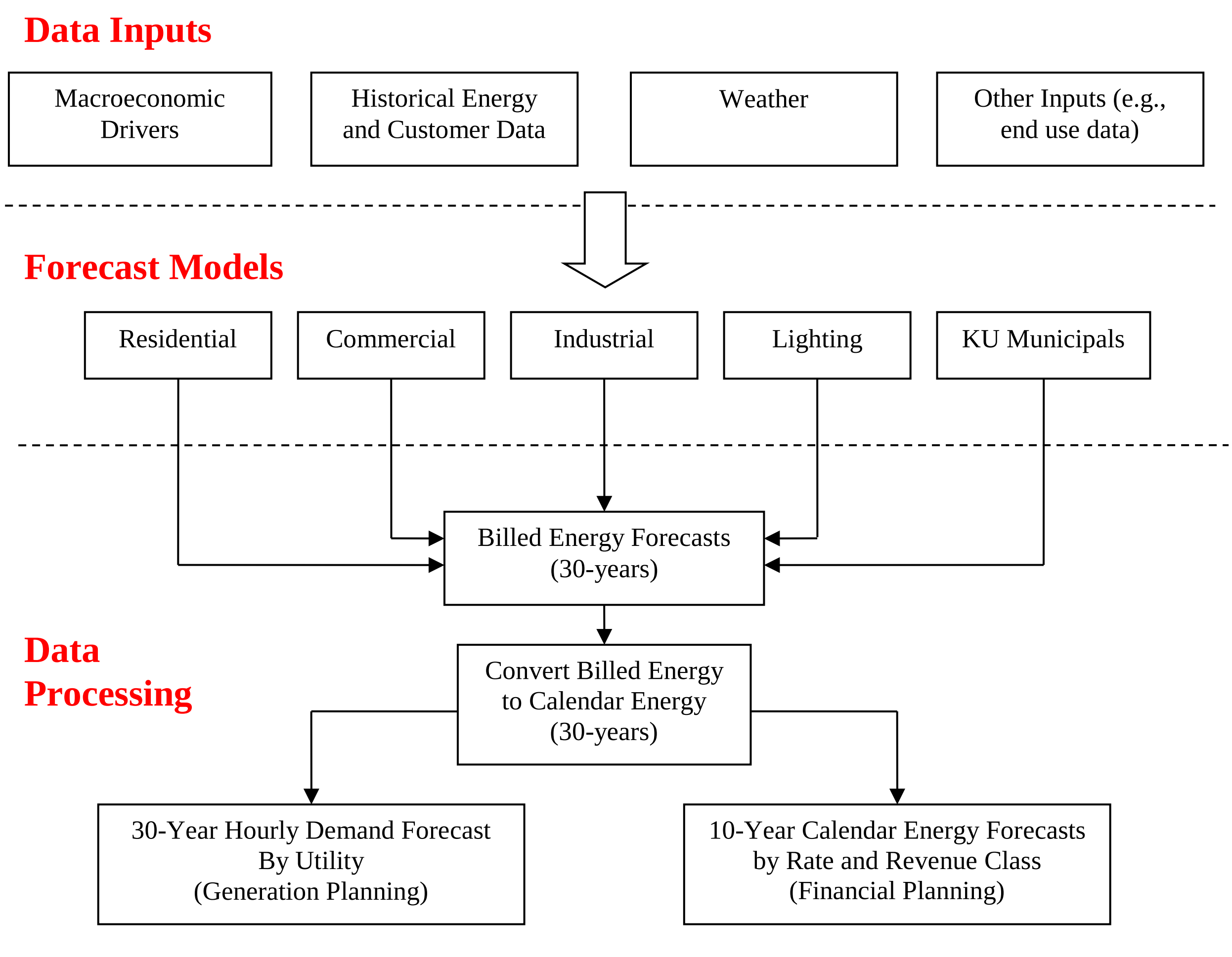
1. Introduction

The Sales Analysis & Forecasting group develops the annual Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively "the Companies") sales and demand forecasts. These forecasts serve as foundational inputs for the Generation Planning department's annual Generation Forecast and the Financial Planning department's annual Business Plan. This document summarizes the processes used to produce the annual sales and demand forecasts. The forecast process can be divided into three parts (see Figure 1).

Figure 1 – Load Forecasting Process Diagram



The first part of the forecast process involves gathering and processing input data. The following are key inputs to the forecast process:

- Macroeconomic data
- Historical energy and customer data
- Weather data (20-year normal degree-day series)

- Other data, including billing cycle forecasts, class-level electricity price series, and residential appliance shares and efficiencies.

The input data is used to specify various forecast models. The Companies' energy forecast is comprised of twenty-nine forecast models. Generally, each model is used to forecast energy sales for a group of customers with homogeneous energy-use patterns within the same, or similar, tariff rates.

Most of the forecast models produce energy forecasts on a monthly billed basis.[1] In the third part of the forecast process, energy data from the forecast models is processed to meet the needs of forecast end users. The monthly billed energy forecasts must first be converted to calendar month (or "as-used") forecasts. The billed and calendar sales forecasts are allocated by rate and revenue class[2] for the Financial Planning department. In addition, a forecast of hourly energy requirements[3] is developed for the Generation Planning department.

The final part of the forecast process includes validating and documenting the forecast results. To ensure results are reasonable, the new forecast is compared to (i) the previous forecast and (ii) weather-normalized actual sales for the comparable period in prior years. Each of these steps is discussed in more detail in the following sections.

[1] All customers are assigned to one of 20 billing cycles. A billing cycle determines what time of the month a customer's meter is read. Because most billing cycles do not coincide precisely with the boundaries of calendar months, most customers' monthly bills will include energy that was consumed in multiple calendar months. The energy on customers' bills is referred to as "billed" energy.
[2] Rate class defines the tariff assigned to each customer meter while Revenue class is a higher level grouping; a Revenue class consists of one or more rate classes. See Appendix D.
[3] Energy requirements are equal to sales plus transmission and distribution losses.

2. Input Data

Table 1 provides a summary of data inputs. The sections that follow describe key processes used to prepare the data for use in the forecast process.

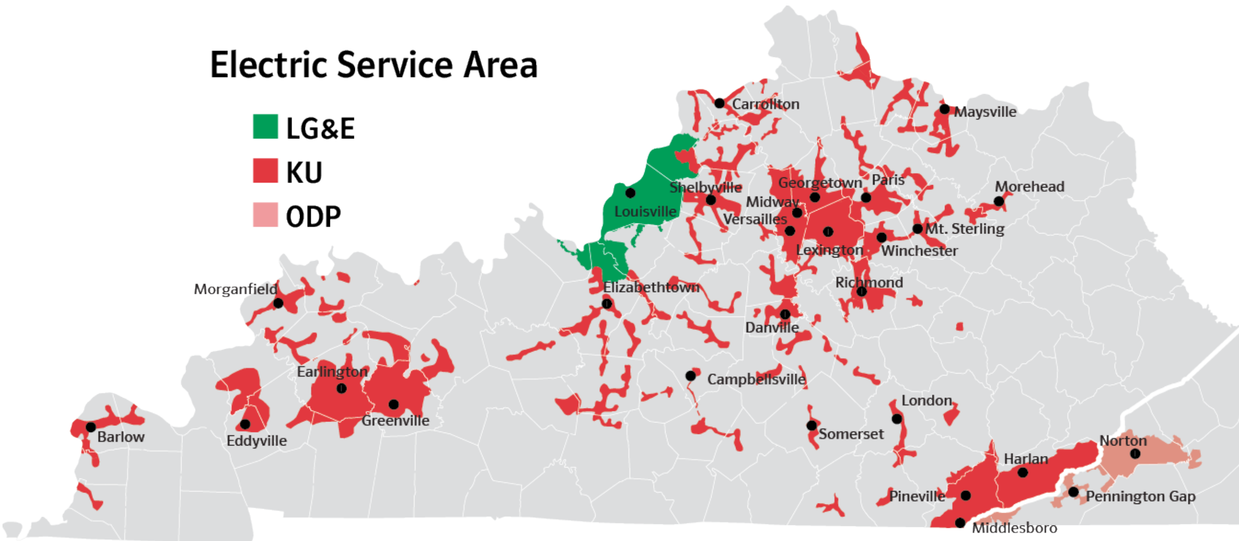
Table 1 – Summary of Forecast Data Inputs

Data	***Source***	***Format***
State Macroeconomic and Demographic Drivers (e.g., Employment, Wages, Households, Population)	IHS Global Insight, Kentucky Data Center	Annual or Quarterly by County – History and Forecast
National Macroeconomic Drivers	IHS Global Insight	Annual or Quarterly – History and Forecast
Personal Income	IHS Global Insight	Annual by County
Weather	NOAA	Daily HDD/CDD Data by Weather Station – History
Bill Cycle Schedule	Revenue Accounting	Monthly Collection Dates – History and Forecast
Appliance Saturations/Efficiencies	EIA, 2010 LG&E/KU Residential Customer Survey	Annual – History and Forecast
Structural Variables (e.g., dwelling size, age, and type)	EIA, 2010 LG&E/KU Residential Customer Survey	Annual – History and Forecast
Elasticities of Demand	EIA / Historical Trend	Annual – History
Billed Sales History	CCS Billing System	LG&E, KU and ODP – Monthly by Rate Group
Number of Customers History	CCS Billing System	LG&E, KU and ODP – Monthly by Rate Group

2.1 Service Territory-Specific Macroeconomic Forecasts

IHS Global Insight produces forecasts of macroeconomic drivers by county. With an understanding of the counties that make up each service territory, this data can be used to create service territory-specific forecasts of macroeconomic drivers. Figure 2 contains a map of the LG&E and KU/ODP electric service territories.

Figure 2 – LG&E and KU/ODP Service Territory Map



Two counties make up the majority of the LG&E service territory, while KU serves customers in parts of over 70 counties;[4] ODP's service territory includes parts of five counties in southwestern Virginia. Service territory-specific macroeconomic forecasts are created by aggregating the applicable county-specific forecasts for the counties in LG&E, KU, and ODP service territories.

2.2 Software Tools

The following software packages are used in the forecast process:

- Microsoft Office: Excel, PowerPoint, Access
- SAS
- Itron Metrix ND
- @Risk

2.3 Processing of Weather Data

Weather is a key explanatory variable in the electric forecast models. The weather dataset from the National Oceanic & Atmospheric Administration's (NOAA) National Climatic Data Center (NCDC) contains temperatures (maximum, minimum, and average), heating degree days (HDD), and cooling degree days (CDD) for each day and weather station over the past 20+ years. This data is used to create (a) a historical weather series by billing month, (b) a forecast of "normal" weather by billing month, and (c) a forecast of "normal" daily weather.[5] Each of these processes is summarized below.

[4] Appendix A contains a list of the counties in each service territory.
[5] "Normal" weather is defined as the average weather over a 20-year historical period. The Companies do not attempt to forecast any trends in weather.

2.3.1 Historical Weather by Billing Month

The methodology used to create the historical weather series by billing month consists of the following steps:

1. Using the historical daily weather data from the NCDC, sum the HDD and CDD values by billing cycle.[6] Each historical billing month consists of 20 cycles. The Companies' historical meter reading schedule contains the beginning and ending date for each billing cycle.
2. Average the billing cycle total HDDs and CDDs by billing month.

2.3.2 Normal Weather Forecast by Billing Month

The methodology used to produce the forecast of normal weather by billing month includes the production of a daily forecast of normal weather. The methodology used to develop the daily forecast (summarized in Steps 2-5) is consistent with the methodology used by the NCDC to create its daily normal weather forecast.[7] The following steps are used to create the forecast of normal weather by billing month:

1. Compute the forecast of normal monthly weather by *calendar* month by averaging monthly degree-day values over the period of history upon which the normal forecast is based. The normal weather forecast is based on the most recent 20-year historical period. Therefore, the normal HDD value for January is the average of the 20 January HDD values in this period.
2. Compute "unsmoothed" daily normal weather values by averaging temperature, HDDs, and CDDs by calendar day. The unsmoothed normal temperature for January 1, for example, is computed as the average of the 20 January 1 temperatures in the historical period. This process excludes February 29.
3. Smooth the daily values using a 30-day moving average centered about the desired day. The "smoothed" normal temperature for January 1, for example, is computed as the average of the unsmoothed daily normal temperatures between December 16 and January 15.
4. Manually adjust the integer values in Step 3 so that the following criteria are met:
    a. The monthly average temperature – computed by averaging the daily temperatures by month and rounding to the nearest integer – should match the normal monthly temperatures in Step 1.
    b. The sum of the daily HDDs and CDDs by month should match the normal monthly HDDs and CDDs in Step 1.
    c. The daily temperatures and CDDs should be monotonically increasing from winter to summer and monotonically decreasing from summer to winter. The daily HDD series should follow a reverse trend.

    These criteria ensure the daily normal series is consistent with the monthly normal series.
5. The Companies' forecasted meter reading schedule contains the beginning and ending date for each billing cycle through the end of the forecast period. In this step, sum the HDD and CDD values by billing cycle. Use the February 28 weather data as a proxy for February 29 when billing cycles include leap days.
6. Average the billing cycle totals by billing month.

[6] Weather data in the electric forecast is taken from the weather stations at the Bowman Field Airport (LOU) in Louisville, Bluegrass Field Airport (LEX) in Lexington, and Tri-Cities Airport in Tennessee.
[7] The NCDC derives daily normal values by applying a cubic spline to a specially prepared series of the monthly normal values.

2.3.3 Daily Normal Weather Forecast

A daily normal weather forecast is used to produce the forecast of hourly energy requirements (see Section 4.3). The daily normal weather forecast is based on twenty years of historical weather data. The following process is used to compute the daily normal weather forecast:

1. For each company, month and year, sort the days from coldest to warmest. For a given January, the coldest day has a "rank" of one; the warmest day has a rank of 31.
2. Average the daily temperatures by company, month and rank. In the daily normal weather forecast, the average temperature for the coldest January day is computed as the average of the coldest January day in each of the past twenty years. The average temperature for the second coldest January day is computed as the average of the second coldest January day in each of the past twenty years, and so on.
3. Allocate these temperatures to days throughout the month, using a process to ensure that the top ranked temperature (and therefore, peak day) falls on a weekday, when industrial and commercial customers are most likely to be consuming higher amounts of energy.

3. Forecast Models

The Companies' energy forecast is comprised of twenty-nine forecast models. All models forecast sales and the number of customers on a monthly basis. These forecasts are discussed in detail in the following sections.

3.1 Residential Forecast

The Residential forecast is comprised of three classes: KU Residential, LG&E Residential, and ODP Residential. The Residential forecast includes all customers on the Residential Service (RS) and Volunteer Fire Department (VFD) rate schedules. Residential sales are forecasted for each company as the product of a customer forecast and a use-per-customer forecast.

3.1.1 Residential Customer Forecast

The number of residential customers is forecasted by company as a function of the number of forecasted households or forecasted population in the service territory. Household and population data by county and Metropolitan Statistical Area (MSA) is available from IHS Global Insight and the Kentucky Data Center.

3.1.2 Residential Use-per-Customer Forecast

Average use-per-customer is forecast using a Statistically-Adjusted End-Use (SAE) Model. Such a model combines an econometric model – that relates monthly sales to various explanatory variables such as weather and economic conditions – with traditional end-use modeling. The SAE approach defines energy use as a function of energy used by heating equipment, cooling equipment, and other equipment.

Use-per-Customer = a1*XHeat + a2*XCool + a3*XOther

The heating, cooling and other components (the X variables) are based on various input variables including weather (heating and cooling degree days), appliance saturations, efficiencies, and economic and demographic variables such as income, population, members per household and electricity prices. Once the historical profile of these explanatory variables has been established, a regression model is specified to identify the statistical relationship between changes in these variables and changes in the dependent variable, use-per-customer. A discussion of each of these components and the methodology used to develop them is contained in Appendix B.

3.2 Commercial Forecast

The Commercial forecast is comprised of ten rate class models: KU General Service, KU Large Commercial, KU All-Electric Schools, LG&E General Service, LG&E Primary Commercial, LG&E Secondary Commercial, ODP Large Commercial, ODP General Service, ODP Schools and ODP Municipal Pumping. Each of these rate classes is forecasted separately on a monthly basis over the forecast period. The period of historical data used in the models varies based on each rate class's history.

3.2.1 KU, LG&E, and ODP General Service

The general service forecasts include all customers on the General Service (GS) rate and are comprised of two separate forecasts: a sales forecast and a customer forecast. The former employs a Statistically-Adjusted End-Use model (SAE), which defines energy use as a function of energy used by heating equipment, cooling equipment, and other equipment (see description under Residential, 3.1.2 and Appendix C.

The customer forecasts are a function of the Residential customer forecasts which incorporate Household and Population growth since, historically, household growth, population growth, and residential customer growth are highly correlated.

3.2.2 KU Large Commercial

The KU Large Commercial forecast includes all customers on the PS Secondary and TOD Secondary rates. Sales to PS Secondary customers are modeled as a function of heating and cooling degree days, Retail and Wholesale Employment indices, and binary variables which account for anomalies in the historical data.

3.2.3 KU All-Electric Schools (AES)

The KU All-Electric Schools forecast includes all customers on the All-Electric School rate schedule. KU AES sales are modeled as a function of the number of KU households, weather, and binary variables to account for anomalies in the historical data.

3.2.4 LG&E Commercial

The LG&E Commercial forecast includes all customers on the CPS Primary, CPS Secondary, CTOD-Primary, and CTOD-Secondary rate schedules. The Primary and Secondary rates are forecasted separately to capture similar energy usage patterns and levels. LG&E Commercial sales are forecast in total as a function of weather, specific economic drivers, the number of customers, and other binary variables to account for anomalies in the historical data.

3.2.5 LG&E Special Contracts

The LG&E Special Contracts forecast includes Louisville Water Company and Fort Knox. These customers are forecasted individually, based on information and feedback from the customers and major account representatives.

3.2.6 ODP Schools

The ODP Schools forecast includes all customers on the School Service (SS) rate schedule. Sales to the ODP schools are modeled as a function of the number of households, weather, and binary variables.

3.2.7 ODP Municipal Pumping

The ODP municipal pumping forecast consists of customers on the Water Pumping Service rate schedule. ODP municipal pumping sales are forecasted using a trend model based on recent sales.

3.3 Lighting Forecast

The Lighting forecast is comprised of seven rate classes: LG&E LES and TES, KU LES and TES, and unmetered Street Lighting for each company. All Lighting-related energy is forecasted using a trend model based on recent sales.

3.4 Industrial Forecast

A relatively small number of customers in an industrial rate can make up a significant portion of the total sales for that rate. Furthermore, any expansion or reduction in operations by the larger industrial customers can significantly impact the Companies' load forecast. Therefore, the Companies work directly with the largest industrial customers (Major Accounts) to develop their forecasts. The large individually forecasted customers are removed from the historical energy sales data by rate, while the remaining customers are forecasted using econometric models described below. The total rate forecast is the combination of the individually forecasted customers and the customers forecasted using econometric models.

3.4.1 KU Industrial Forecast

The KU industrial forecast is comprised of three forecast models. The forecast models are aggregated by rate codes by voltage level.

3.4.1.1 Primary

The PS Primary, TOD Primary, and LTOD Primary rates are forecasted together, then allocated into individual rate forecasts using historical sales ratios. The Primary forecast includes all customers that take service at the primary distribution voltage. Sales to Primary customers are modeled as a function of an industry-weighted Industrial Production Index and weather.

3.4.1.2 Retail Transmission Service

The RTS forecast includes all retail customers previously on a Transmission-level rate. Since a large component is sales to Mine Power customers, the Wood-MacKenzie forecast of Eastern and Western Kentucky coal production is used as a driver. In recent years, the demand for lower sulfur eastern Kentucky coal has declined while the demand for higher sulfur western Kentucky coal has increased. Therefore, two mining forecasts are developed to more accurately reflect this trend. The two forecasts are combined to form the final KU RTS forecast.

3.4.1.3 Fluctuating Load Service

The FLS forecast includes one customer, the North American Stainless Arc Furnace. The FLS forecast is developed based on discussions with the customer.

3.4.2 LG&E Industrial Forecast

The LG&E industrial forecast consists of three forecast models: Industrial Primary (Power Service and Time of Day), Industrial Secondary (Power Service and Time of Day), and Retail Transmission Service. Each of these rate classes is forecasted separately with specific economic drivers and weather.

3.4.2.1 Industrial Primary (Power Service and Time of Day)

The Industrial Primary forecast includes all customers on Industrial Primary rates. Monthly sales are modeled as a function of an industry-weighted Industrial Production Index, number of customers, and weather.

3.4.2.2 Industrial Secondary (Power Service and Time of Day)

The Industrial Secondary forecast includes all customers on Industrial secondary rates. Monthly sales are modeled as a function of an industry-weighted Industrial Production Index, number of customers, and weather.

3.4.2.3 Retail Transmission Service

The RTS rate consists of both individually forecasted major accounts and smaller customers. The major accounts customer forecasts are developed with input from the major account managers and customer input. The remaining smaller customer forecasts are developed using a trend model based on recent sales.

3.4.3 ODP Industrial Forecast

The ODP industrial forecast is a combined forecast of PS Primary, TOD Primary, and RTS rates. Industrial sales are forecasted as a function of the Eastern Kentucky Wood-MacKenzie index, number of customers, and weather.

3.5 KU Municipal Forecast

KU municipal forecasts are provided by various consultants for different cities. These forecasts are reviewed for consistency and compared to historical sales and trends. Questions or concerns regarding the forecasts are sent to the municipal customers and their consultants, if applicable. Any subsequent revisions received from the municipal customers are incorporated into the forecasts.

3.6 Billed Demand Forecast

The Billed Demand forecasts are based on historical demand factors, where the demand factor is the billed demand volume divided by the billed sales volume. The historical demand factor is then multiplied by the sales forecast for rates that have billed demand components.

4. Data Processing

The Companies' customers are assigned to one of 20 billing cycles. Because most billing cycles do not coincide directly with the boundaries of calendar months, most customers' monthly bills will include energy that was consumed in multiple calendar months. The energy on customers' bills is referred to as "billed" energy. Most historical sales data is recorded on a billed basis. As a result, most energy forecasts are produced initially on a billed basis. To meet the needs of the forecast end users, the billed energy must be further processed. The following processes are discussed in more detail in the following sections:

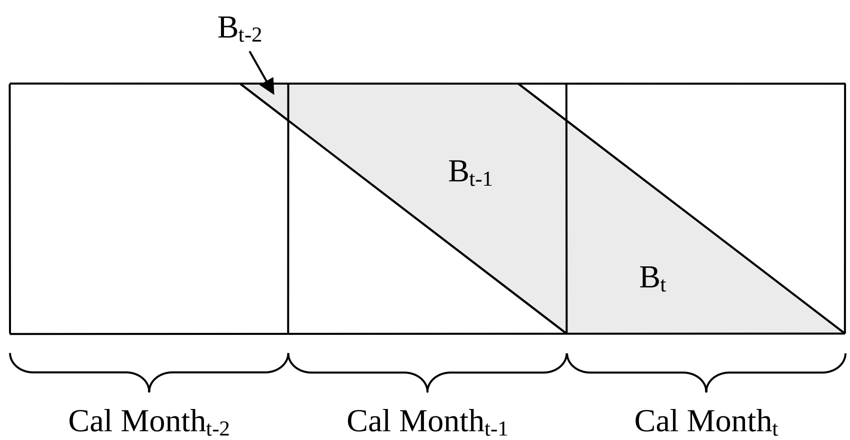
1. Billed-to-Calendar Energy Conversion
2. Rate Code and Revenue Class Allocation
3. Hourly Energy Requirements Forecast

4.1 Billed-to-Calendar Energy Conversion

Since the billed volumes for most forecast classes do not coincide directly with the boundaries of calendar months, most class forecast volumes must be converted from a billed to calendar basis. Forecasts for the following rate classes do not have to be converted from a billed to calendar basis: LG&E Special Contracts, KU FLS and KU municipals. The customers in these forecast classes are billed on a calendar-month basis.

The shaded area in Figure 3 represents a typical billing month (B). Area B_t represents the volumes in the billing month that were consumed in the current calendar month (time = t). Area B_{t-1} represents the volumes in the billing month that were consumed in the previous calendar month (time = t-1). Area B_{t-2} represent the volumes in the billing month that were consumed in the calendar month two months prior to the current month (time = t-2).[8]

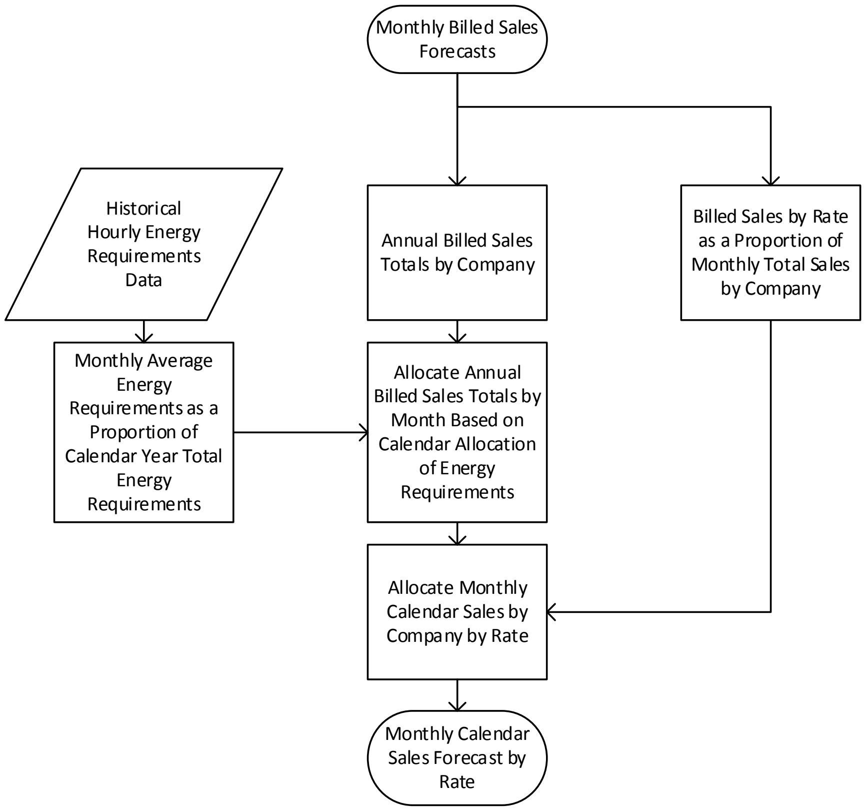
Figure 3 – Billed and Calendar Energy



Using historical hourly energy requirements data by company (KU/ODP, LG&E) to obtain calendar monthly allocation ratios, the annual billed sales forecasts (by company) are allocated into months using the calendar monthly allocation ratios. This yields monthly calendar sales forecasts by company. These monthly calendar sales by company are then allocated into rate classes using the ratio of billed sales by rate to total billed sales. Figure 4 shows a diagram of the process.

[8] Not all billing months include volumes that were consumed in the calendar month two months prior to the current month.

Figure 4 – Billed to Calendar Allocation



4.2 Rate Class to Revenue Class Allocation

To meet revenue forecasting requirements, the billed and calendar energy forecasts must be allocated by rate class and revenue class. Revenue class is a higher level grouping that aggregates portions of each rate class into a corresponding revenue class. All rate classes are allocated to one of the following revenue classes:

- Residential
- Commercial
- Industrial
- Public Authority
- Wholesale
- Lighting

This information is used by the Financial Planning department to develop a forecast of revenues for the planning period. Billed and calendar forecasts are allocated by rate class to revenue class using a set of monthly allocation ratios. These ratios are derived based on historical sales data from CCS for energy, demand, and customers by rate class and revenue class.

4.3 Hourly Energy Requirements Forecast

The hourly energy requirements forecast is developed from the final sales forecasts. The Generation Planning department uses the hourly energy requirements forecast to develop resource expansion plans and a forecast of generation production costs. This forecast is developed in 3 steps.

4.3.1 Step 1

In Step 1, the monthly calendar sales forecasts by company are allocated to hours using historical hourly requirements data. The following process is used to develop load shapes:

1. Compute average hourly shapes by company, month and day type (day of week/holiday) using historical hourly data by company.
2. For each month, daily average load models are developed as a function of weather and day type.
3. Using the average profiles from #1, the weather and day type parameters from #2, and a daily normal weather forecast (see Section 2.2.3), develop load shapes for each company by month and day type.

4.3.2 Step 2

In Step 2, transmission and distribution losses are added to the hourly sales forecast (from Step 1) to determine energy requirements. Losses are estimated as a percentage of sales based on the month, with higher losses in peak months as well as higher losses at peak times.

4.3.3 Step 3

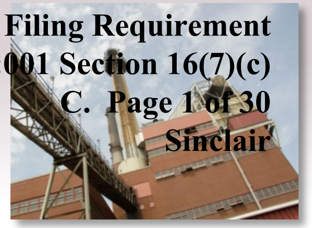
In Step 3, an hourly forecast, grossed-up for losses, of the Companies' dispatchable DSM program (i.e., Direct Load Control) is used to reduce the hourly energy requirements forecast.

The dispatchable DSM program can be called upon by the Generation Dispatch group to reduce system demand during peak summer periods. The dispatchable program is incorporated into the hourly demand forecast consistent with the way the Generation Dispatch group uses this program.

PPL companies

2015 Business Plan
Electric Sales Forecast

July 24, 2014






Major assumptions and changes vs. 2014 Plan

- *Unfavorable inputs*
  - *Further decline in eastern Kentucky mining*
  - *Departure of 10 KU municipal customers by 2019*
  - *Lower household growth rate for KU*
  - *More rapid adoption of high efficiency lighting*
- *Favorable inputs*
  - *Personal income and wholesale employment slightly higher*
  - *Major account forecasts higher*
- *Overriding theme*
  - *Economic growth still slow*

LG&E KU
PPL companies

Municipal terminations result in ~320 MW load reduction in May 2019

- *2015 Plan assumes that Bardstown and Nicholasville remain KU customers*
- *Significant load impact occurs in May 2019 with departure of eight larger municipal customers; two prior departures have less impact*
  - *Benham: August 2016 (1 MW load)*
  - *Paris: May 2017 (3 MW firm)*

LG&E KU
PPL companies

Balance of year 2014 forecast 240 GWh below 2014 Plan

2014 Combined Company Plan to Plan

Period	2013 WN Actuals (GWh)	2014 Plan (GWh)	2015 Plan (GWh)	Variance 2014-2015 Plan (GWh)	Pct Var
Jan - May (WN Actuals)	13,360	13,302	13,327	25	0.2%
*June**	2,742	2,984	2,919	(65)	-2.2%
July	3,105	3,303	3,245	(58)	-1.8%
August	3,150	3,331	3,293	(38)	-1.1%
September	2,668	2,764	2,704	(59)	-2.1%
October	2,516	2,525	2,492	(33)	-1.3%
November	2,561	2,551	2,522	(29)	-1.1%
December	2,892	2,922	2,900	(22)	-0.7%
Total	32,994	33,681	33,401	(280)	-0.8%

** June 2014 is actual value non-WN in 2015 Plan*

PPL companies

2015 Plan with and without municipal customers

- *Energy forecast with municipal customers (all years)*

	Total Company Sales (GWh)				KU/ODP Sales (GWh)				LG&E Sales (GWh)			
	2015 Plan*	2014 Plan	Delta	% Change	2015 Plan	2014 Plan	Delta	% Change	2015 Plan	2014 Plan	Delta	% Change
2014	33,442	33,681	(239)	-0.7%	21,585	21,774	(189)	-0.9%	11,857	11,908	(50)	-0.4%
2015	33,394	33,845	(451)	-1.3%	21,416	21,860	(445)	-2.0%	11,978	11,985	(6)	-0.1%
2016	33,634	34,092	(459)	-1.3%	21,544	22,016	(472)	-2.1%	12,090	12,077	13	0.1%
2017	33,918	34,307	(390)	-1.1%	21,706	22,159	(452)	-2.0%	12,211	12,148	63	0.5%
2018	34,254	34,593	(340)	-1.0%	21,924	22,340	(416)	-1.9%	12,330	12,253	77	0.6%
2019	34,559	34,888	(329)	-0.9%	22,123	22,537	(413)	-1.8%	12,436	12,351	85	0.7%

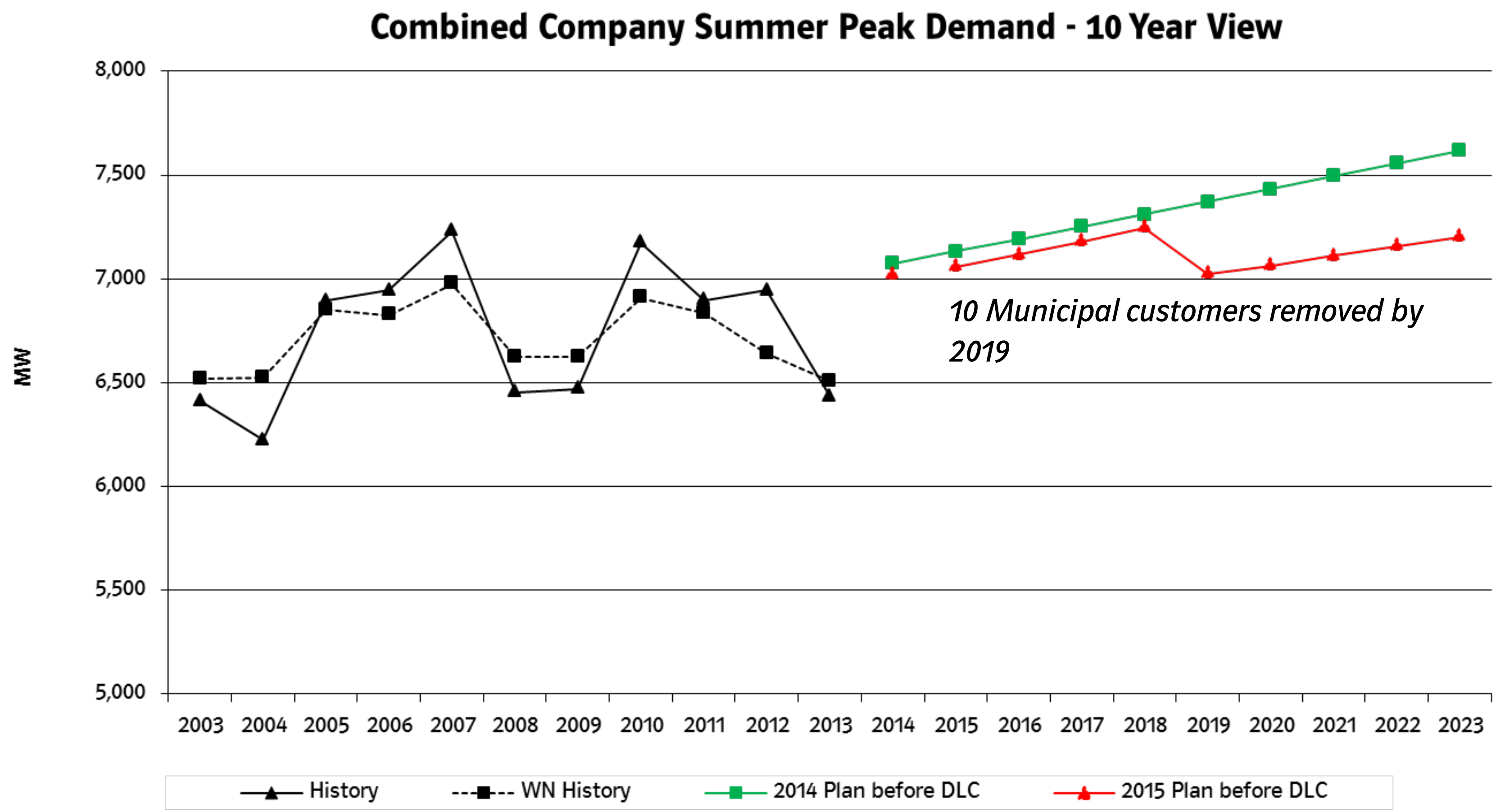
- *2015 BP: Municipals exit per schedule in 2016-2019*

	Total Company Sales (GWh)				KU/ODP Sales (GWh)				LG&E Sales (GWh)			
	2015 Plan*	2014 Plan	Delta	% Change	2015 Plan	2014 Plan	Delta	% Change	2015 Plan	2014 Plan	Delta	% Change
2014	33,442	33,681	(239)	-0.7%	21,585	21,774	(189)	-0.9%	11,857	11,908	(50)	-0.4%
2015	33,394	33,845	(451)	-1.3%	21,416	21,860	(445)	-2.0%	11,978	11,985	(6)	-0.1%
2016	33,632	34,092	(461)	-1.4%	21,542	22,016	(474)	-2.2%	12,090	12,077	13	0.1%
2017	33,868	34,307	(439)	-1.3%	21,656	22,159	(502)	-2.3%	12,211	12,148	63	0.5%
2018	34,181	34,593	(412)	-1.2%	21,852	22,340	(489)	-2.2%	12,330	12,253	77	0.6%
2019	33,514	34,888	(1,374)	-3.9%	21,078	22,537	(1,459)	-6.5%	12,436	12,351	85	0.7%

* *In 2015 Plan forecast, 2014 value is a weather-normalized 5+7 forecast.*

PPL companies

Uncurtailed peak forecast decreases 55-77 MW consistent with lower energy forecast

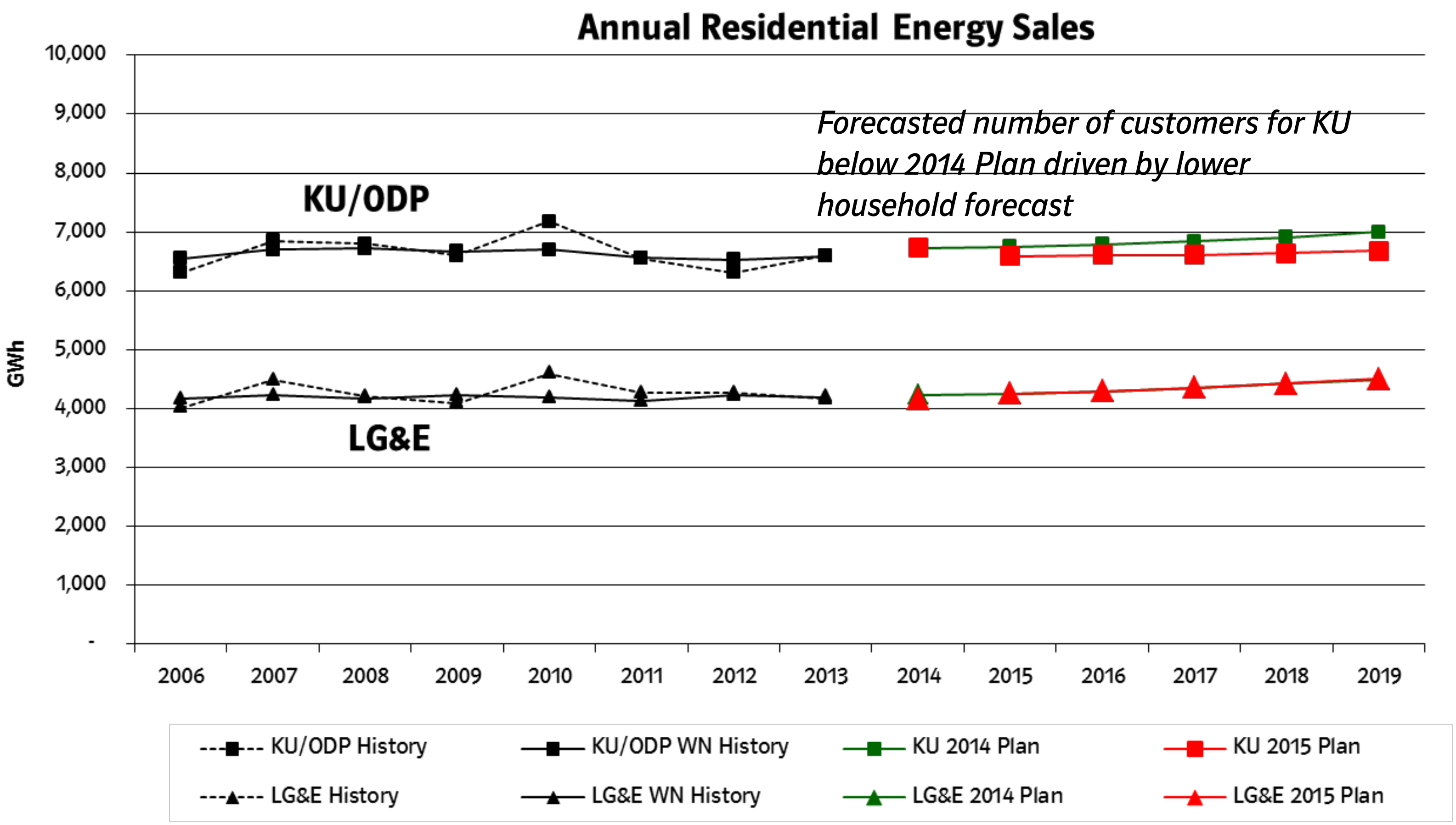


** In 2015 Plan forecast, 2014 value is a weather-normalized 5+7 forecast.*

*** In 2015 Plan forecast, peak forecast is adjusted ~20 MW higher to cover Ft. Knox obligation.*

PPL companies

Residential sales forecast is slightly lower for KU

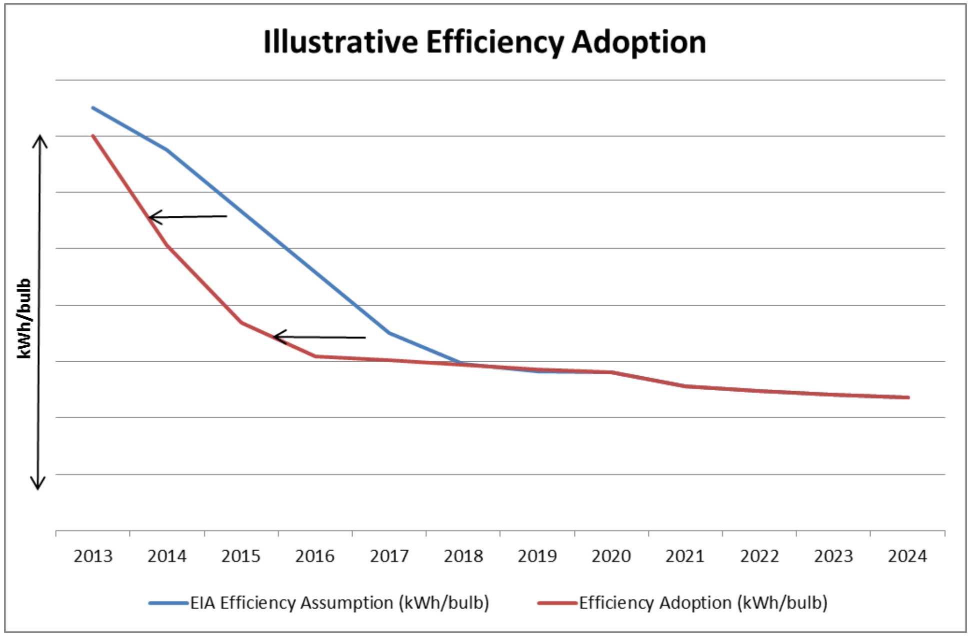


** In 2015 Plan forecast, 2014 value is a weather-normalized 5+7 forecast.*

PPL companies

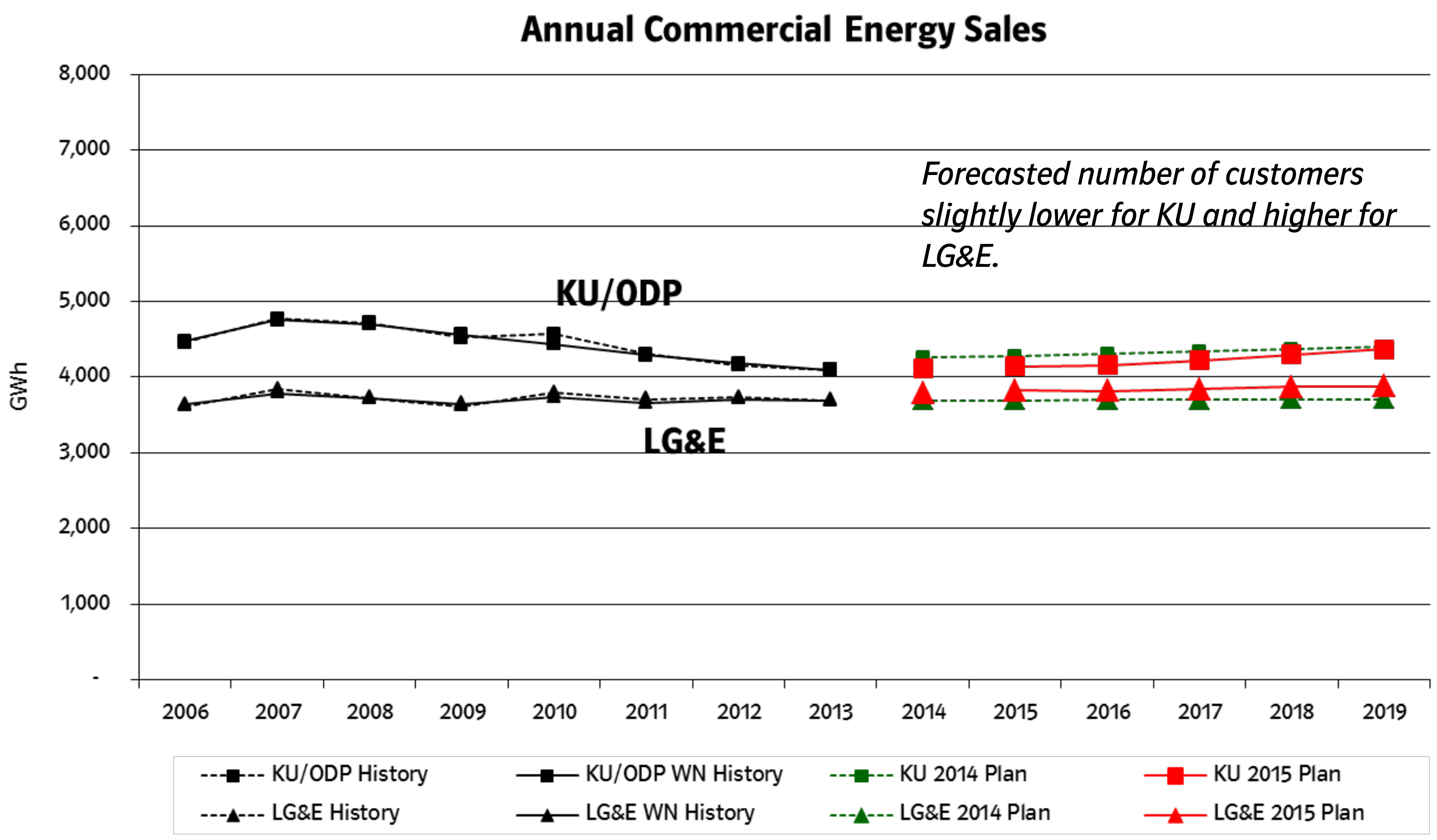
Residential lighting – faster adoption of LED lighting reduces residential energy consumption

- *35% of LG&E residential customers surveyed have at least one LED bulb in service*
- *Plan assumes 55% of LG&E customers add 5 additional LED bulbs each year, resulting in an average annual energy reduction of 118 GWh.*



PPL companies

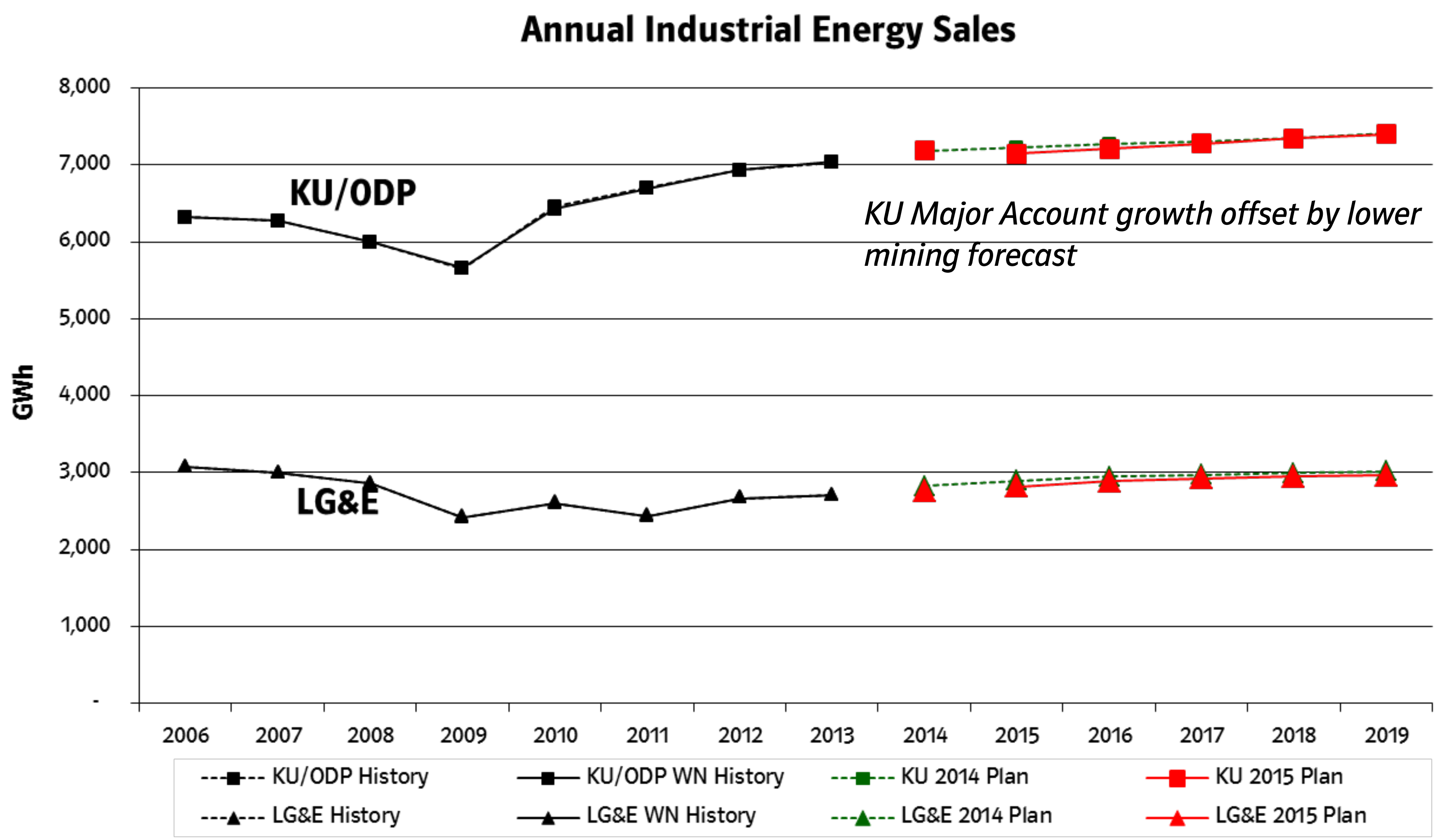
Combined Company commercial sales largely consistent with prior plan



* *In 2015 Plan forecast, 2014 value is a weather-normalized 5+7 forecast.*

LG&E KU PPL companies

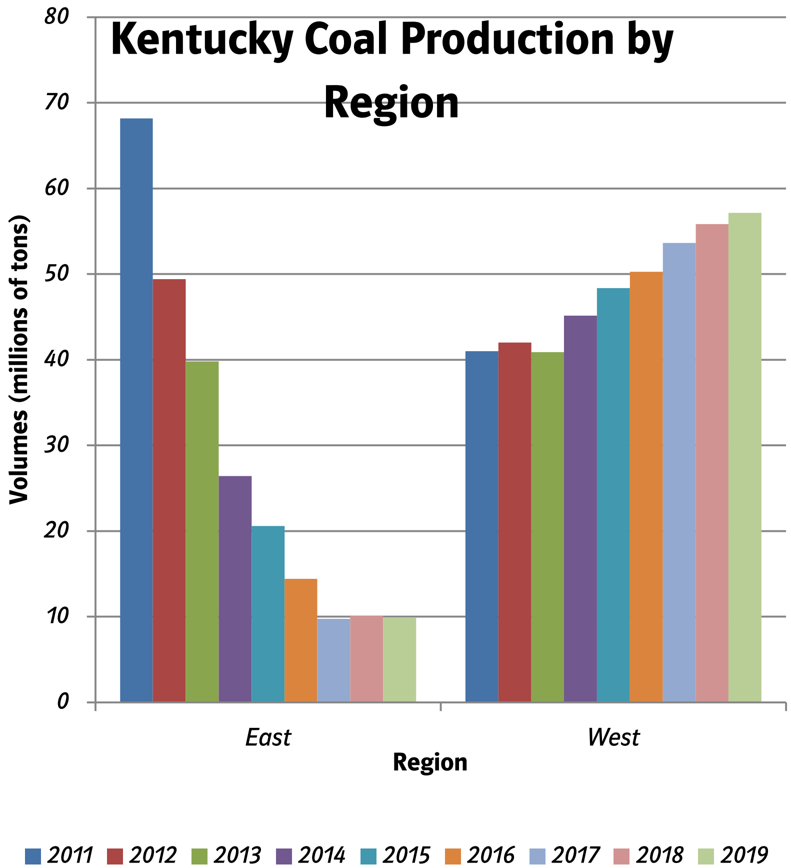
Slow growth expected in industrial class consistent with prior Plan



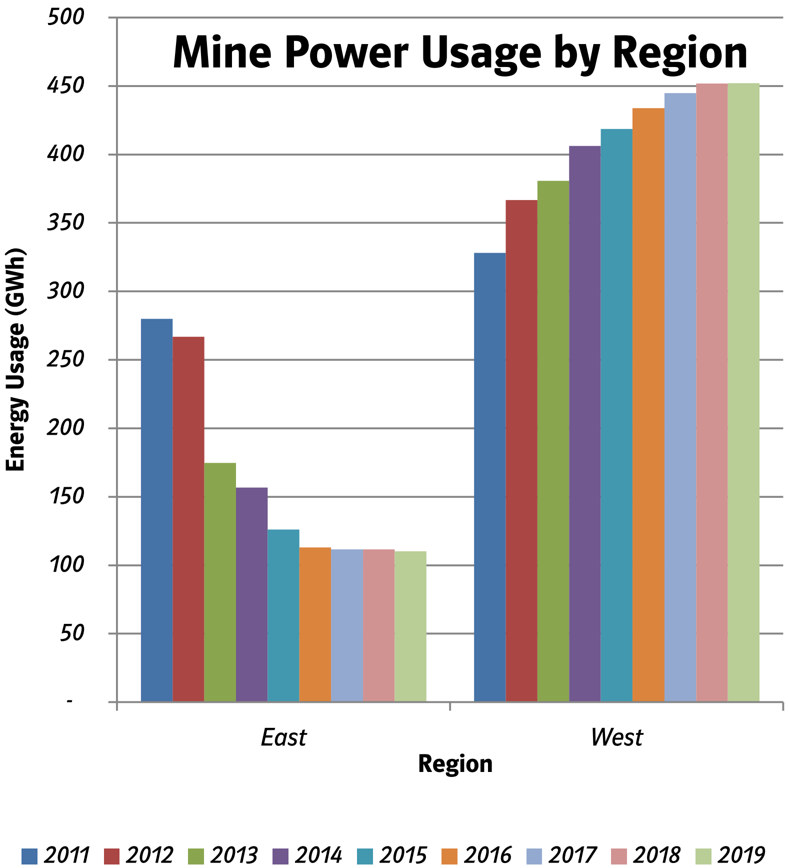
* In 2015 Plan forecast, 2014 value is a weather-normalized 5+7 forecast.

PPL companies

Eastern KY coal production expected to fall by 85% from 2011 to 2019

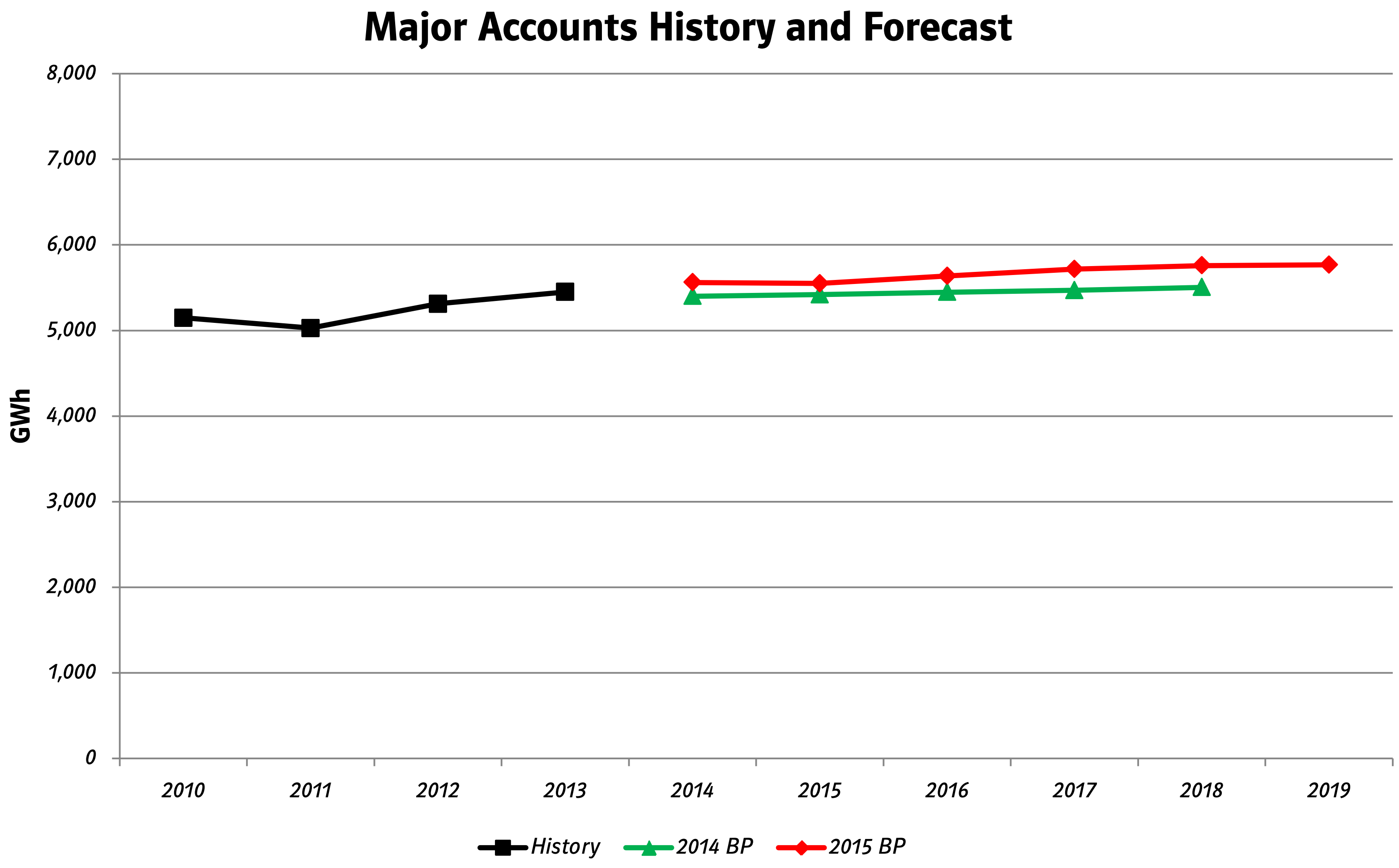


Source: 2014 Spring Wood Mackenzie LTFP Forecast (updated May '14)



2011 – 2013 data is Billed actual. 2014 are billed actuals for Jan-May + June-Dec from 2015 BP.

LG&E KU
PPL companies



LG&E KU
PPL companies

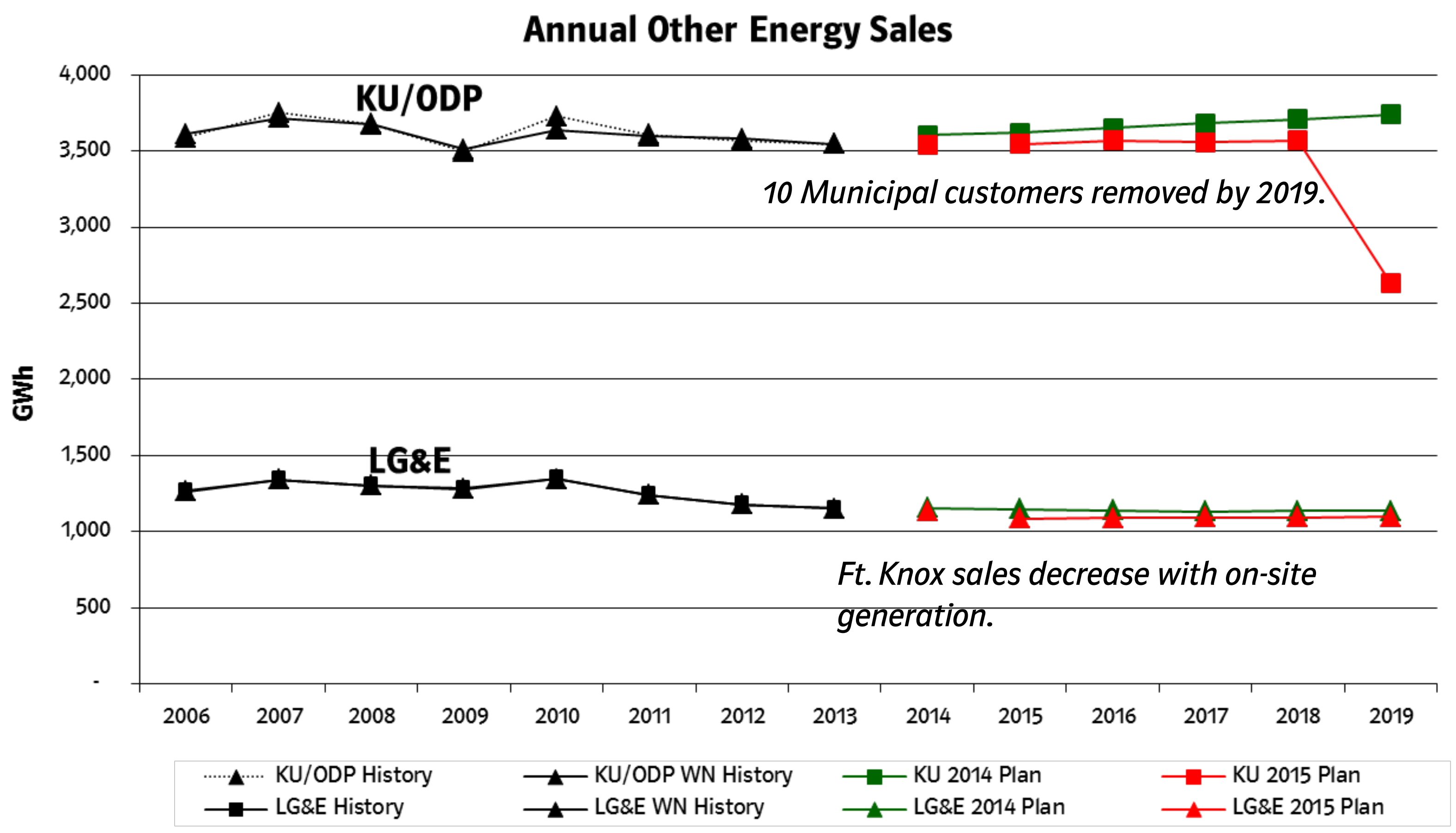
Changes in 26 Major Account sales for 2015: 132 GWh higher than 2014 BP

- *Significant changes for 2015*

Customer	Energy Change	Driver
North American Stainless	*62 GWh*	*Higher arc furnace load*
Carbide	*52 GWh*	*New production from an acquired plant (on peak increases from 3 MVA to 20 MVA)*
Ford - KTP	*43 GWh*	*Expansion in progress*
Lubrizol	*34 GWh*	*Expansion in progress*
Fort Knox	*(42) GWh*	*Installation of 20 MW of natural gas generation; LG&E still has obligation to serve entire load*

LG&E KU
PPL companies

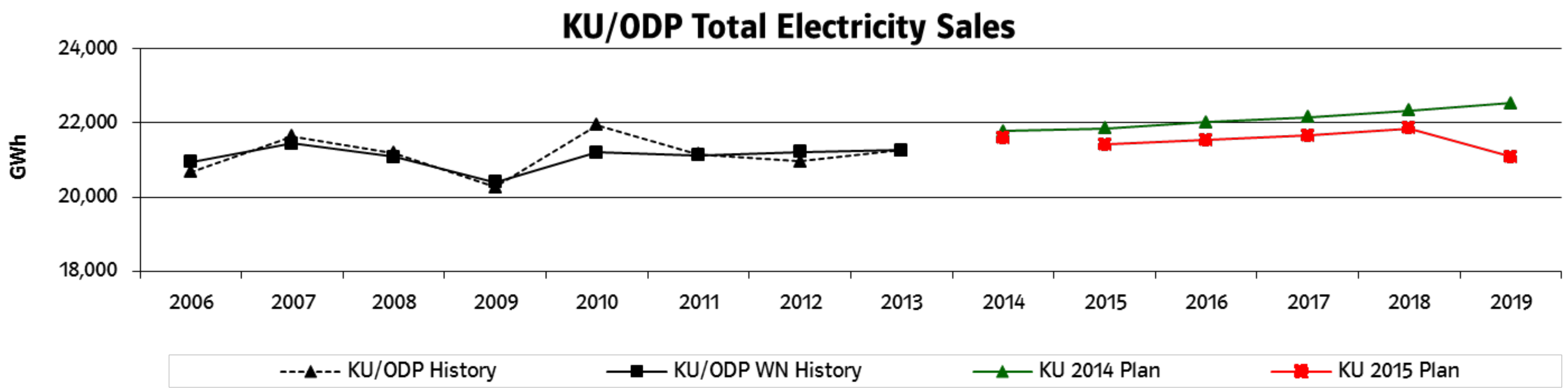
Public Authority sales impacted by lower Ft. Knox forecast in LG&E and lower Muni forecast in KU

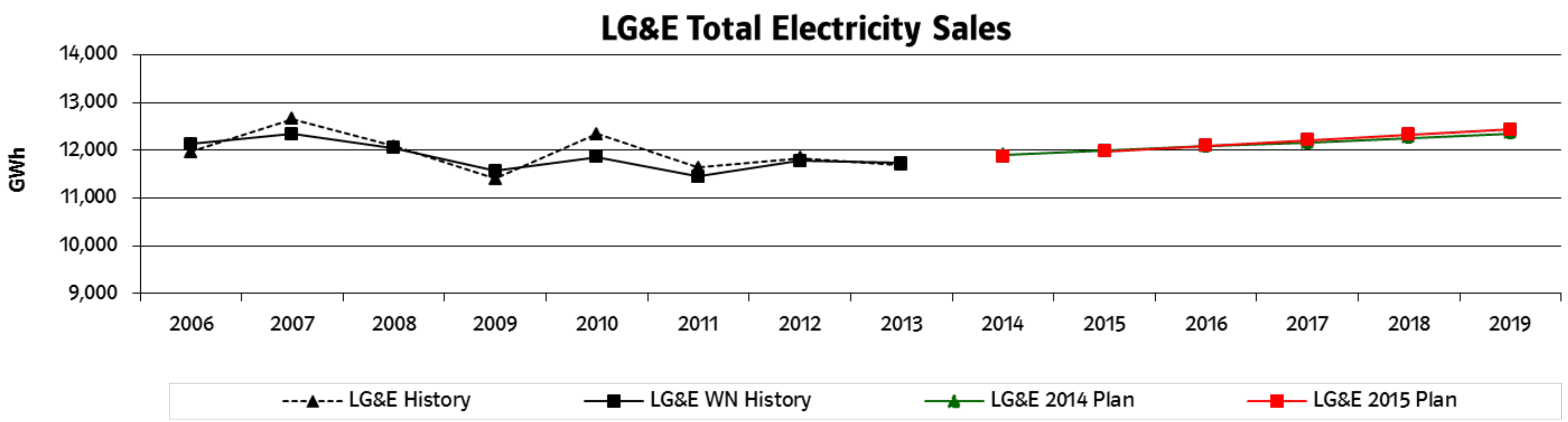


* In 2015 Plan forecast, 2014 value is a weather-normalized 5+7 forecast.

PPL companies

KU energy sales reflect lower commercial and residential usage





* *In 2015 Plan forecast, 2014 value is a weather-normalized 5+7 forecast.*

PPL companies

2015 Plan energy forecast growth rate below EIA regional forecasts

- *2015 Plan growth rates are less than EIA regional projections*
  - *East South Central (ESC): Kentucky, Tennessee, Alabama, Mississippi*
  - *East North Central (ENC): Indiana, Illinois, Ohio, Michigan, Wisconsin*

	CAGR	
	2014-2019	*2014-2040*
2015 BP (excl Munis)	*0.6%*	*0.5%*
2014 AEO ESC region	*1.9%*	*1.0%*
2014 AEO ENC region	*1.1%*	*0.6%*

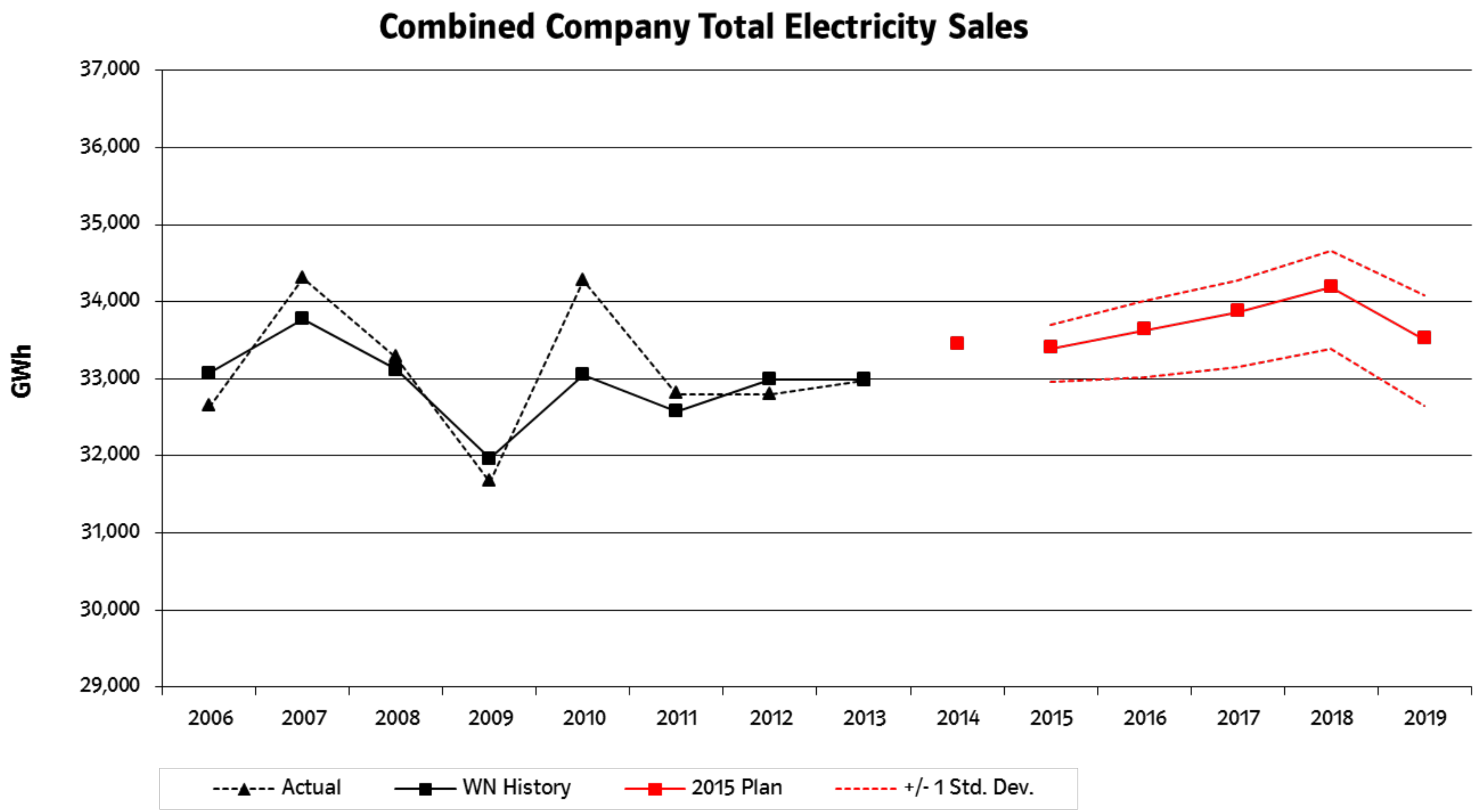
LG&E KU
PPL companies

Plan risks: weather continues to be a significant near term risk

- *Near term (2015)*
  - *Weather - winter/summer extremes (+/- 400 GWh)*
  - *Economic downturn related to potential oil price spike (-500 GWh)*
- *Medium term (2015-2019)*
  - *Continued slower than forecasted economic growth (200 GWh /year; 1,000 GWh by 2019)*
  - *More rapid adoption of efficiency measures (40 GWh/year; 200 GWh by 2019)*

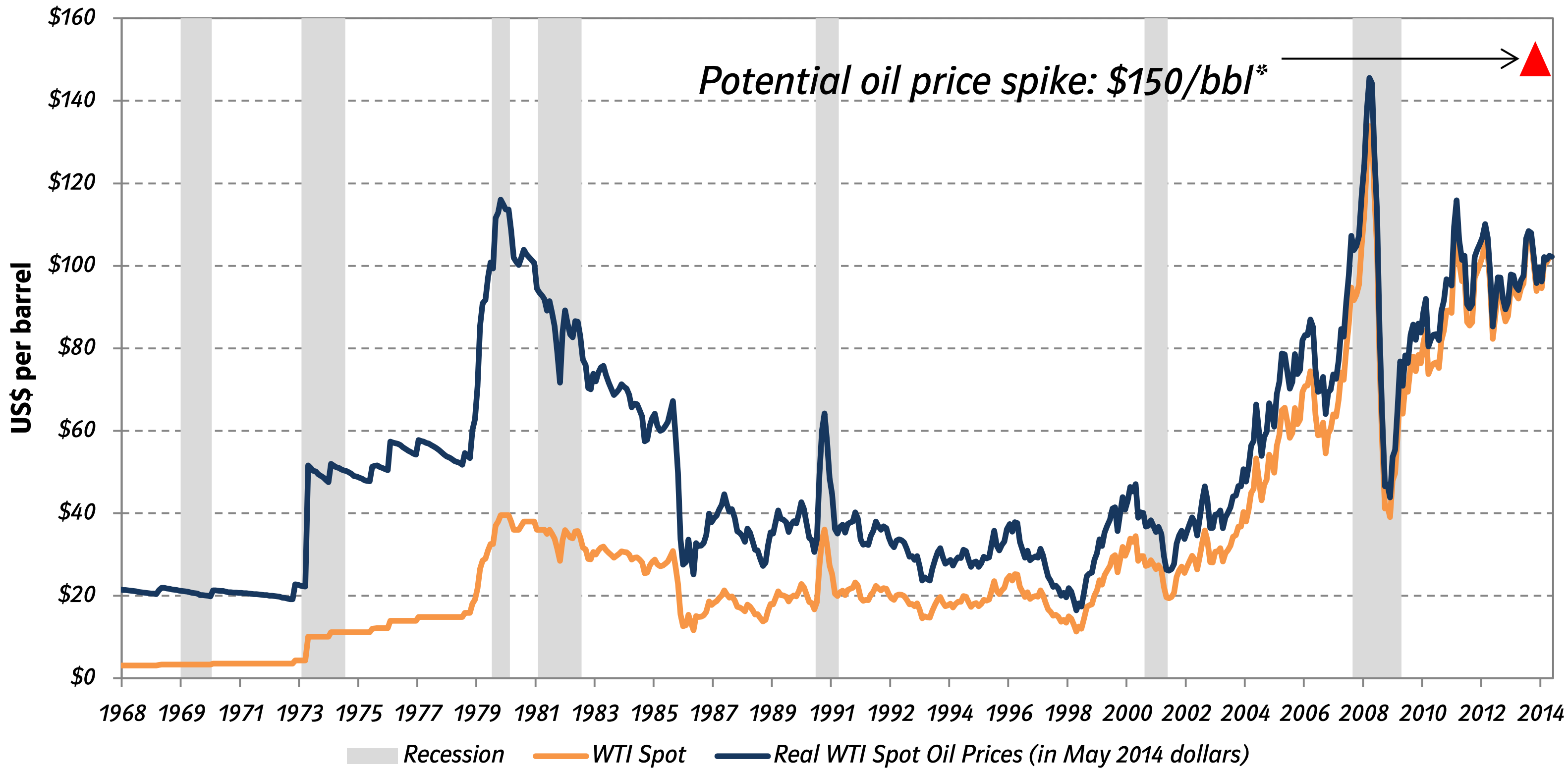
LG&E KU PPL companies

Sales risk based on IHS GSP risk scenario



LG&E KU
PPL companies

Historical risk of recession with spike in oil prices



*Source: International Monetary Fund "World Economic Outlook", October 2013

LG&E KU
PPL companies

Major Account recession risk of 500 GWh based on 2008-09 downturn

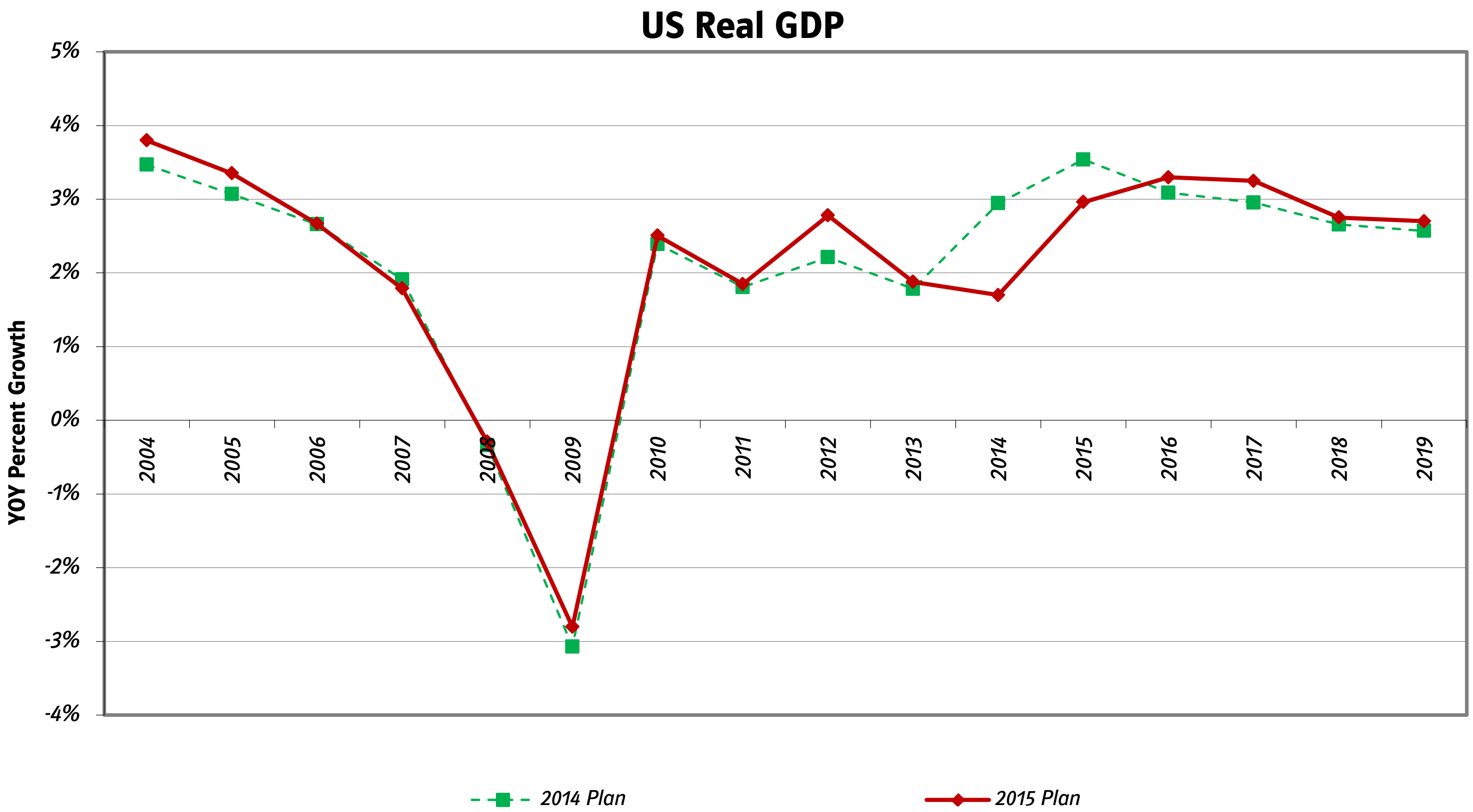
Customer	2010 History (GWh)	2015 2015 BP (GWh)	Delta (GWh)
CORNING INC	75	122	47
DART CONTAINER CORP	138	185	47
DOW CORNING	195	201	6
E I DUPONT DE NEMOURS	78	90	12
FORD KTP	199	262	63
FORD LAP	91	160	69
GENERAL ELECTRIC CO	166	222	56
LUBRIZOL	87	116	29
NORTH AMERICAN STAINLESS	579	651	71
NAS Arc Furnace	472	561	88
TOYOTA MOTOR MFG KENTUCKY	383	425	42
UNITED PARCEL SERVICE	219	221	2
Total	2,682	3,215	533

LG&E KU
PPL companies

Appendix A – Macroeconomic Inputs

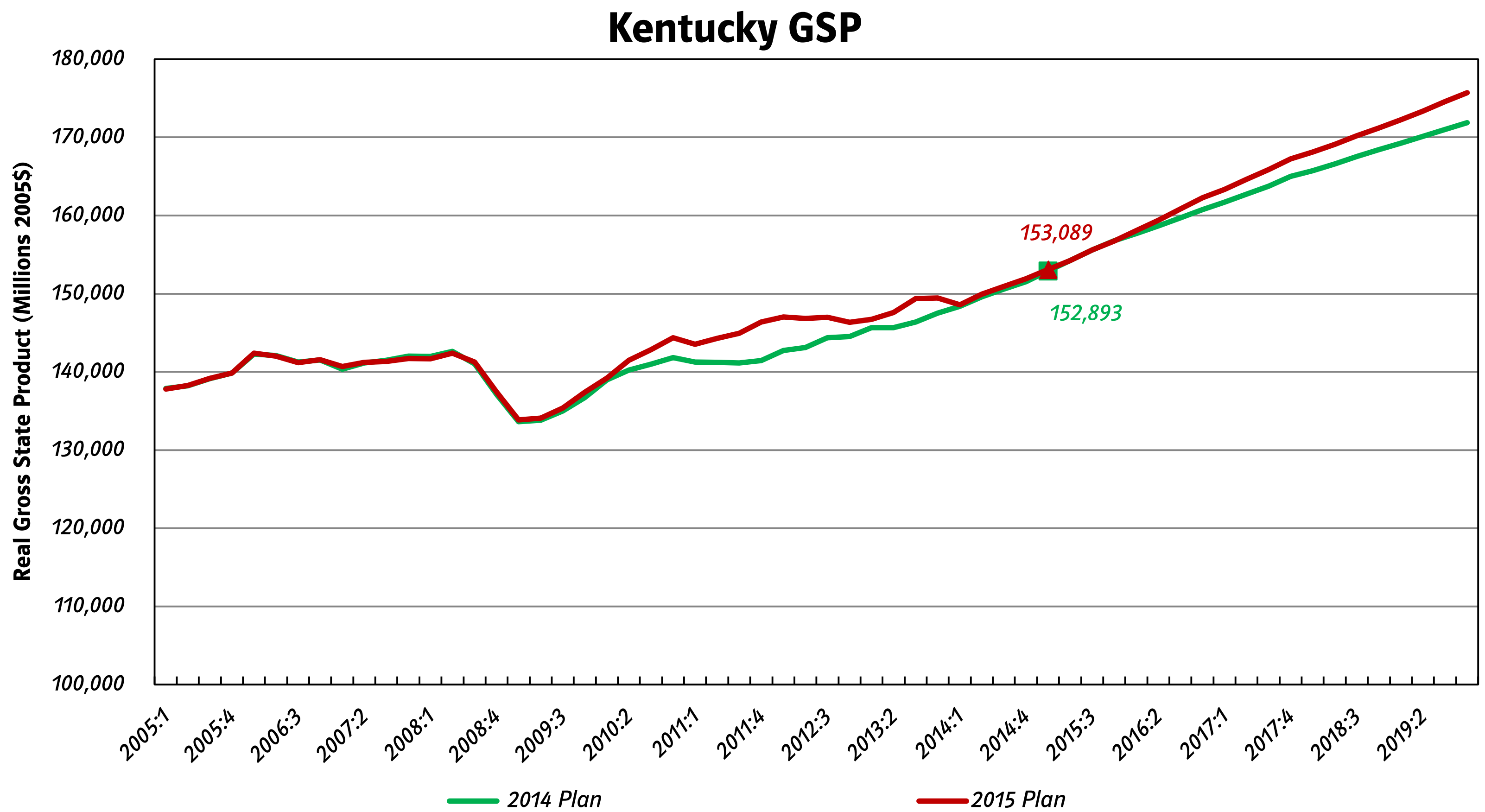
PPL companies

Slower near-term US GDP Growth Expected



Source: IHS Global Insight

Near-term Kentucky GSP forecast unchanged



Source: IHS Global Insight

LG&E KU PPL companies

Appendix B – Customer Data

PPL companies

Customers by Rate

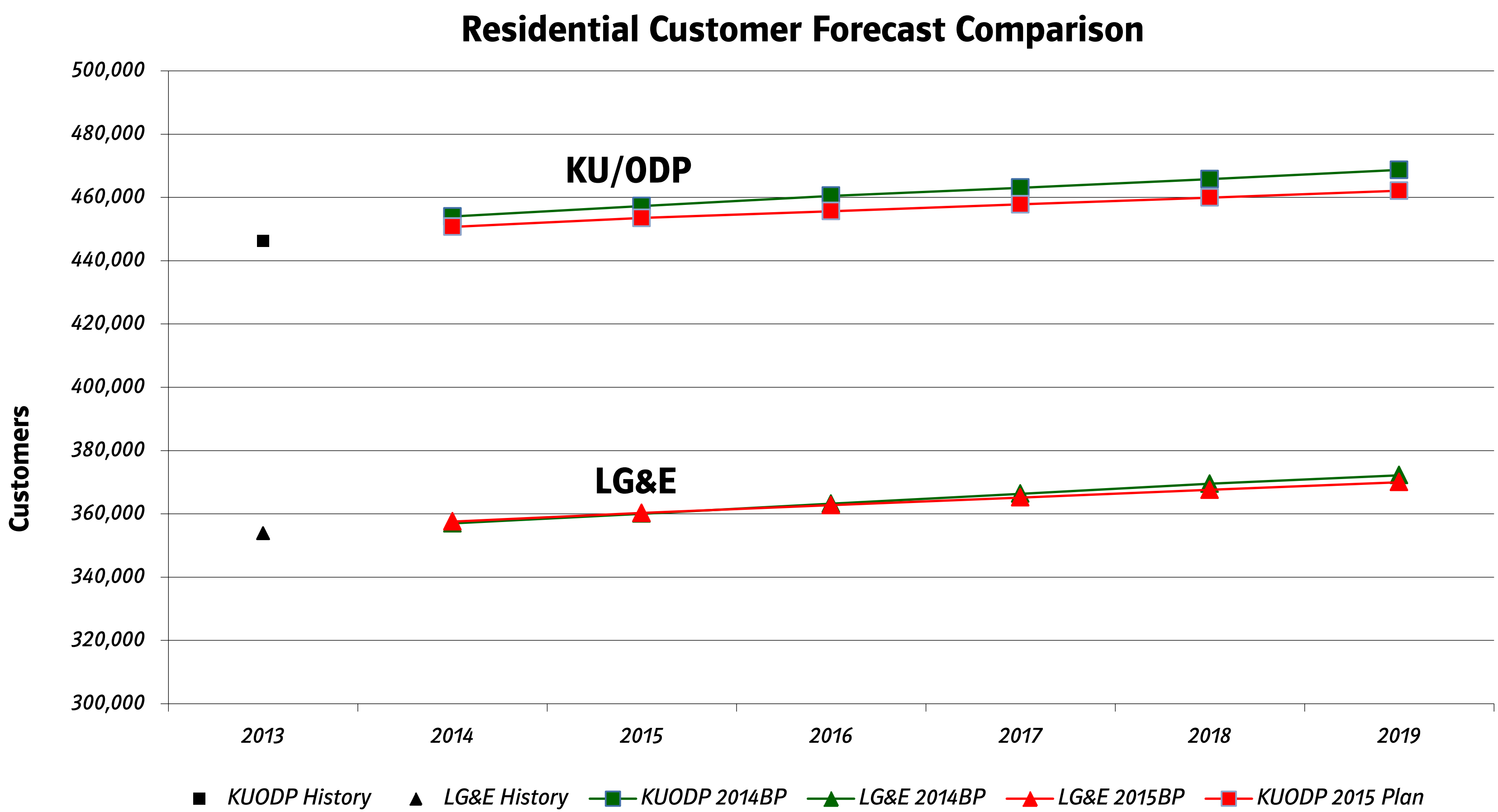
	Rate Category	Current Contract Count*	Forecast for 2015
KU/ODP	*AES*	779	774
	GS	86,210	86,376
	LTOD-Pri	54	52
	PS-Pri	270	238
	PS-Sec	5,459	5,304
	RS	448,376	453,478
	RTS	42	43
	TOD-Pri	159	184
	TOD-Sec	422	416
	FLS	1	1
	Muni Pumping	13	13
	Municipals	12	12
		541,797	546,890

	Rate Category	Current Contract Count*	Forecast for 2015
LG&E	*CPS-Pri*	57	53
	CPS-Sec	2,592	2,580
	CTOD-Pri	35	37
	CTOD-Sec	202	214
	GS	44,362	44,497
	IPS-Pri	22	21
	IPS-Sec	251	221
	ITOD-Pri	66	68
	ITOD-Sec	74	90
	RS	356,308	360,289
	RTS	12	12
		403,979	408,080

*Average of Jan-May 2014

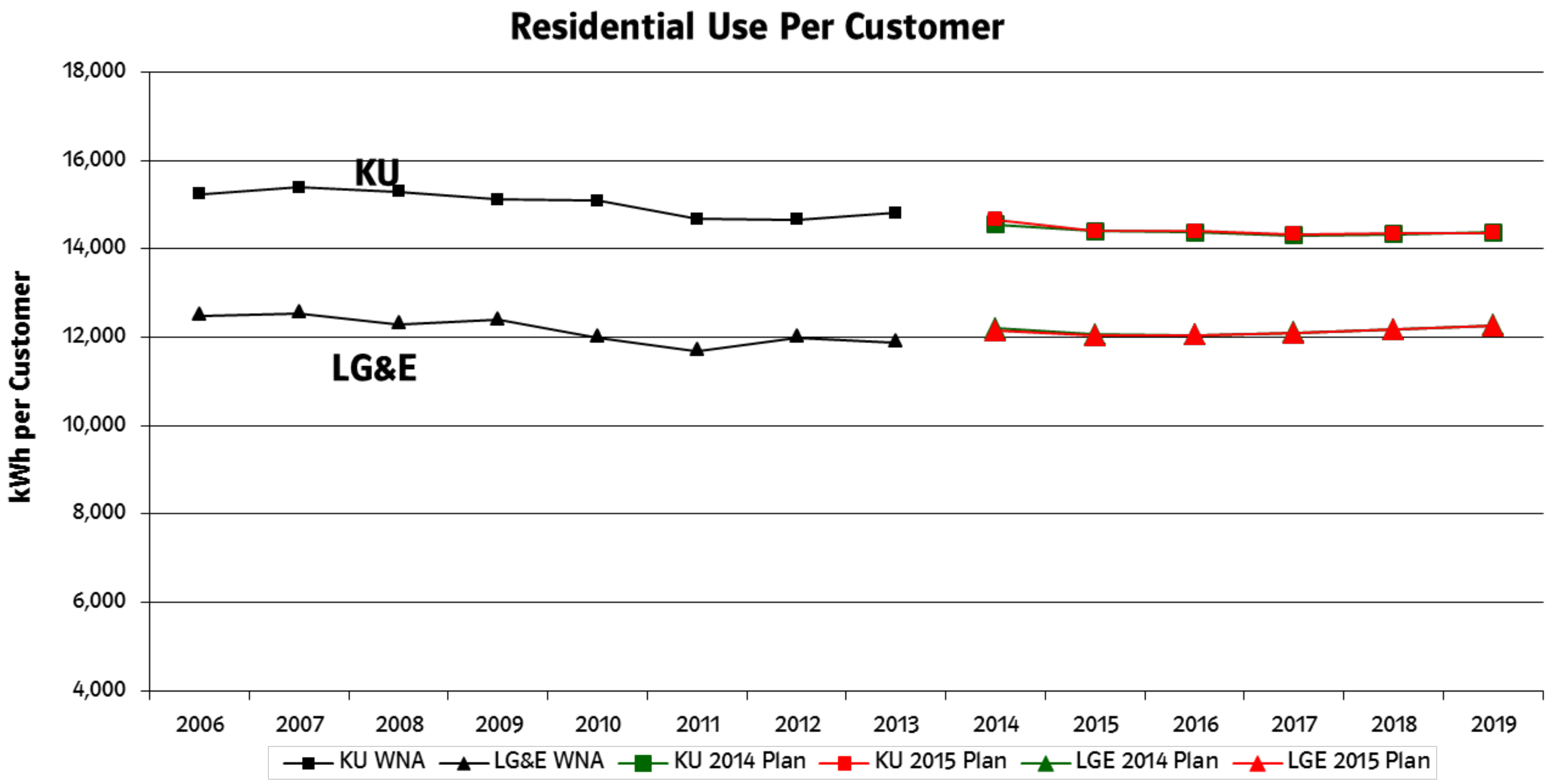
PPL companies

KU Residential customer growth slightly below 2014 Plan



LG&E KU
PPL companies

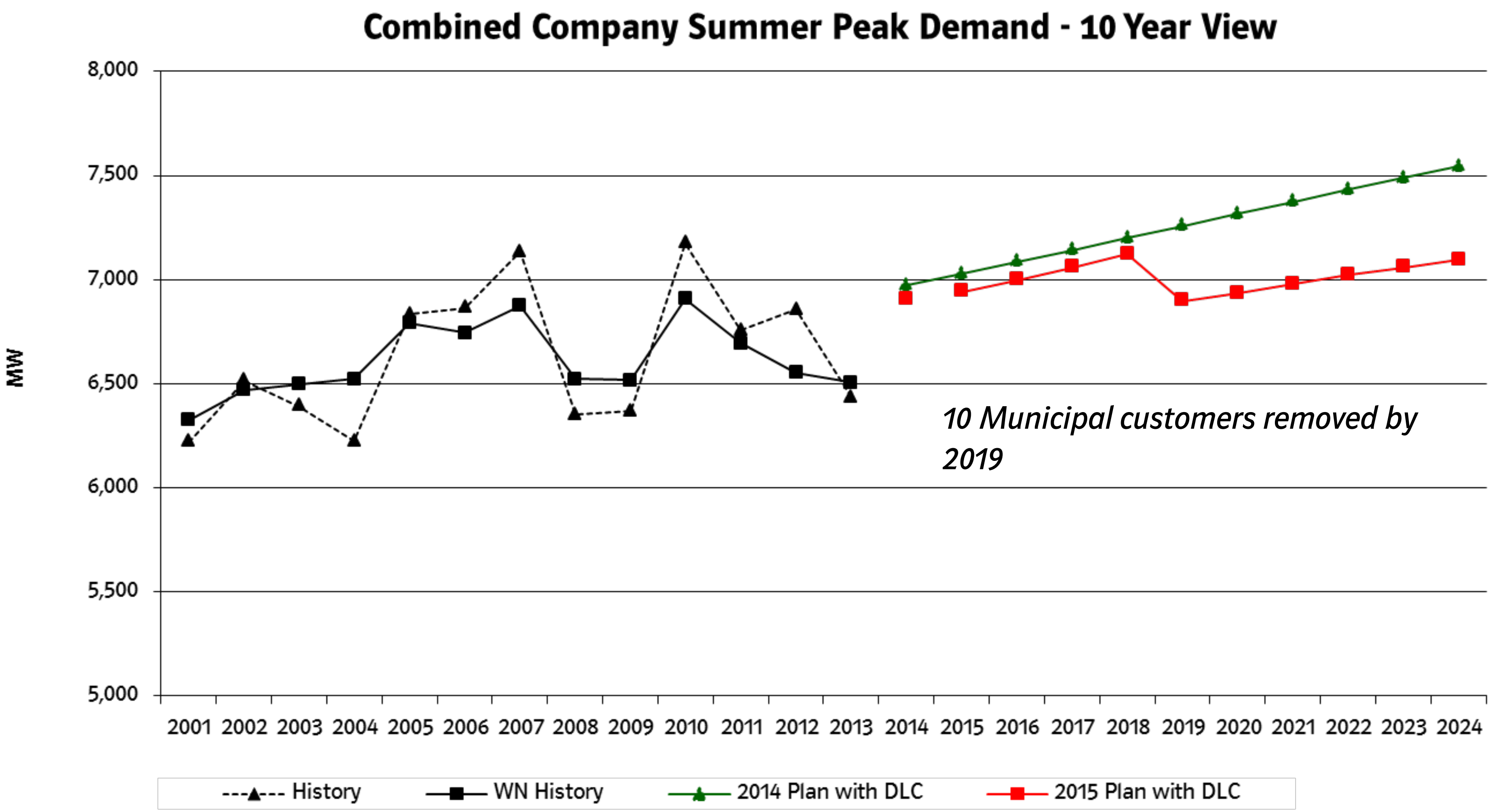
Use per customer for both KU and LG&E largely consistent with 2014 Plan



* *In 2015 Plan forecast, 2014 value is a weather-normalized 5+7 forecast.*

LG&E KU
PPL companies

Uncurtailed peak forecast after DLC slightly lower consistent with lower energy forecast and higher DLC customer forecast

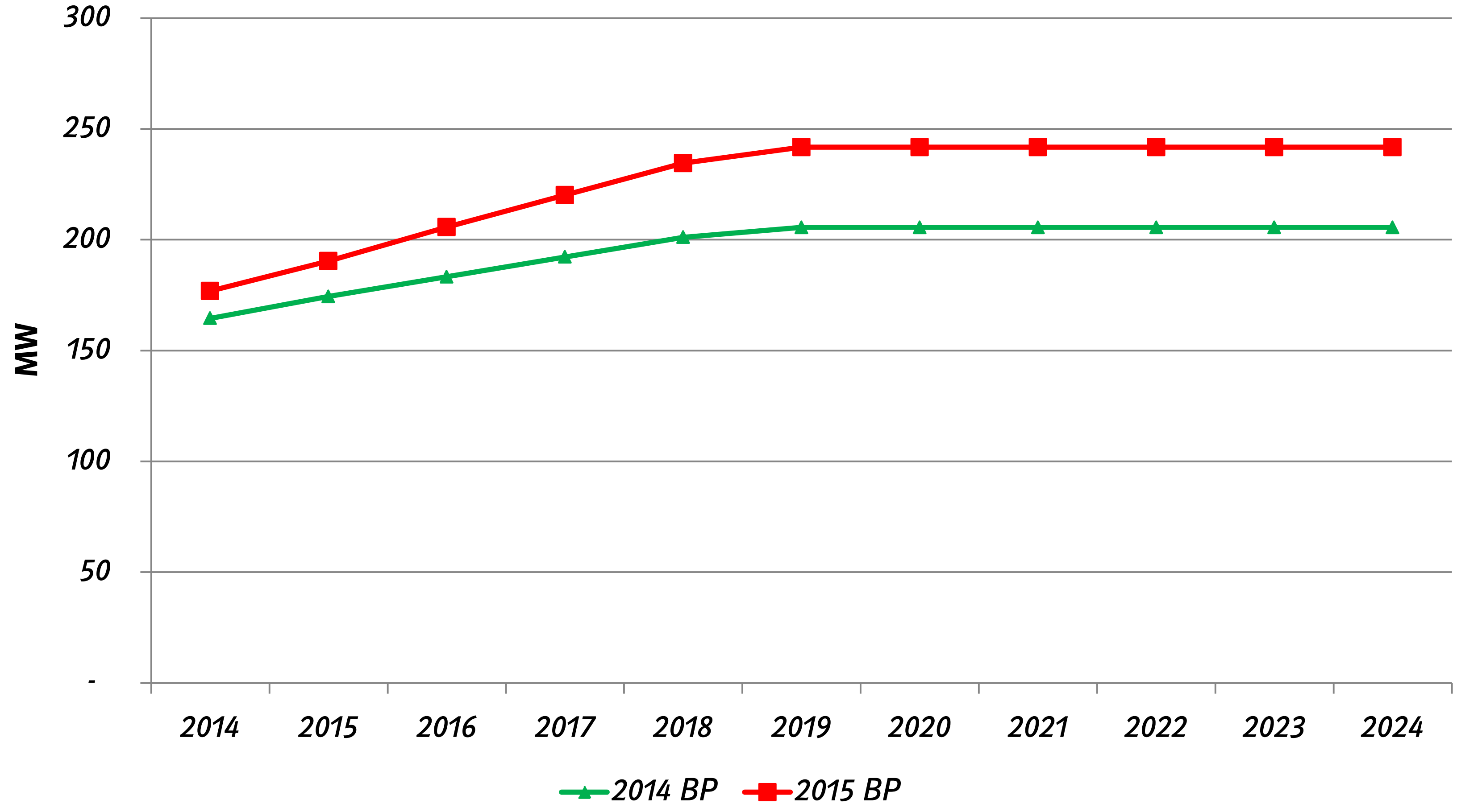


* *In 2015 Plan forecast, 2014 value is a weather-normalized 5+7 forecast.*

** *In 2015 Plan forecast, peak forecast is adjusted ~20 MW higher to cover Ft. Knox obligation.*

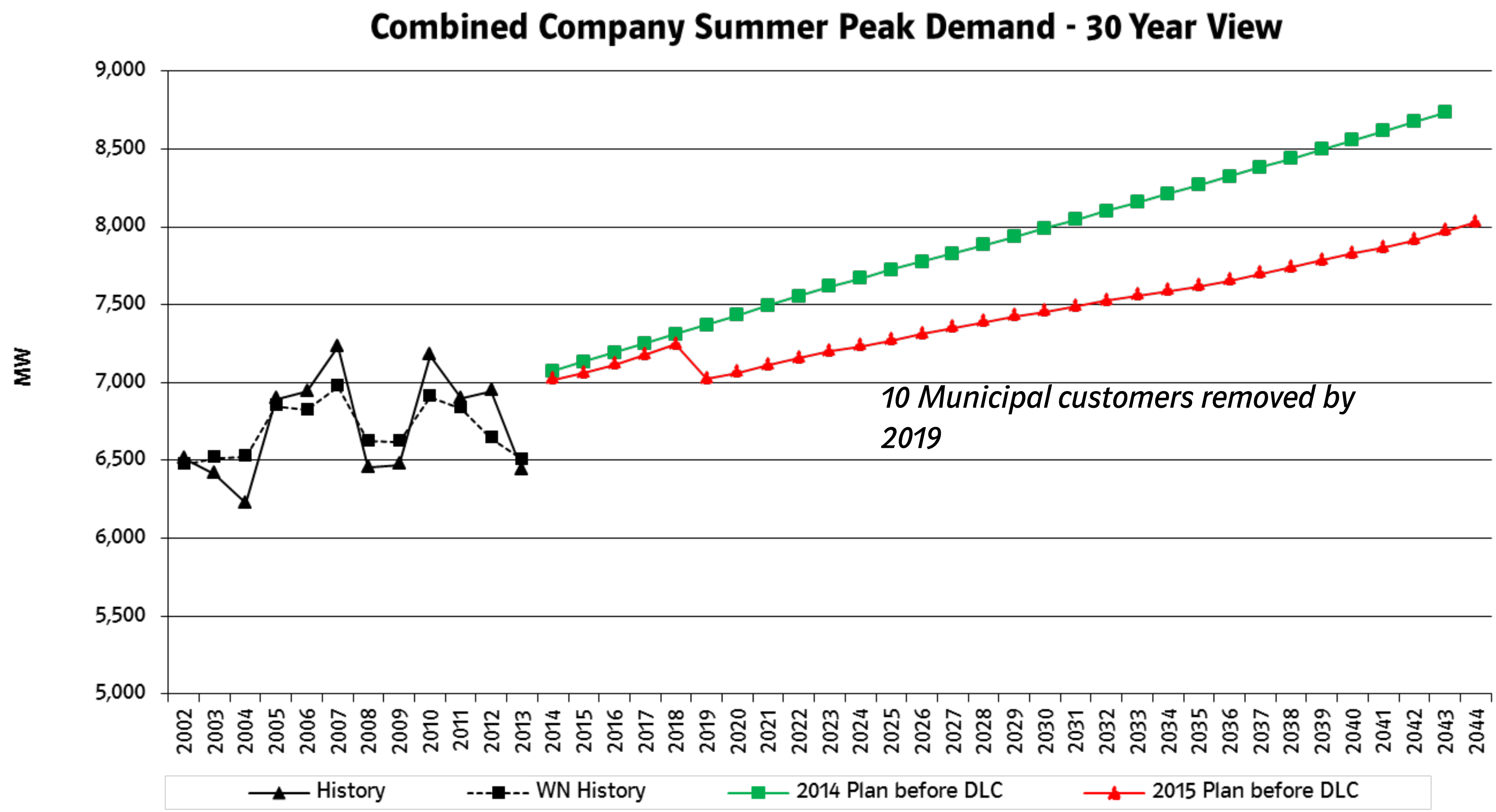
LG&E KU
PPL companies

Additional DLC of 36 MW by 2019 due to higher customer participation forecast



LG&E KU
PPL companies

Uncurtailed peak forecast slightly lower consistent with lower energy forecast and reduction in municipal load



** In 2015 Plan forecast, 2014 value is a weather-normalized 5+7 forecast.*

*** In 2015 Plan forecast, peak forecast is adjusted ~20 MW higher to cover Ft. Knox obligation.*

LG&E KU
PPL companies

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Annual Generation & Off-System Sales Forecast Process

PPL companies

Generation Planning & Analysis
September 2014

Table of Contents

1 Introduction

The Generation Planning group prepares an annual generation and off-system sales ("OSS") forecast for Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively "the Companies"). This forecast provides the basis for – among other things – the Companies' forecasts of fuel costs, generation-related variable operating and maintenance costs, economy purchased power, and OSS margin. This document summarizes the process used to prepare the generation and OSS forecast.

2 Production Cost Model

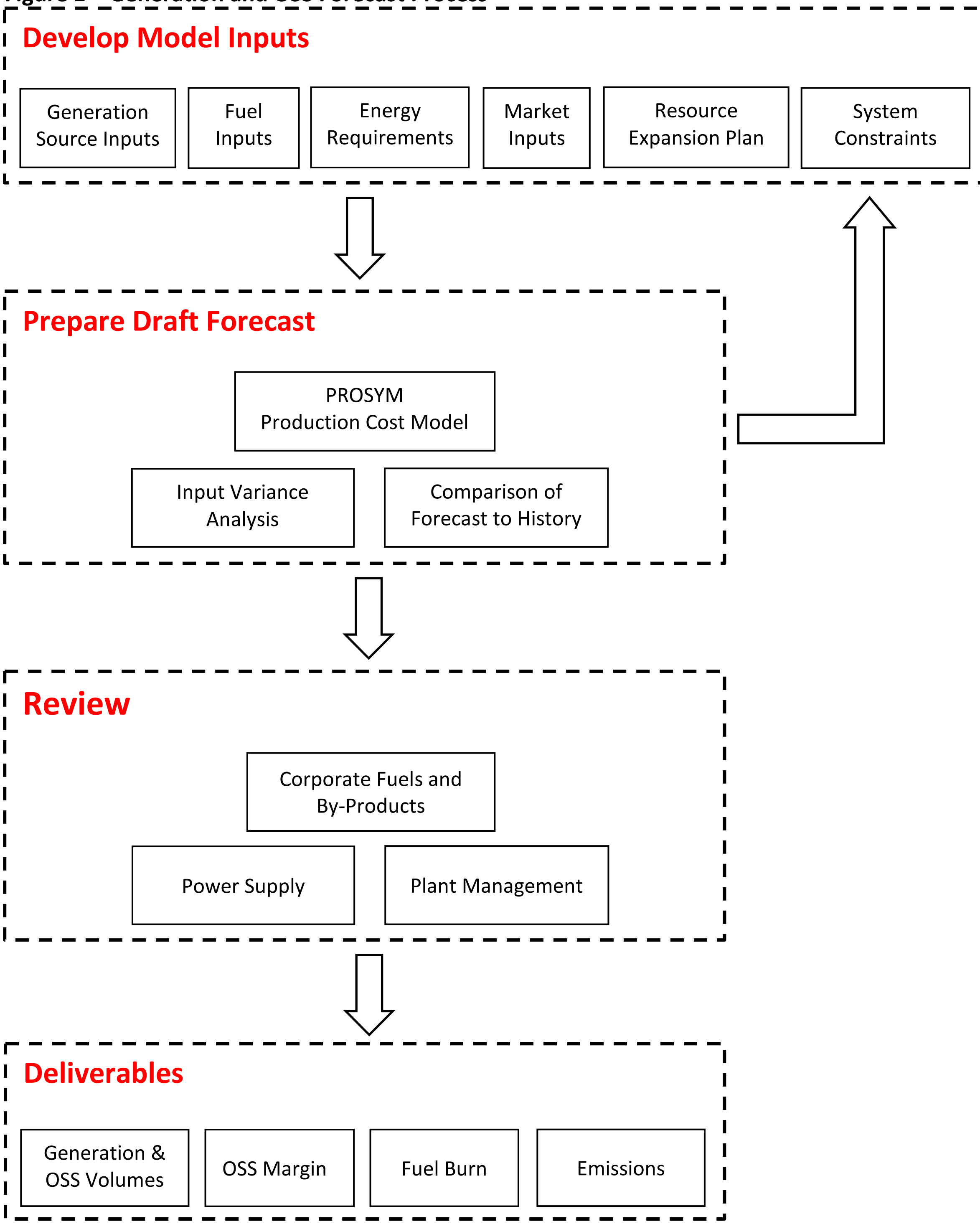
The Companies' generation and OSS forecast is developed using Ventyx's PROSYM, a proprietary production cost model. PROSYM is a chronological simulation engine that optimizes unit commitment and economic dispatch to meet the load for an interconnected electric system, considering the reserve requirements and other aspects of the electric system. PROSYM is a proven production cost model that has been used by utilities throughout the United States for decades.

In addition to PROSYM, SAS, Microsoft Access, and Microsoft Excel are used to process and analyze forecast results. Presentations containing forecast assumptions and results are prepared using Microsoft PowerPoint.

3 Process Overview

Figure 1 provides an overview of the process used to develop the Companies' generation and OSS forecast. In the first part of the process, model inputs are developed. Then, the model inputs are loaded into PROSYM and a draft generation and OSS forecast is prepared. PROSYM is a complex model, so extensive review takes place to ensure that the inputs are correctly loaded into the model and that the model results are reasonable. An input variance analysis evaluates the impact of changing each input or group of related inputs to ensure that the associated output changes are reasonable. Then, various elements of the generation and OSS forecast are compared to historical trends for reasonableness. If the forecast results are not deemed reasonable, the applicable model inputs are adjusted and the process is repeated. In the third part of the process, the results of the forecast are reviewed by other departments. This review process ensures that the forecast considers feedback from a broad range of perspectives. After all parties are satisfied with the results, the generation and OSS forecast is finalized and distributed to the groups who use the forecast to prepare financial budgets. Each part of this process is discussed further in the following sections.

Figure 1 – Generation and OSS Forecast Process



3.1 Develop Model Inputs

The first part of the process used to develop the Companies' generation and OSS forecast involves developing and vetting model inputs. Well-vetted inputs are essential to a good forecast. Wherever possible (and applicable), model inputs are initially developed based on an analysis of historical data.

Then, these inputs are reviewed with plant management for reasonableness. Model inputs are adjusted when historical trends are not expected to continue in the future. Table 1 lists the six main categories of model inputs along with the inputs in each category. Each of these categories is discussed further in the following sections.

Table 1 - Key Inputs to the Generation and OSS Forecast

Input Category	Inputs
Generation Source Inputs	Minimum and maximum capacity, heat rate, emission rates, variable operating and maintenance cost, operating limits, unit availability, company allocation
Fuel Inputs	Coal prices, natural gas prices, oil prices, other fuel-related inputs
Energy Requirements	Hourly energy requirements
Market Inputs	Electricity prices, emission allowance prices, off-system sales and purchase limits, off-system sales and purchase price thresholds
Expansion Plan Inputs	Timing and type of expansion plan units
System Constraints	Transmission constraints, spinning reserve requirements, off-system sales constraints, dispatch order rules

3.1.1 Generation Source Inputs

The generation sources modeled in PROSYM include the Companies' existing sources of generation as well as future generation sources planned to meet customers' growing demand for energy. Generation sources include generating units owned by the Companies, power purchase agreements with other power producers, and the capacity associated with the Companies' curtailable service rider ("CSR") customers.

Generation source inputs define the operating characteristics of the generation sources. These inputs include the source's minimum and maximum capacity, heat rate, emission rates, variable operating and maintenance cost, operating limits, equivalent forced outage rate, and ownership ratio. Each of these inputs is discussed further in the following sections.

3.1.1.1 Minimum and Maximum Capacity

The minimum and maximum capacity (or output) is specified for each generation source as a megawatt ("MW") value for the summer, winter, fall, and spring seasons. Capacity inputs are specified based on an analysis of historical data and unit rating tests but rarely change materially from forecast to forecast.

3.1.1.2 Heat Rate

The heat rate specifies the amount of fuel required to produce a megawatt-hour ("MWh") of electricity. Where applicable, a heat rate curve is specified for each generation source for the summer, winter, fall, and spring seasons. The heat rate curves are specified based on an analysis of historical data and heat rate tests performed by the plants.

3.1.1.3 Emission Rates

Where applicable, PROSYM models the emissions of sulfur dioxide ("SO_2"), nitrogen oxides ("NO_x"), mercury ("Hg"), and carbon dioxide ("CO_2") for each generation source:

- SO_2 Emissions: For coal units, SO_2 emissions are modeled as a function of the unit's SO_2 removal rate and the sulfur content of the fuel. For coal units with flue-gas desulfurization ("FGD") equipment, the SO_2 removal rate ranges between 85% and 99%, depending on the vintage of the FGD equipment.[1] The SO_2 removal rate is specified based on an analysis of historical data and updated in the forecast period for units being retrofitted with new FGD equipment. The sulfur content of the fuel is provided by the Corporate Fuels and By-Products group. For gas units, SO_2 emissions are modeled as a function of an average SO_2 emission rate (specified in lb/MMBtu). The SO_2 emission rate for gas units is estimated by the unit manufacturer.

- NO_X Emissions: For coal units, NO_X emissions are modeled as a function of a NO_x emission curve. NO_x emissions vary with the unit's output and are lower for units retrofitted with selective catalytic reduction ("SCR") equipment. The NO_x emission curve is specified based on an analysis of historical data. For gas units, NO_X emissions are modeled as a function of an average emission rate (specified in lb/MMBtu). The NO_x emission rate for gas units is estimated by the unit manufacturer.
- Hg Emissions: For coal units, Hg emissions are modeled as a function of the unit's average Hg emission rate (specified in lb/MMBtu). Average Hg emission rates are based on engineering estimates and vary depending on whether the unit is retrofitted with a fabric filter baghouse or sorbent injection controls.
- CO_2 Emissions: CO_2 emissions are modeled as a function of the unit's average CO_2 emission rate (specified in lb/MMBtu). Average CO_2 emission rates are dependent on the type of fuel burned in the unit and are based on engineering estimates.

3.1.1.4 Variable Operating and Maintenance Cost

Variable operating and maintenance ("O&M") costs include all non-fuel costs that are incurred when operating the generation source. For coal units, variable O&M includes the cost of operating environmental controls and the cost of handling coal combustion residuals. For Cane Run 7, variable O&M includes the cost of operating its environmental controls and the cost of its long-term service agreement ("LTSA"), which is paid quarterly based on the number of starts and operating hours for the unit. The Companies do not have similar LTSAs in place for their simple-cycle combustion turbines ("SCCTs"), so variable O&M for SCCTs is not modeled.

3.1.1.5 Operating Limits

The following operating limits are modeled in PROYSM for each generation source. Each of these inputs is specified based on an analysis of historical data.

- Minimum Down-Time: Minimum down-time is the minimum number of hours after coming offline that a generation source must remain offline before it can be brought back online.
- Minimum Up-Time: Minimum up-time is the minimum number of hours after coming online that a generation source must remain on-line before it can be taken offline for economic reasons.
- Ramp-Up Rate: Ramp-up rate is the rate (specified in MW/hour) at which a generation source can increase its output.
- Ramp-Down Rate: Ramp-down rate is the rate (specified in MW/hour) at which a generation source can decrease its output.

3.1.1.6 Unit Availability

The following unit availability inputs are modeled in PROSYM for each source. These inputs determined the extent a source is available for operation.

[1] The SO_2 removal rate for coal units without FGD equipment is 0%.

- Planned Maintenance Schedule: The planned maintenance schedule specifies the timing and duration of planned maintenance events. The schedule is developed with input from plant management, Generation Dispatch, and Project Engineering, such that the outages will have the least economic and reliability impact to customers.
- Equivalent Unplanned Outage Rate ("EUOR"): EUOR inputs determine the amount of time the generation source is unavailable due either to a forced outage or maintenance outage. EUOR inputs are specified based on an analysis of historical data.

3.1.1.7 Company Allocation

The energy and capacity for all generation sources modeled in PROSYM are either wholly or jointly allocated to LG&E and/or KU. For each generation source, the Companies' allocation is specified in PROSYM to facilitate the process of creating generation and other forecasts by company as well as forecasting the After-the-Fact Billing process used to calculate the Fuel Adjustment Clause.

3.1.2 Fuel Inputs

Each thermal generation source is associated with one or more fuel forecasts for startup and for online operation. The fuel inputs in PROSYM specify the cost of fuel, the fuel's heat content, the quantity of fuel required for startup, and – for generation sources where the fuel price is a blend of multiple fuel forecasts – the blend ratio of each fuel forecast. For coal, the fuel inputs also include the fuel's SO_2 content.

3.1.2.1 Coal Prices

A forecast of delivered coal prices is developed for each station by the Corporate Fuels and By-products group. These forecasts reflect the cost of the Companies' contracted coal volumes, the assumed cost of coal that will be contracted in the future, and the cost of transporting fuel from mines to the stations. See Appendix 1 for a discussion of the process used to develop this forecast.

3.1.2.2 Natural Gas Prices

A forecast of Henry Hub natural gas prices is developed by the Economic Analysis group. See Appendix 1 for a discussion of the process used to develop this forecast. For each station that uses natural gas for startup or online operations, a forecast of delivered natural gas prices is developed by adding transportation costs and a cost for pipeline losses to the forecast of Henry Hub prices.

3.1.2.3 Oil Prices

A forecast of delivered oil prices is developed by the Economic Analysis group. See Appendix 1 for a discussion of the process used to develop this forecast.

3.1.2.4 Other Fuel-Related Inputs

Other fuel inputs include the fuel blend ratio, the quantity of startup fuel, the fuel's heat content, and fuel's SO_2 content.

- Fuel Blend Ratio – Trimble County 2 burns a blend of Illinois Basin coal and Powder River Basin. Since the prices of these coals are specified in separate forecast in PROSYM, the fuel blend ratio determines the weighting that is used to compute the price of coal for Trimble County 2.
- Quantity of Startup Fuel – For each generating unit, the startup fuel quantity is the amount of fuel required to start the unit. These inputs are specified based on an analysis of historical data with input from plant management.
- Heat Content and SO_2 Content – Fuel heat and SO_2 contents are provided by the Corporate Fuels and By-products group.

3.1.3 Energy Requirements

PROSYM simulates the dispatch of the Companies' generating units to meet hourly energy requirements. The forecast of hourly energy requirements, which consists of native load sales and transmission and distribution losses, is developed by the Sales Analysis and Forecasting group. See XYZ for a discussion of the process used to develop the Companies' forecast of hourly energy requirements.

3.1.4 Market Inputs

Market inputs define the market in which the Companies operate. These inputs include spot hourly wholesale electricity prices, emission allowance prices, hourly OSS and economy purchase limits, and OSS and economy purchase price threshold values. Together, these inputs determine when the model should make economy purchases or OSS. Each of the market inputs is discussed in the following sections.

3.1.4.1 Electricity Prices

A forecast of spot hourly electricity prices is developed by the Economic Analysis group. See Appendix 1 for a discussion of the process used to develop spot hourly electricity prices.

3.1.4.2 Emission Allowances Prices

Forecasts of emission allowance prices for SO_2, seasonal NO_x, and annual NO_X are developed by the Economic Analysis group. See Appendix 1 for a discussion of the process used to develop these forecasts. The dispatch cost for each unit includes the unit's fuel cost, variable O&M costs, and the cost of emission allowances.

3.1.4.3 Hourly Off-System Sales and Purchase Limits

The OSS and purchase limit inputs determine the maximum quantity (in MWs) of OSS and economy purchases that can be made in any given hour. Since the volatility of available transmission capacity cannot modeled in PROSYM, limits on hourly OSS and economy purchases are used to align the volume of modeled OSS and economy purchase transactions with recent historical experience. OSS and economy purchase limits are developed to coincide with the 95th percentile of the distribution of historical hourly OSS and economy purchase volumes.

3.1.4.4 Off-System Sales and Purchase Price Thresholds

When making an OSS or economy purchase, the Companies incur various costs related to the transaction. These costs are referred to as OSS and purchase "thresholds." OSS and purchase thresholds include the cost of transmission and transmission losses, independent system operator balancing charges, and a risk premium the Companies' Power Supply group uses to manage the uncertainty that exists between real-time prices and aggregated hourly (or settled) prices.

3.1.5 Resource Expansion Plan Inputs

The expansion plan inputs specify the timing and type of generation sources planned to be added to the Companies' generation portfolio to meet customers' growing need for energy and capacity. These generation sources can take the form or new generating units or power purchase agreements with a third-party provider. Generation source inputs are discussed in Section 3.1.1.

3.1.6 System Constraints

PROSYM enables the user to model a variety of physical constraints that exist within the Companies' transmission system and generation portfolio. These constraints are discussed in the following sections.

3.1.6.1 Transmission Constraints

The Companies' transmission and distribution system is designed to deliver electricity from generation sources to load under a variety of circumstances. Despite the flexibility that is afforded the Companies, some constraints can occur in real time. For example, at least one generating unit at the Brown Station must be operating at all times to support adequate voltage in the Lexington area. Furthermore, at least one unit at the Green River Station must be on – if possible – at all times to support voltage in western Kentucky. PROSYM models these and other transmission constraints.

3.1.6.2 Spinning Reserve Requirements

As a NERC balancing area, the Companies are required to carry contingency reserves in order to ensure the reliability of the grid. In order to meet these obligations in a least-cost manner, the Companies entered into a reserve sharing agreement with TVA. By sharing reserves with TVA, the Companies are able to reduce the amount of contingency reserves they need to carry. In the current plant, the Companies need to maintain 258 MW of contingency reserves at all times. In addition, the Companies typically carry approximately 150 MW of regulating reserves in order to follow load fluctuations in real time. PROSYM models these reserve requirements.

3.1.6.3 Off-System Sale Constraints

As a general rule, because hourly market prices can fluctuate, potential OSS margins from SCCTs do not justify the wear and tear associated with starting the unit in anticipation of potential OSS margins. Therefore, the Companies' SCCTs are generally only committed to meet customers' need for peak energy. For this reason, a constraint is modeled in PROSYM that prohibits the model from making OSS when SCCTs are operating.

3.1.6.4 Dispatch Order Rules

Dispatch order rules determine the order in which different types of generation sources are dispatched. The majority of generation sources are dispatched economically. However, the Companies' CSR customers are not curtailed until all other company-owned sources have been exhausted. Likewise, the Companies' reserve sharing agreement gives the Companies limited and temporary access to emergency reserves that can only be dispatched after all other resources have been exhausted. The dispatch order rules enable the Companies to model these constraints.

3.2 Prepare Draft Generation and OSS Forecast

In the second part of the process used to develop the Companies' generation and OSS forecast, model inputs are loaded into PROSYM and PROSYM is used to prepare a draft generation and OSS forecast. PROSYM is a complex model, so extensive review takes place to ensure that the inputs are correctly loaded into the model and that the model results are reasonable. An input variance analysis evaluates the impact of changing each input or group of related inputs to ensure that the associated output changes are reasonable. Then, various elements of the generation and OSS forecast are compared to historical trends for reasonableness. The input variance analysis and comparison of the forecast to history are discussed in more detail in the following sections.

3.2.1 Input Variance Analysis

The process of performing an input variance analysis begins with the previous year's generation and OSS forecast and is completed in steps. As each input or group of inputs is updated, PROSYM is used to create a new forecast. A comparison of forecast results in each step reveals the impact of changing one input (or group of related inputs). The comparison of forecast results for each step includes a comparison of native load production costs, OSS margin, generation volumes, unit capacity factors, fuel burn, and other factors. In most cases, the change from the previous year's forecast to the current year's forecast is explained primarily by a limited number of factors. Despite this fact, the impact of all input changes is evaluated carefully. If the impact of a change is not deemed reasonable, the model inputs are adjusted and the process is repeated.

3.2.2 Comparison of Forecast to History

The goal of the generation forecasting process is to produce the most accurate forecast possible. In addition to the waterfall analysis, numerous elements of the forecast are compared to historical trends to further assess the reasonableness of the forecast. In many cases, the forecast should be consistent with historical trends. When this is not the case, it is important to ensure that forecasted deviations from historical trends are reasonable. The following is a sampling of forecast elements that are compared to historical data.

- Annual/monthly/hourly generation by generation source
- Annual/monthly fuel burn by generation source
- Annual startup fuel by generation source
- Annual SCCT starts/run hours
- Annual/monthly/hourly OSS volumes by peak type
- Annual/monthly/hourly OSS margin by peak type
- Annual/monthly/hourly economy purchase volumes by peak type
- Annual SO_2/NO_x emissions
- Annual/monthly capacity factor by generation source
- Annual/monthly intercompany transaction volumes
- Annual/monthly dispatch order
- Number of CSR curtailments

3.3 Review

In the third part of the process used to develop the Companies' generation and OSS forecast, the results of the forecast are reviewed by other departments. This review process ensures that the forecast considers feedback from a broad range of perspectives.

The following groups are primary consumers of the forecast results and review various elements of the forecast to help ensure that the results are reasonable:

- Corporate Fuels and By-products: The Corporate Fuels and By-Products group reviews the fuel burn forecast by generating station and fuel type.
- Power Supply: The Power Supply group reviews the forecasts of OSS margin, OSS volumes, and economy purchase volumes by peak type.
- Plant Management: Plant managers review the forecasts of generation by station and fuel type.

3.4 Deliverables

After forecast reviews are completed, the forecast deliverables are distributed to the groups within the company who use the forecast to prepare financial budgets. The following is a list of key deliverables:

- Generation Forecast
- Fuel Burn Forecast
- Fuel Expense Forecast
- OSS Margin Forecast
- Emission Forecasts

Appendix 1 – Commodity Price Forecasts

The Economic Analysis department developed price forecasts for several commodities. The process covering the 2015-2017 period for each of the following commodities is discussed in the subsequent sections.

- Natural gas
- Coal
- Electricity
- Fuel oil
- Emissions allowances

1 Natural Gas

The natural gas price forecast reflects monthly Henry Hub forward market prices from NYMEX as of June 23, 2014 which reflected the most current view of forward prices at the time the forecast was prepared.

2 Coal

For many years, the Companies have used essentially the same coal price forecast methodology as updated and improved over time. For the 2015-2017 period, the Companies' Fuels Department established the desired coal inventory levels by plant. Based on the coal burn forecast by unit developed by the Generation Planning Department, the Fuels Department calculates the target purchase tonnage needed each year to maintain desired inventory levels while meeting the forecasted coal burn.

Once the target purchases are established, the Fuels Department incorporates the current contracts and spot orders in place for their full term with known tonnage volumes and prices. The difference between target purchases and existing contract committed purchases is calculated and labeled as "uncommitted tons" or "open position" in the forecast. The price for the uncommitted tons is estimated based on a combination of current coal bids and coal price forecasts from an independent third party consultant, Wood Mackenzie.

The 2015 price curve forecast was developed from the Wood Mackenzie Long-Term Price Outlook (May 2014). For the first and second year of the forecast, prices for the uncommitted tons are set at the average price level established by coal bids received, but not yet under contract. For each subsequent year of the forecast period, prices for the uncommitted tons are set at a level determined by weighting prices for bids received and prices as forecast by the Wood Mackenzie study. For example, the current forecast prices for 2015 and 2016 for uncommitted tons are forecast at 100% of the average price quoted in the bids received in the spring of 2014. The Companies evaluate the bids received, excluding any non-competitive bids, calculate an average mine price for the individual years' bid, and apply the average price by year to the uncommitted tons. Uncommitted tons for 2017 thru 2019 are priced at a level determined by weighting the price of bids received for those years and the Wood Mackenzie study. Current transportation, barge fleeting, and rail car maintenance costs are added to the forecast price to determine the total forecast delivered price.

3 Electricity

The Companies buy and sell electricity primarily with PJM through the PJM-South Import ("PJM-SI") interface / pricing point which is used in the planning process to represent the electricity market.[2] Monthly forward market prices for PJM West Hub ("PJM-WH")[3] quoted by Intercontinental Exchange as of June 23, 2014 are used as a basis for developing an hourly forecast of PJM-SI prices, reflecting the most current view of forward prices at the time the forecast was prepared.[4]

Monthly PJM-SI prices are derived by applying seasonal discount factors by peak type to the quoted PJM-WH prices. The discount factors are based on historical ratios between actual PJM-SI and PJM-WH prices.

Monthly average PJM-SI prices are shaped to daily average prices by peak type by maintaining a correlation between the Companies' forecasted daily average energy and the forecasted daily average electricity price. This relationship serves as a proxy for the correlation between the daily load level in the PJM market and the corresponding daily average electricity price. The daily average prices are derived by multiplying the forecasted monthly average prices (by peak type) by a daily weighting that reflects the correlated variances between forecasted daily vs. average monthly loads and forecasted daily vs. average electricity prices, based on historical observations. Hourly prices are then derived by multiplying the daily prices by hourly price multipliers that reflect the historical average ratio of hourly prices to daily prices by month and by peak type.

4 Fuel Oil

The 2015-2017 fuel oil price forecast consists of three segments beginning with market prices that are interpolated to a longer-term forecast.

- 2015 monthly prices reflect NYMEX New York Harbor #2 fuel oil monthly contract settled prices as of 6/2/2014. Due to a lack of market liquidity, forward #2 fuel oil prices past December 2015 are not used.
- 2016 monthly prices are interpolated values between the 2015 and 2017 monthly prices.
- 2017 monthly prices are derived using linear regression to reflect the historical relationship between monthly average prices for NYMEX #2 fuel oil and West Texas Intermediate ("WTI") oil prices. A long-term forecast for WTI prices from IHS is used as a basis for the NYMEX #2 fuel oil forecast.

A 7% delivery basis is added based on the average monthly historical ratio between the monthly average price for fuel oil delivered to LG&E and KU and the monthly average settled price for New York Harbor #2 fuel oil.

[2] The Companies also transact electricity with counterparties other than PJM. The Companies model PJM as a representative market, considering liquidity and availability of market data.
[3] The PJM market is used as a proxy for all markets available to the Companies because most of the Companies' off-system sales and purchases are expected to be transacted with the PJM market.
[4] The quoted "off-peak wrap" forward prices for PJM-WH are split into off-peak (7x8) and weekend (2x16) peak types using historical ratios.

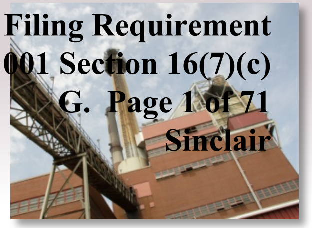
5 Emissions Allowances

For SO_2, seasonal NO_x, and annual NO_x emissions allowances, prices are assumed to be constant over 2015-2017 at the market prices as of 6/23/2014 for allowances under the Clean Air Interstate Rule program. No allowance price assumptions are made for the Cross-State Air Pollution Rule (CSAPR) because of the uncertainty regarding how the EPA may implement the program following the Supreme Court's April 2014 ruling to uphold the program. No CO_2 emission cost is assumed during the 2015-2017 period.

PPL companies

2015 Business Plan
Generation & OSS Forecast

Generation Planning & Analysis
August 13, 2014






2015 Plan Summary

- *Compared to the 2014 Plan, native load production costs ($/MWh) in the 2015 Plan are lower.*
  - *Lower coal prices drive reductions throughout planning period.*

- *OSS contribution is higher in 2015-2017 and lower in 2018-2019.*
  - *Changing electricity and gas prices drive increases in 2015-2017.*
  - *Deferral of Green River 5 drives lower OSS margin in 2018-2019.*

Native Load Production Costs ($/MWh)	2015	2016	2017	2018	2019	CAGR
2014 Plan	*29.79*	*31.23*	*32.81*	*34.15*	*35.09*	*4.2%*
2015 Plan	*29.39*	*29.60*	*31.12*	*32.38*	*33.35*	*3.2%*

OSS Contribution ($M)	2015	2016	2017	2018	2019
2014 Plan	*1.3*	*0.9*	*1.2*	*1.8*	*3.4*
2015 Plan	*3.0*	*3.1*	*2.1*	*1.6*	*1.9*

LG&E KU
PPL companies

Key Changes in Planning Assumptions & Inputs

- *Plan over plan, coal prices are 1% lower in 2015 and 2-4% lower in 2016-19.*
  - *Electricity and gas prices are higher in 2015, mostly unchanged in 2016, and lower in 2017-2019.*
- *Native load energy requirements are 1% lower in 2015-2018 and 4% lower in 2019.*
  - *Economic growth still slow.*
  - *Departure of 10 municipal customers (~320 MW) by May 2019.*
- *Variable O&M forecast for new environmental controls is lower at the Ghent, Mill Creek, and Brown stations; slightly higher at the Trimble County station.*
- *Consistent with history, modeled OSS limits reduced from 600 MW/hr to 400 MW/hr in peak and weekend periods; 150 MW/hr in off-peak period.*
- *Expansion plan includes LS Power PPA from May 2015-April 2019, Brown Solar in December 2016, and 2x1 NGCC in May 2021.*
  - *PPA fixed costs (~$10 million in 2015, ~$15 million/year in 2016-2018, ~$5 million in 2019).*
- *Coal unit availability consistent with prior plan except for:*
  - *Green River 3-4 retirement deferred from October 1, 2014 to April 16, 2016*
- *Paddy's Run units available year-round beginning 1/1/2016 (pending completion of gas pipeline project).*

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PPL companies

Modeled EFOR assumptions are mostly unchanged

- *Modeled EFOR for TC2 increased from 5.6% to 6.0% in 2015.*
  - *In 2015 Plan, modeled EFOR assumption for TC2 remains constant throughout planning period.*

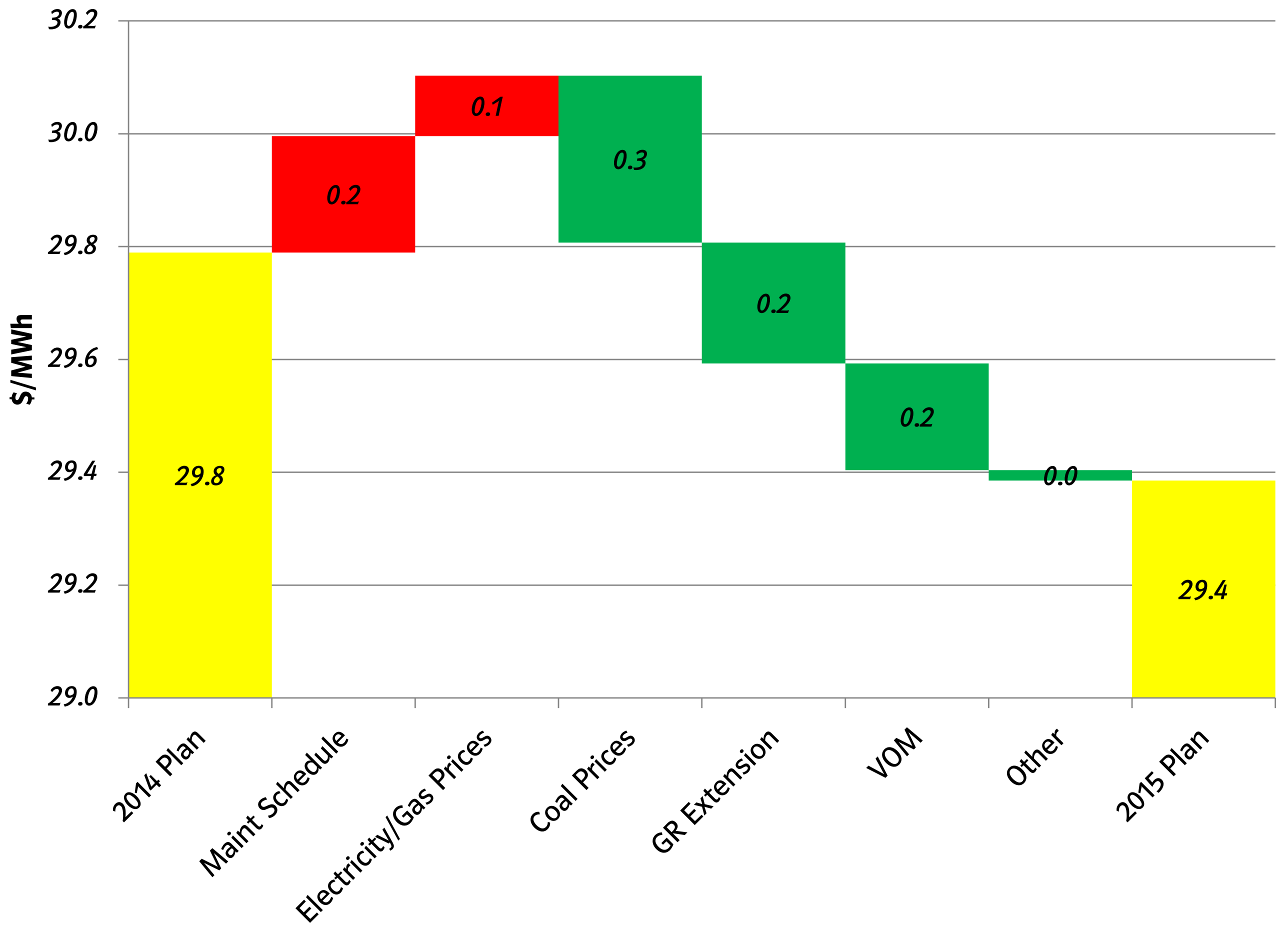
	Modeled EFOR Assumptions for 2015		
	2014 Plan	**2015 Plan**	**Difference**
BR1	5.6%	5.6%	0.0%
BR2	5.6%	5.6%	0.0%
BR3	5.6%	5.6%	0.0%
CR4	8.1%	8.1%	0.0%
CR5	8.1%	8.1%	0.0%
GH1	5.6%	5.6%	0.0%
GH2	5.6%	5.6%	0.0%
GH3	5.6%	5.6%	0.0%
GH4	5.6%	5.6%	0.0%
GR3	8.1%	8.1%	0.0%
GR4	8.1%	8.1%	0.0%
MC1	5.6%	5.6%	0.0%
MC2	5.6%	5.6%	0.0%
MC3	5.6%	5.6%	0.0%
MC4	5.6%	5.6%	0.0%
TC1	5.6%	5.6%	0.0%
TC2	5.6%	6.0%	0.4%
CR7	7.0%	7.0%	0.0%
	Generation Weighted Average		
Coal and NGCC	5.8%	5.9%	0.1%
Coal Only	5.7%	5.8%	0.1%

Note: CR6 will not operate in 2015 unless it is needed to ensure system reliability.

LG&E KU

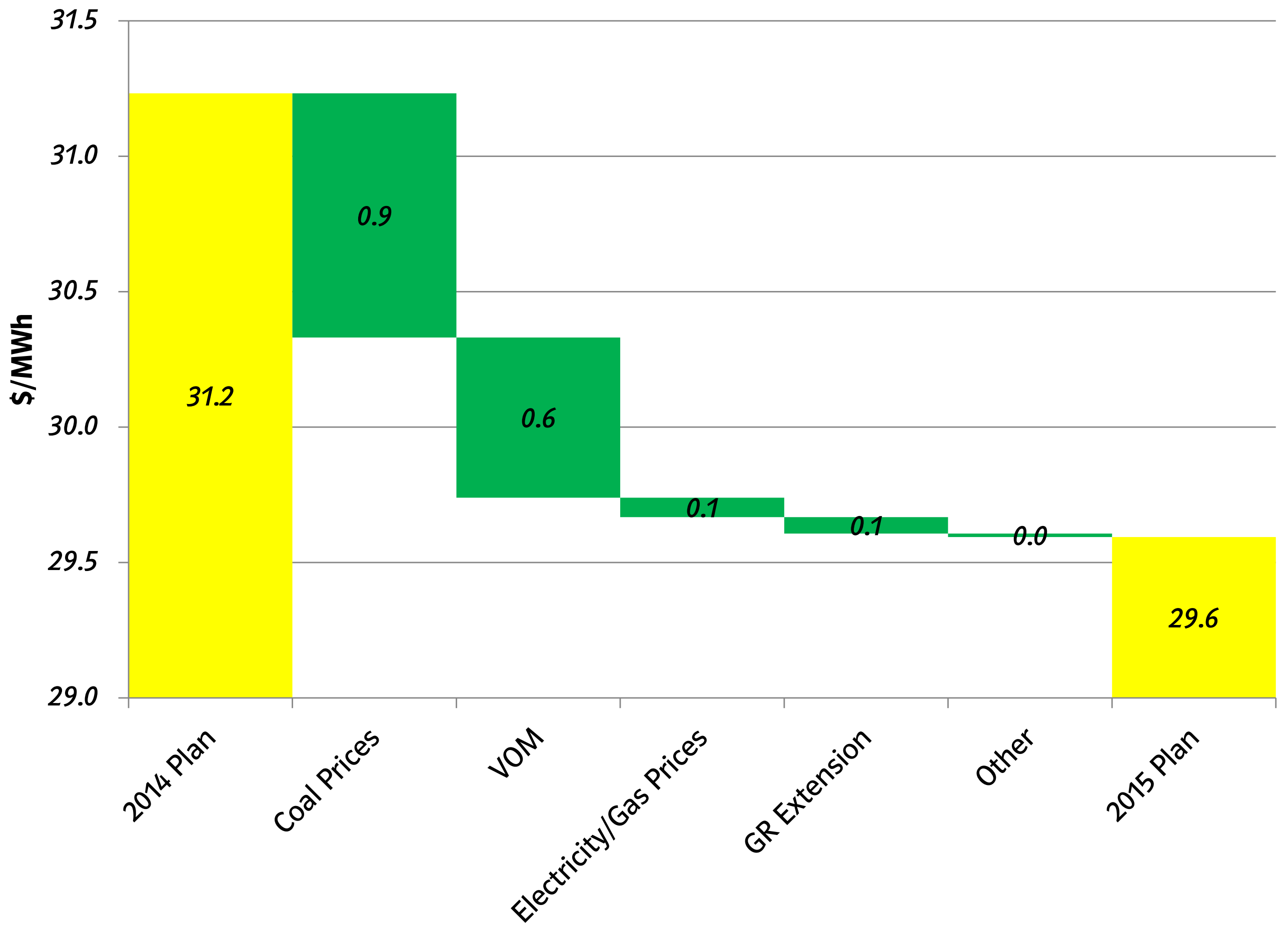
PPL companies

In 2015, lower coal prices, the Green River extension, and lower variable O&M are the key drivers of lower native load production costs



LG&E KU
PPL companies

In 2016, lower coal prices and variable O&M are the key drivers of lower native load production costs



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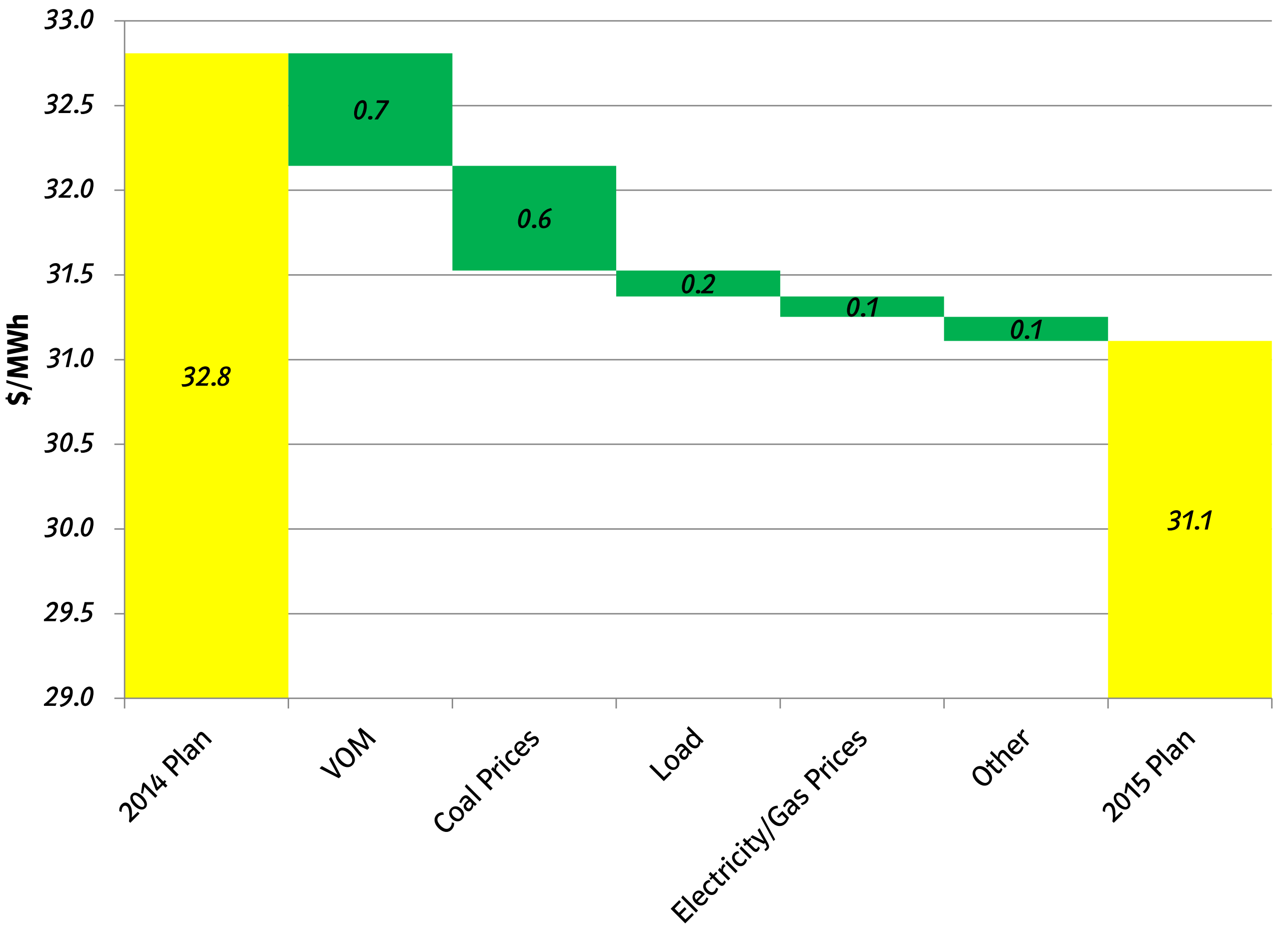
PPL companies

In 2017, lower coal prices and variable O&M are the key drivers of lower native load production costs



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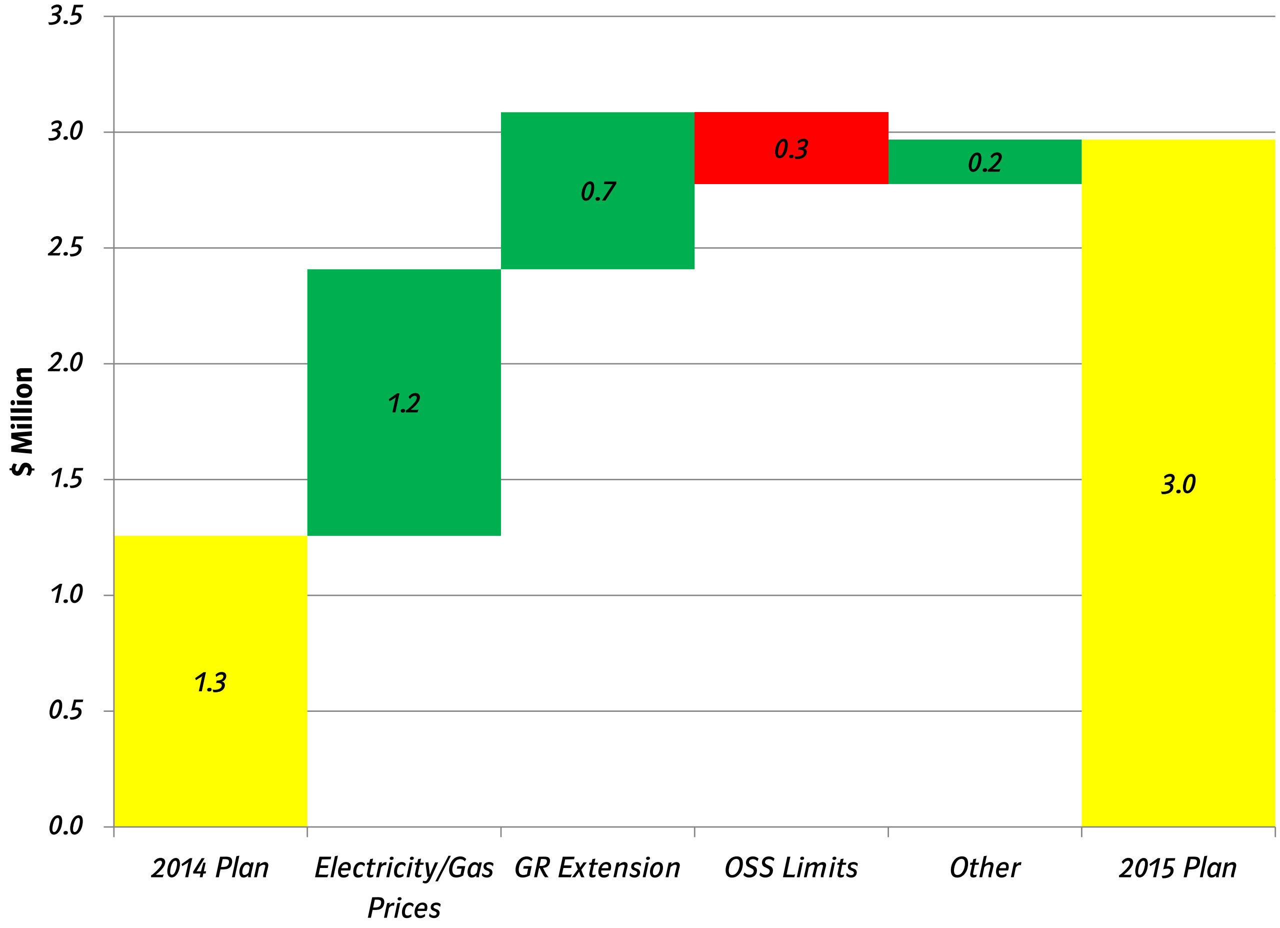
PPL companies

In 2015, higher electricity prices and the Green River extension are the key drivers of higher OSS contribution



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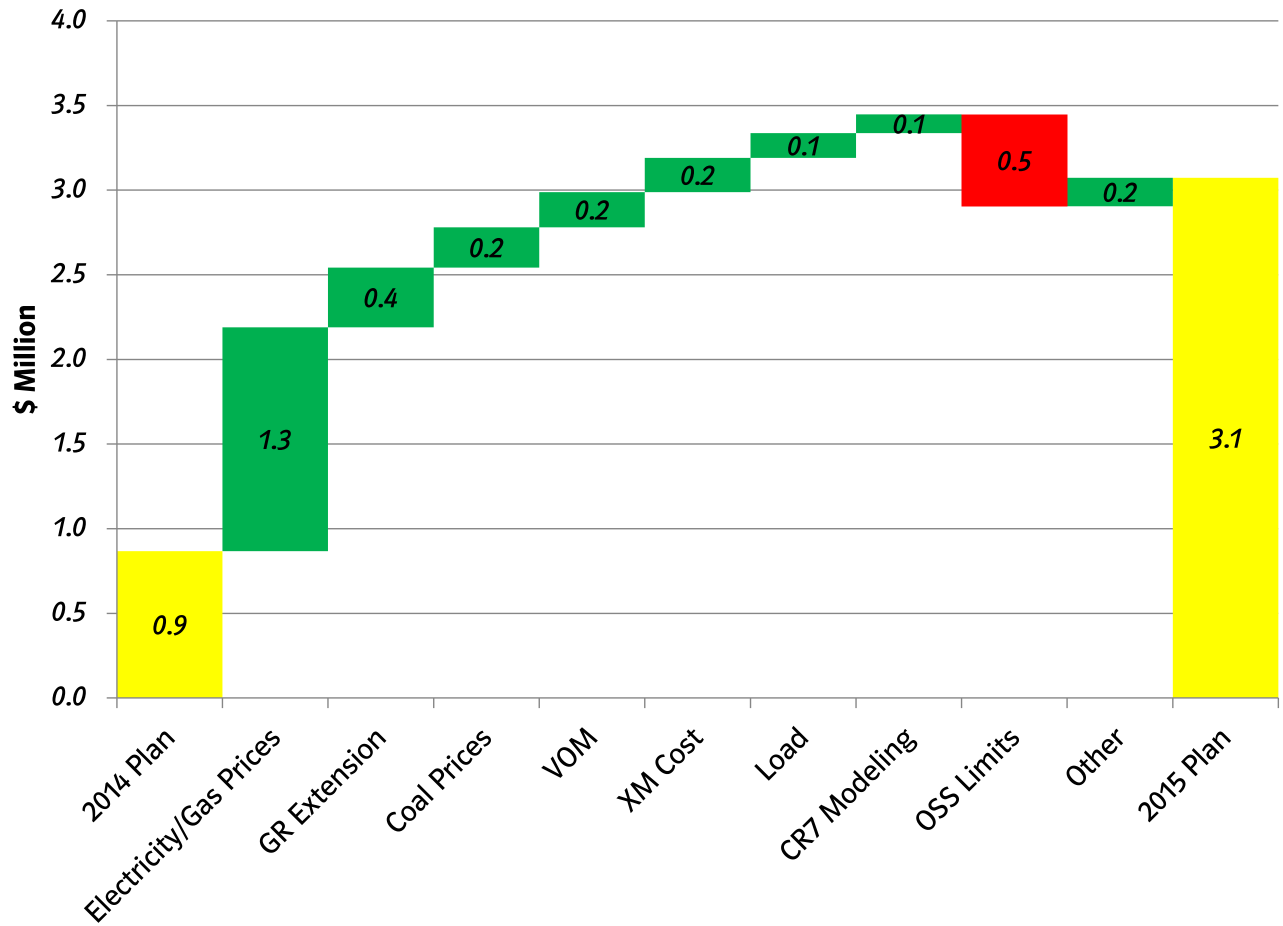
PPL companies

In 2016, higher electricity prices and the Green River extension are the key drivers of higher OSS contribution



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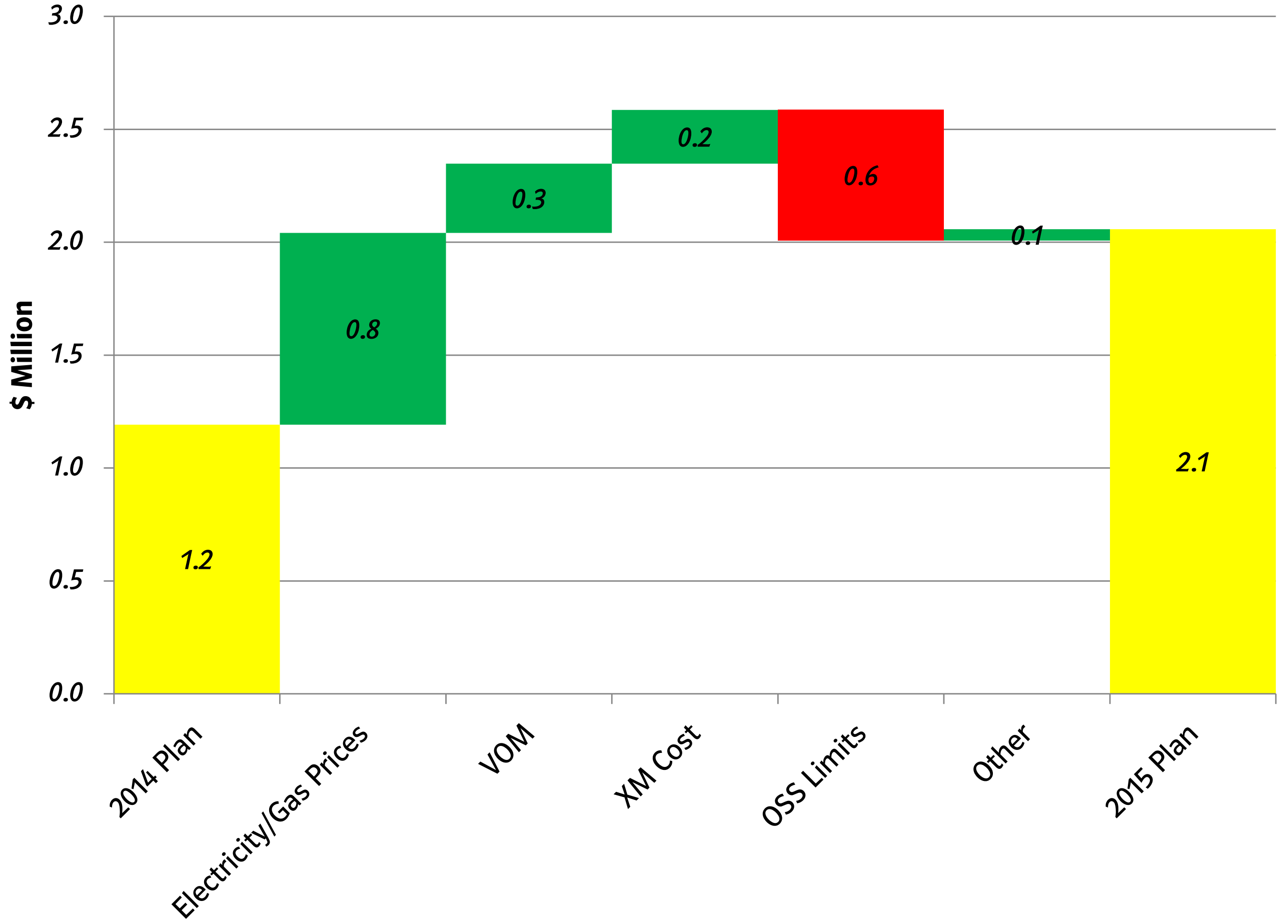
PPL companies

In 2017, lower gas prices drive higher OSS contribution



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PPL companies

Key Risks and Uncertainties

- *Short-Term*
  - *Approval of Green River extension*
  - *Trimble County 2 performance post burner replacement*
  - *Cane Run 7 testing, commissioning date, and performance after commissioning*
  - *Coal unit performance in 2015 post installation of environmental retrofits*
    - *Ghent 1: Spring 2015 (baghouse/turbine overhaul)*
    - *Mill Creek 1-2: Spring 2015 (baghouse/FGD)*
    - *Ghent 2: Fall 2015 (baghouse)*
    - *Brown 3: Fall 2015 (baghouse)*
    - *Trimble County 1: Fall 2015 (baghouse)*
  - *Generally, transition of system as we retire small coal units and commission Cane Run 7*
  - *Summer 2016 availability of Mill Creek 3 following baghouse/FGD installation*
- *Long-Term*
  - *Compliance with GHG regulations and effluent guidelines*
  - *Landfill capacity at Mill Creek*

PPL companies

Appendix

2015 Plan – Assumptions

- *Plan EFOR assumptions are based on historical EFOR values. 'Target' EFORs will continue to be the basis for KPI reporting and are mostly unchanged.*
  - *TC2 target EFOR increased from 3.8% to 5.3%.*
- *For the purposes of computing production costs, the following will be assumed:*
  - *Cane Run 6 unavailable 10/1/2014 – 4/30/2015*
  - *4/16/2016 retirement date for Green River 3-4*
  - *5/1/2015 commercial date for Cane Run 7*
  - *5/1/2015 retirement date for Cane Run 4-6*
- *At least one Brown unit must be operating at all times.*
- *At least one Green River unit must be operating at all times.*
- *At least two Cane Run coal units must be operating during June-August; at least one Cane Run coal unit must be operating during rest of year.*
- *Paddy's Run 11-13 unavailable from November through March (gas pressure) through the end of 2015; beginning in January 2016, the Paddy's Run units will be available year-round following the completion of a new pipeline project.*
- *FGDs and SCRs will continue to operate at normal SO_2 and NO_X removal levels.*

LG&E KU
PPL companies

2015 Plan – Assumptions

- *Expansion plan:*
  - *Target reserve margin: 16-21%*
  - *LS Power PPA (165 MW): May 2015 – April 2019*
  - *Brown Solar (9 MW): December 2016*
  - *2x1 NGCC (670 MW): May 2021*
- *Spinning reserve requirements:*
  - *Contingency: Spinning 258 MW, (100 MW of 258 MW is supplemental - supplied by quick-start units)*
  - *75 MW regulating*
  - *75 MW NAS*
- *Off-system sales cannot be generated by CTs (same assumption in 2014 Plan)*
- *Baghouse installation schedule:*
  - *2014: GH3 (completed), GH4, MC4*
  - *2015: BR3, GH1, GH2, MC1, MC2, TC1*
  - *2016: MC3*

LG&E KU
PPL companies

2015 Plan – Assumptions

- *FGD installation schedule*
  - *2014: new MC4 FGD*
  - *2015: Combined MC1 & 2 FGD*
  - *2016: new MC3 FGD*
- *No turbine upgrades*
- *Turbine overhaul schedule*
  - *2014: MC4, GH4*
  - *2015: GH1, BR1*
  - *2016: None*
  - *2017: BR2, TC1*
  - *2018: GH3, TC2*
  - *2019: GH2, BR3, MC3*
- *Market volume limits*
  - *Hourly sales limited to 400 MW/hr in peak and weekend periods; 150 MW/hr for off-peak period*
  - *Hourly purchases limited to 200 MW/hr in all peak periods*
- *Market electricity prices*
  - *Consistent with July-approved prices*
  - *Hourly prices are correlated with forecasted load shape*

LG&E KU
PPL companies

2015 Plan – Assumptions

- *CAIR continues through 2015.*
- *With the addition of Cane Run 7 and the retirement of the Cane Run and Green River coal units, the plan assumes generation portfolio is well-positioned for more stringent SO_2 and NOx rules that may take effect beginning in 2016.*

Emission Allowance Prices ($/ton emitted)

Year	Annual NOx	Seasonal NOx	SO_2
2015	64.50	27	1.75
2016	64.50	27	1.75
2017	64.50	27	1.75
2018	64.50	27	1.75
2019	64.50	27	1.75
2020	64.50	27	1.75
2021	64.50	27	1.75
2022	64.50	27	1.75
2023	64.50	27	1.75
2024	64.50	27	1.75

PPL companies

2015 Plan – Assumptions

- *Cane Run 7 Long-Term Service Agreement (LTSA)*
  - *CR7 LTSA cost is $771 per hour or $22,330/start ($2015), whichever is greater*
- *Cane Run 7 COD is 5/1/2015*

Cane Run 7 Commissioning Events

Event	Event Start Date 5/1/2015 CR7 COD Assumption	Notes
Transmission Outage (45 Days); CR6 Unavailable	9/15/2014-10/1/2014	Start date is dependent on forecast of sustained milder temperatures.
November Load Limit (524 MW Total; CR7 - 116 MW; 2 of 3 CR Coal Units - 408 MW)	11/1/2014	
December Load Limit (617 MW Total; CR7 - 462 MW; 2 of 3 CR Coal Units - 155 MW)	12/1/2014	
January through COD Load Limit (846 MW Total; CR7 - 691 MW; 2 of 3 CR Coal Units - 155 MW)	1/1/2015	
CR6 Permanently Unavailable	3/1/2015	
Transmission Outage (31 Days)	3/1/2015	
Transmission Outage (3 Days)	4/1/2015-5/1/2015	MC and/or CR generation may be limited during 3-day outage depending on system load levels.
CR4-5 Permanently Unavailable	5/1/2015	
MC2 Outage	3/9/2015	
MC1 Outage	3/23/2015	
CR7 COD	5/1/2015	

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Maintenance in 2015 increases by 11 weeks

Maintenance-Weeks

	2015 Plan					2014 Plan					2015 Plan - 2014 Plan				
	2015	**2016**	**2017**	**2018**	**2019**	**2015**	**2016**	**2017**	**2018**	**2019**	**2015**	**2016**	**2017**	**2018**	**2019**
Brown 1	8	3	1	3	1	8	3	1	3	1	-	-	-	-	-
Brown 2	1	3	8	2	3	1	3	8	1	3	-	-	-	1	-
Brown 3	7	3	1	3	8	7	3	1	3	8	-	-	-	-	-
Ghent 1	9	3	3	4	3	8	4	2	4	2	1	(1)	1	-	1
Ghent 2	11	4	3	3	9	6	4	3	3	9	5	-	-	-	-
Ghent 3	4	4	3	8	5	5	2	3	8	5	(1)	2	-	-	-
Ghent 4	-	4	3	4	3	-	3	3	4	2	-	1	-	-	1
Green River 3	1	-	-	-	-	-	-	-	-	-	1	-	-	-	-
Green River 4	2	1	-	-	-	-	-	-	-	-	2	1	-	-	-
Cane Run 4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cane Run 5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cane Run 6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mill Creek 1	7	1	4	1	4	6	1	4	1	4	1	-	-	-	-
Mill Creek 2	7	4	1	4	1	6	4	1	4	1	1	-	-	-	-
Mill Creek 3	2	9	4	1	8	2	9	4	1	8	-	-	-	-	-
Mill Creek 4	2	4	1	4	1	1	4	1	4	1	1	-	-	-	-
Trimble County 1	5	2	9	2	5	5	2	9	2	5	-	-	-	-	-
Trimble County 2	3	5	3	9	5	5	5	5	9	5	(2)	-	(2)	-	-
Cane Run 7	2	2	2	2	4	-	-	2	-	8	2	2	-	2	(4)
Totals	**71**	**52**	**46**	**50**	**60**	**60**	**47**	**47**	**47**	**62**	**11**	**5**	**(1)**	**3**	**(2)**
MW-Maint Wks*	**28,126**	**22,814**	**19,207**	**23,574**	**27,566**	**23,956**	**20,253**	**19,847**	**21,947**	**29,166**	**4,169**	**2,561**	**(640)**	**1,628**	**(1,600)**

*Coal + CR7 Only

Notes:
Addition of outages for Green River 3 and 4 as a result of extension
Extension of existing outages at Ghent 2 (adding 5 weeks) and Ghent 1 (adding 1 week) to accommodate baghouse installation
Cane Run 7 maintenance schedule (placeholder that had been used before the 2014 Plan) updated to reflect maintenance needs for currently expected utilization

PPL companies

With the exception of TC2, modeled EFOR assumptions are unchanged

(%)	2015 Plan					2014 Plan					2015 Plan - 2014 Plan				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Brown 1	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	0.0	0.0	0.0	0.0	0.0
Brown 2	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	0.0	0.0	0.0	0.0	0.0
Brown 3	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	0.0	0.0	0.0	0.0	0.0
Ghent 1	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	0.0	0.0	0.0	0.0	0.0
Ghent 2	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	0.0	0.0	0.0	0.0	0.0
Ghent 3	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	0.0	0.0	0.0	0.0	0.0
Ghent 4	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	0.0	0.0	0.0	0.0	0.0
Green River 3	8.1	8.4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Green River 4	8.1	8.4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cane Run 4	8.1	N/A	N/A	N/A	N/A	8.1	N/A	N/A	N/A	N/A	0.0	N/A	N/A	N/A	N/A
Cane Run 5	8.1	N/A	N/A	N/A	N/A	8.1	N/A	N/A	N/A	N/A	0.0	N/A	N/A	N/A	N/A
Cane Run 6	8.1	N/A	N/A	N/A	N/A	8.1	N/A	N/A	N/A	N/A	0.0	N/A	N/A	N/A	N/A
Mill Creek 1	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	0.0	0.0	0.0	0.0	0.0
Mill Creek 2	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	0.0	0.0	0.0	0.0	0.0
Mill Creek 3	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	0.0	0.0	0.0	0.0	0.0
Mill Creek 4	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	0.0	0.0	0.0	0.0	0.0
Trimble County 1	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	0.0	0.0	0.0	0.0	0.0
Trimble County 2	6.0	6.0	6.0	6.0	6.0	5.6	5.1	5.1	5.1	5.1	0.4	0.9	0.9	0.9	0.9
Cane Run 7	7.0	6.0	5.0	4.0	4.0	7.0	6.0	5.0	4.0	4.0	0.0	0.0	0.0	0.0	0.0
Total EFOR	**6.1**	**5.8**	**5.6**	**5.5**	**5.5**	**6.0**	**5.6**	**5.5**	**5.4**	**5.4**	**0.1**	**0.2**	**0.1**	**0.1**	**0.1**
Total MOR	2.4	2.3	2.3	2.3	2.3	2.4	2.3	2.3	2.3	2.3	0.0	0.0	0.0	0.0	0.0
Total EUOR	8.5	8.1	7.9	7.8	7.8	8.4	7.9	7.8	7.7	7.7	0.1	0.2	0.1	0.1	0.1

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Unit Rank by Operating Cost

	2015		2016		2017		2018		2019	
	2014 Plan	2015 Plan	2014 Plan	2015 Plan	2014 Plan	2015 Plan	2014 Plan	2015 Plan	2014 Plan	2015 Plan
Brown 1	14	16	14	14	14	14	14	14	15	14
Brown 2	13	15	13	13	13	13	13	13	13	13
Brown 3	15	17	15	15	15	15	15	15	14	15
Ghent 1	8	9	9	9	9	9	10	10	10	9
Ghent 2	4	3	3	6	3	7	4	9	2	4
Ghent 3	10	12	10	11	10	11	7	6	11	11
Ghent 4	12	11	11	10	12	10	12	11	12	10
Mill Creek 1	6	4	4	2	6	3	5	2	6	3
Mill Creek 2	5	6	6	3	5	4	6	3	7	5
Mill Creek 3	3	5	7	5	8	5	9	5	3	2
Mill Creek 4	9	10	8	7	7	8	8	7	9	7
Trimble County 1	2	7	2	4	2	2	2	4	5	6
Trimble County 2	1	1	1	1	1	1	1	1	1	1
Cane Run 7	11	14	12	12	11	12	11	12	8	12
OVEC	7	8	5	8	4	6	3	8	4	8
Green River 3		13								
Green River 4		2								

Cane run 4-6 and Green River 3-4 are excluded in years with partial operation.

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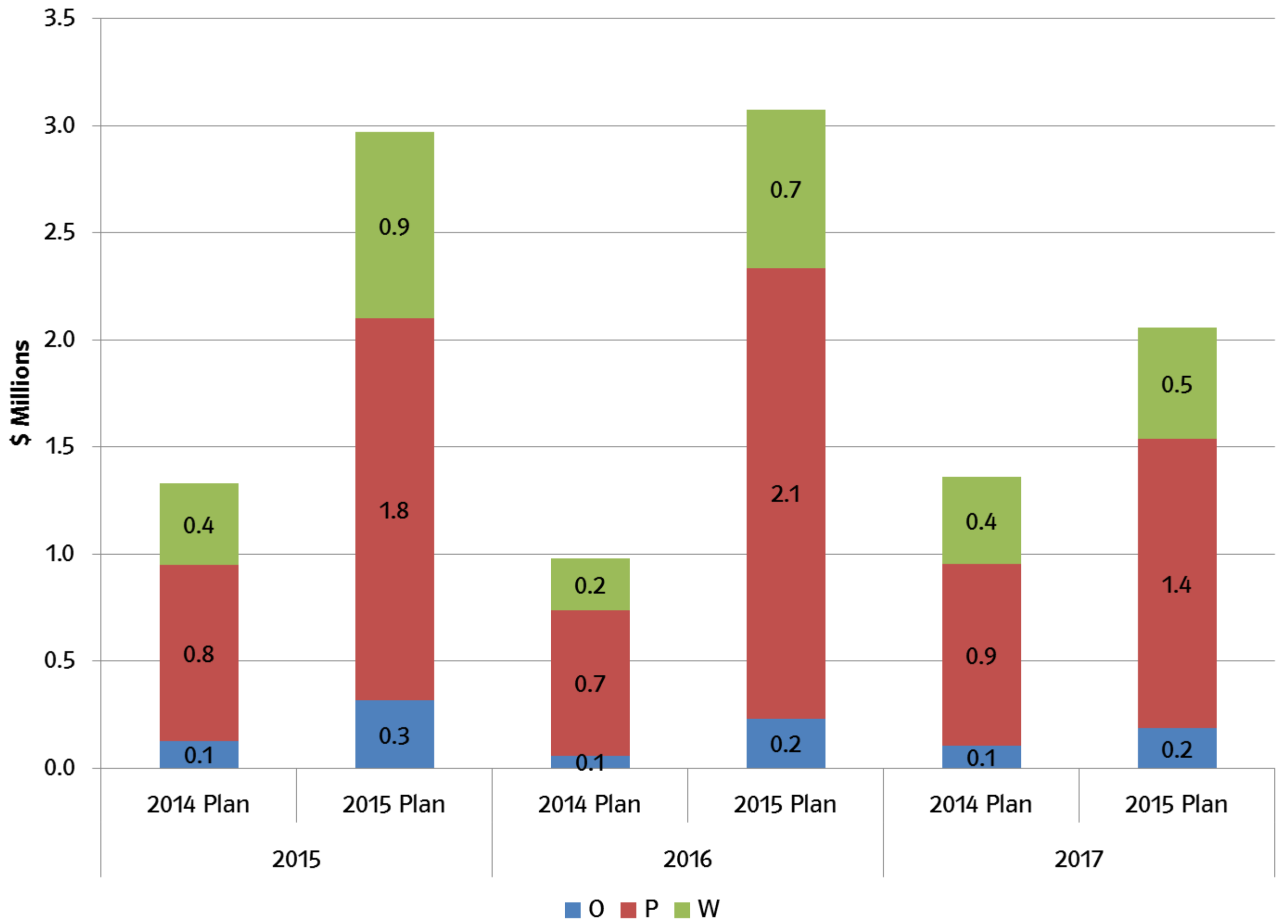
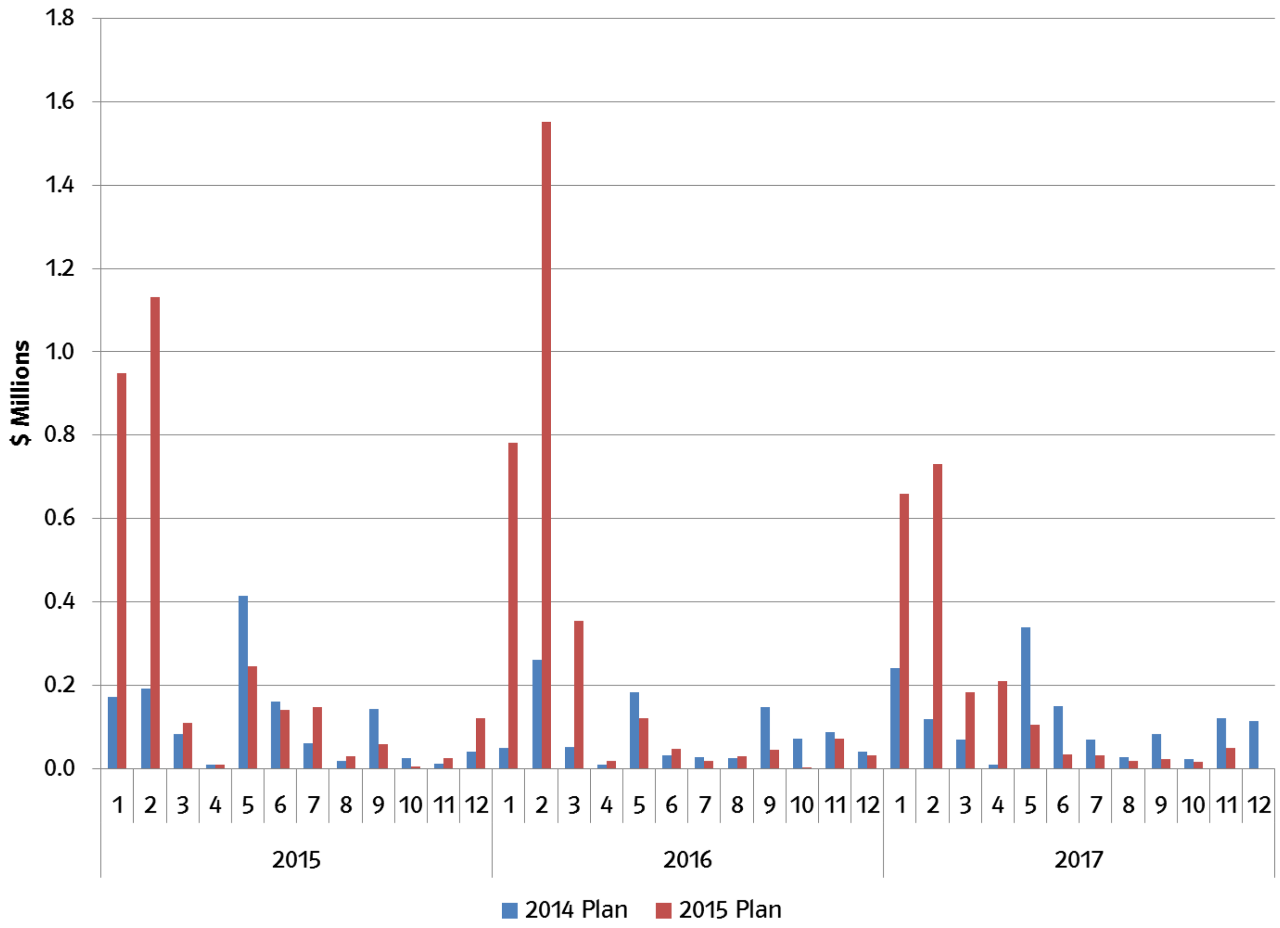
OSS Contribution by Peak Type



Increase in OSS contribution is concentrated mostly in January and February



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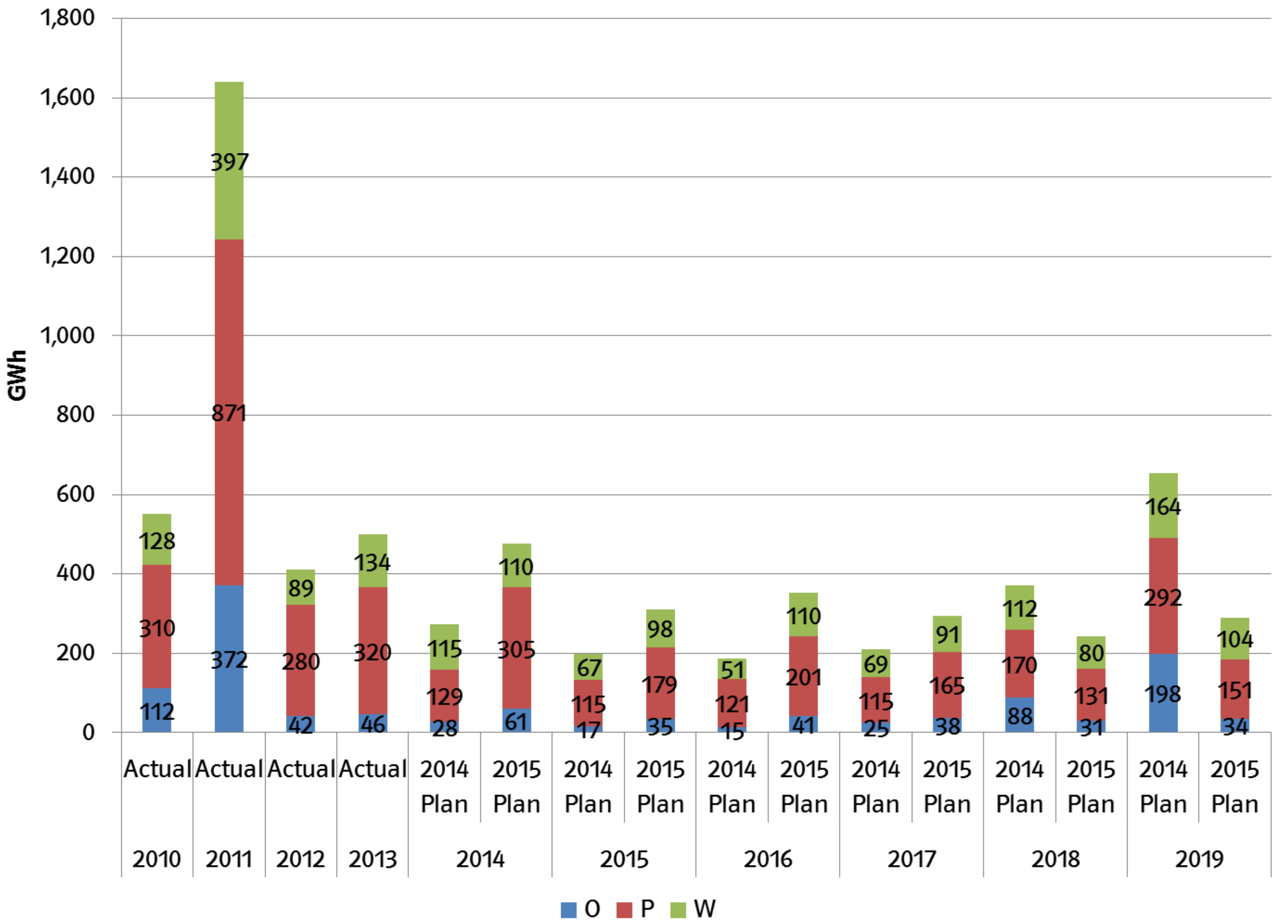
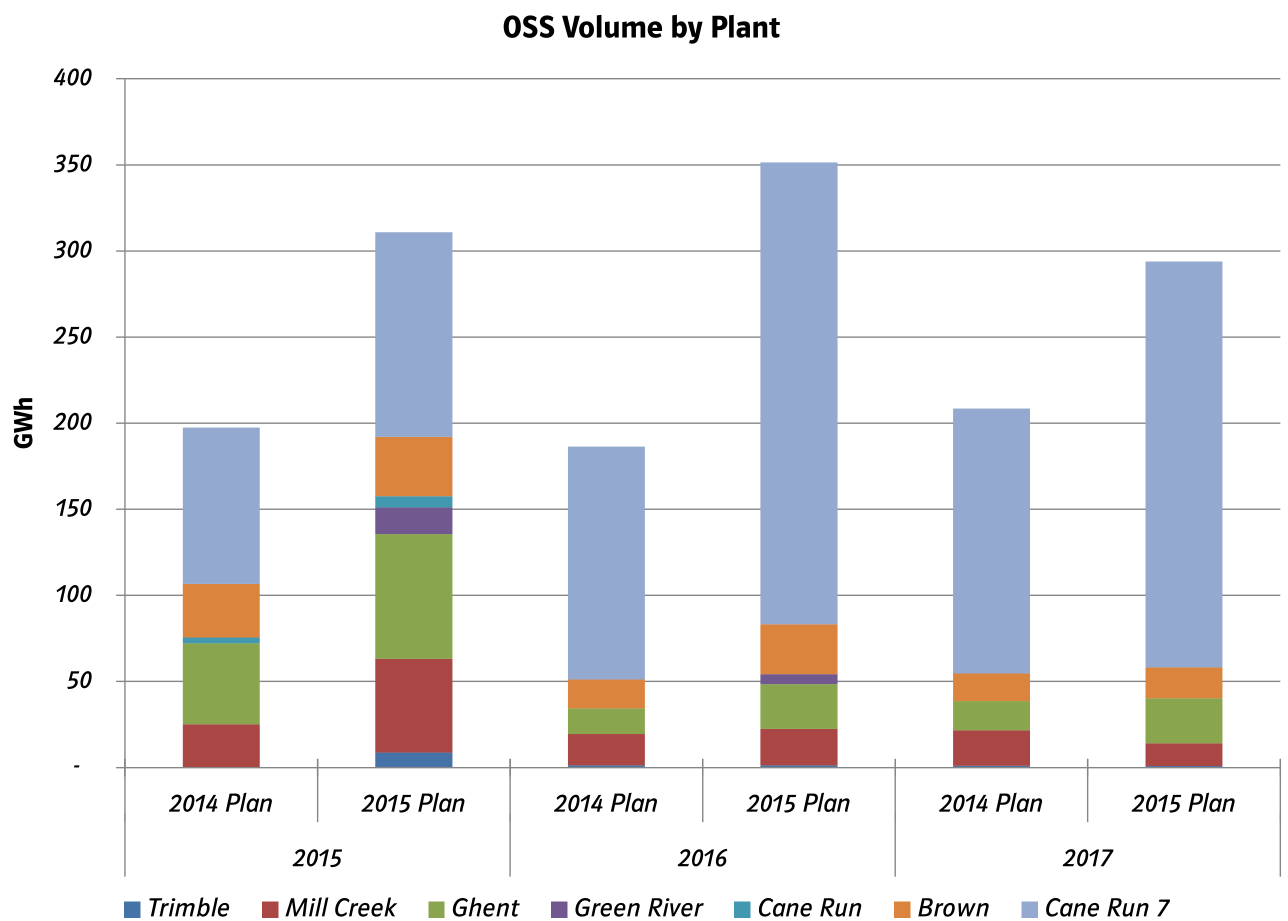
OSS volumes slightly higher in 2015



Majority of OSS volumes attributed to Cane Run 7



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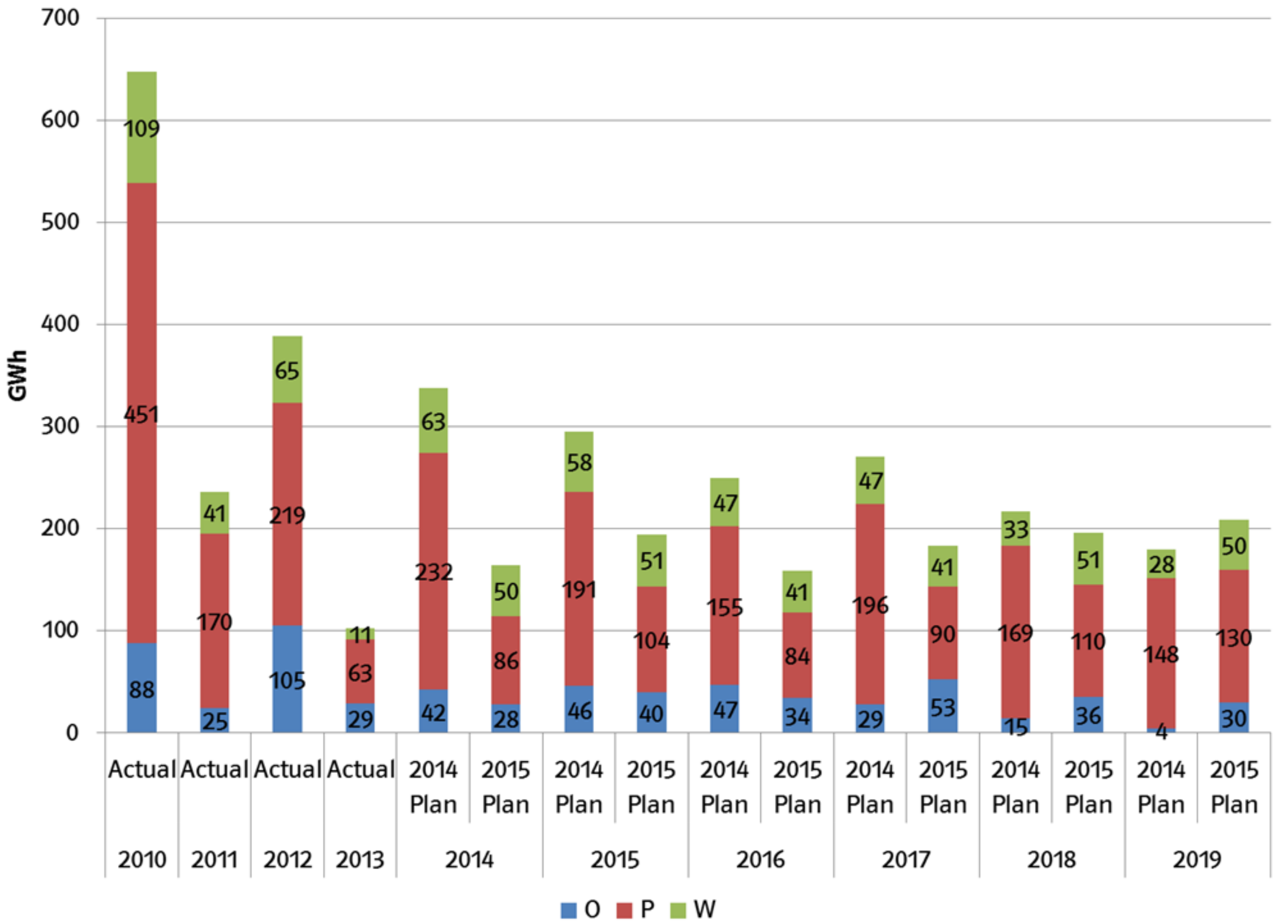
Economy purchases lower (and more in line with recent history) due to reduced purchase limits



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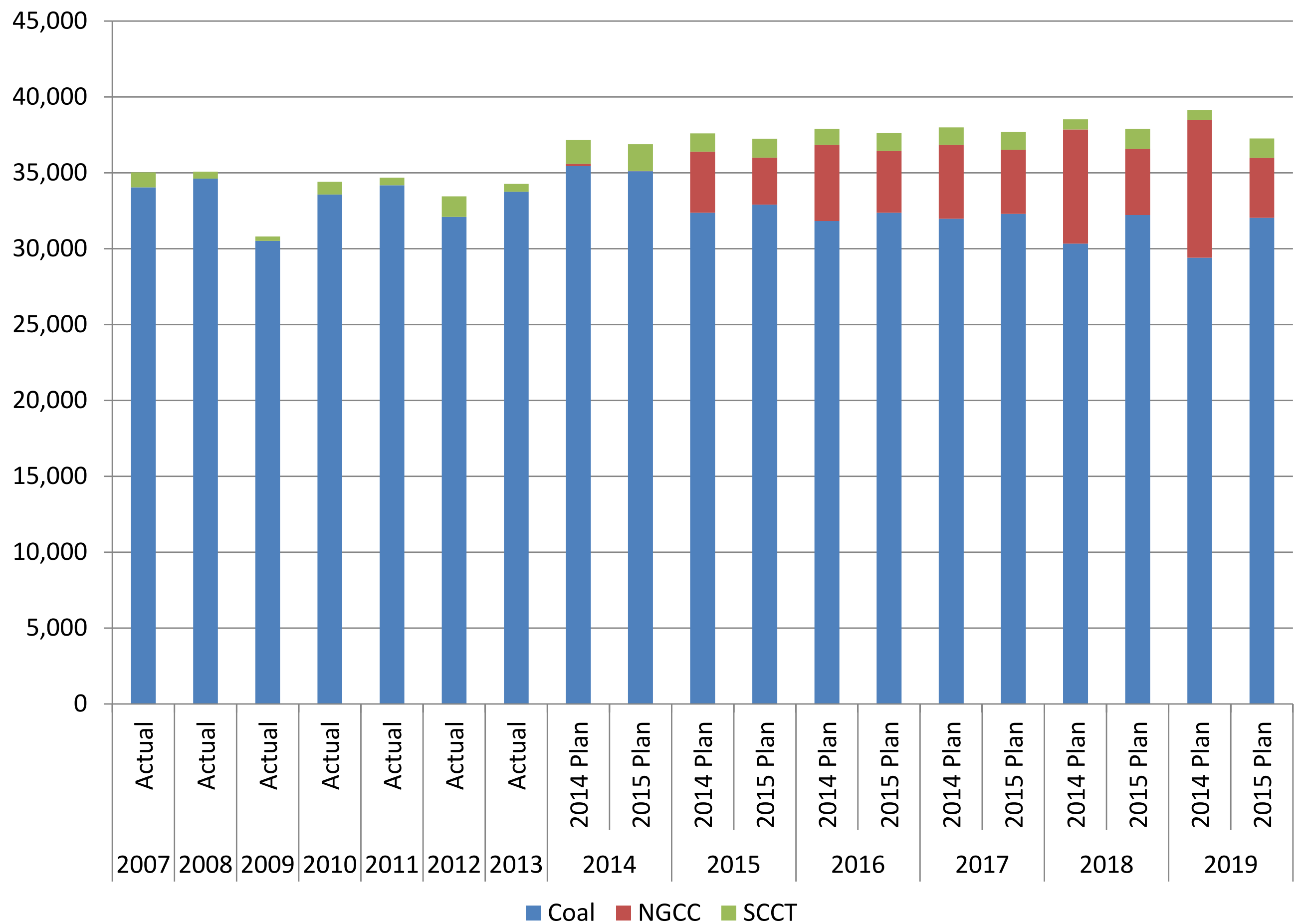
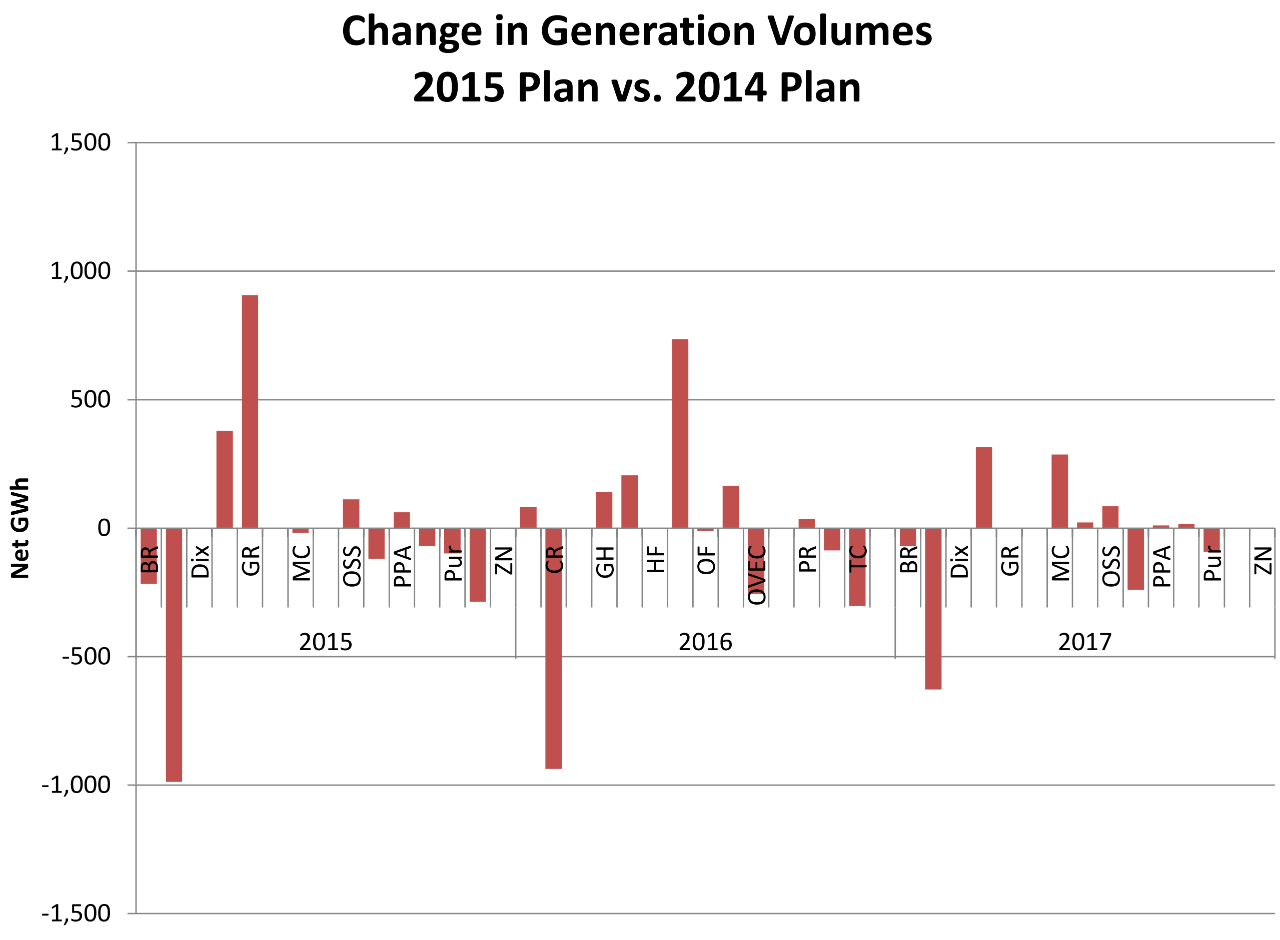
Total coal and gas generation remains mostly unchanged in 2015 Plan

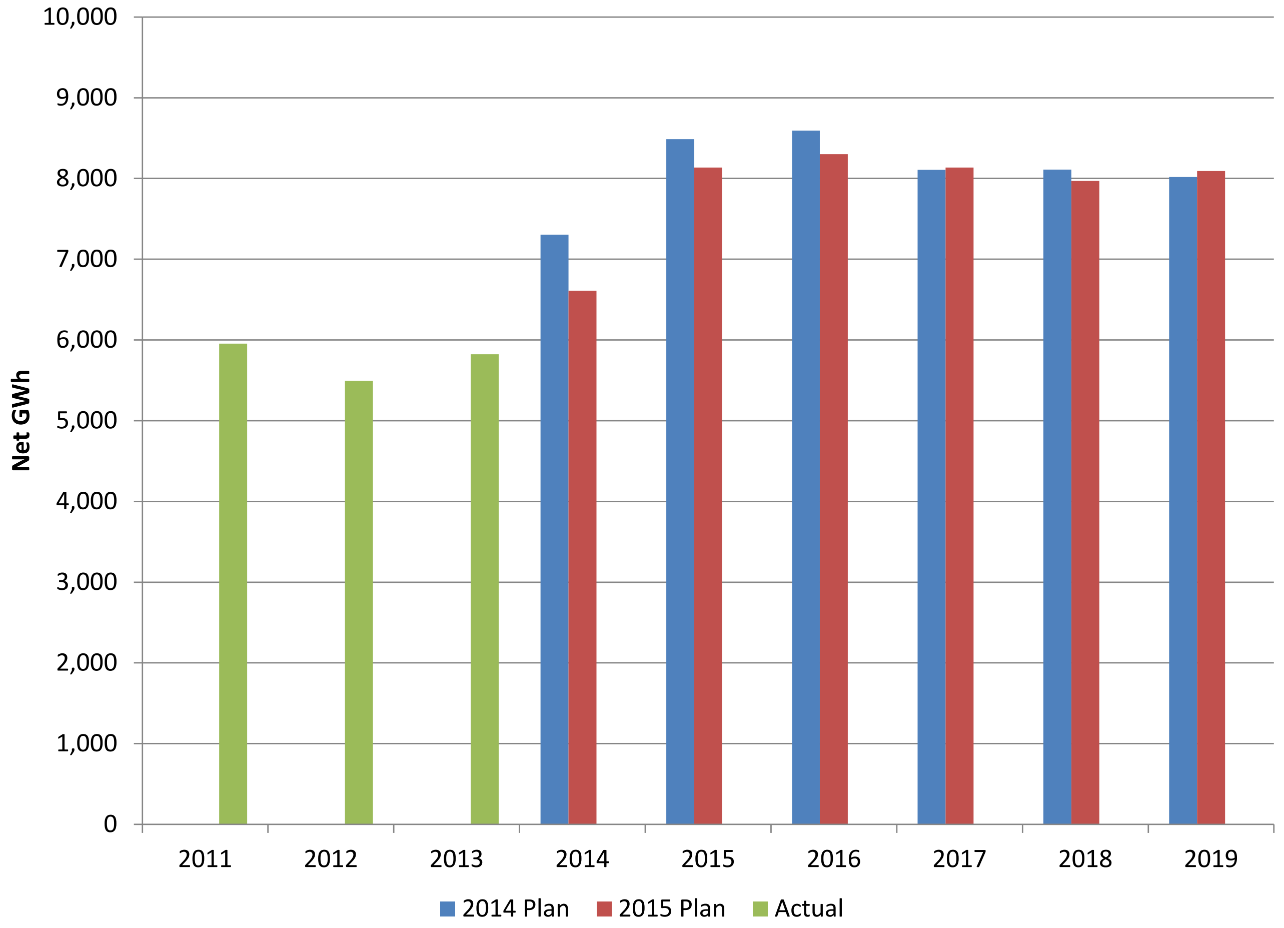


2014: 6 + 6

In 2015 Plan, generation shifts from Cane Run 7 to coal units



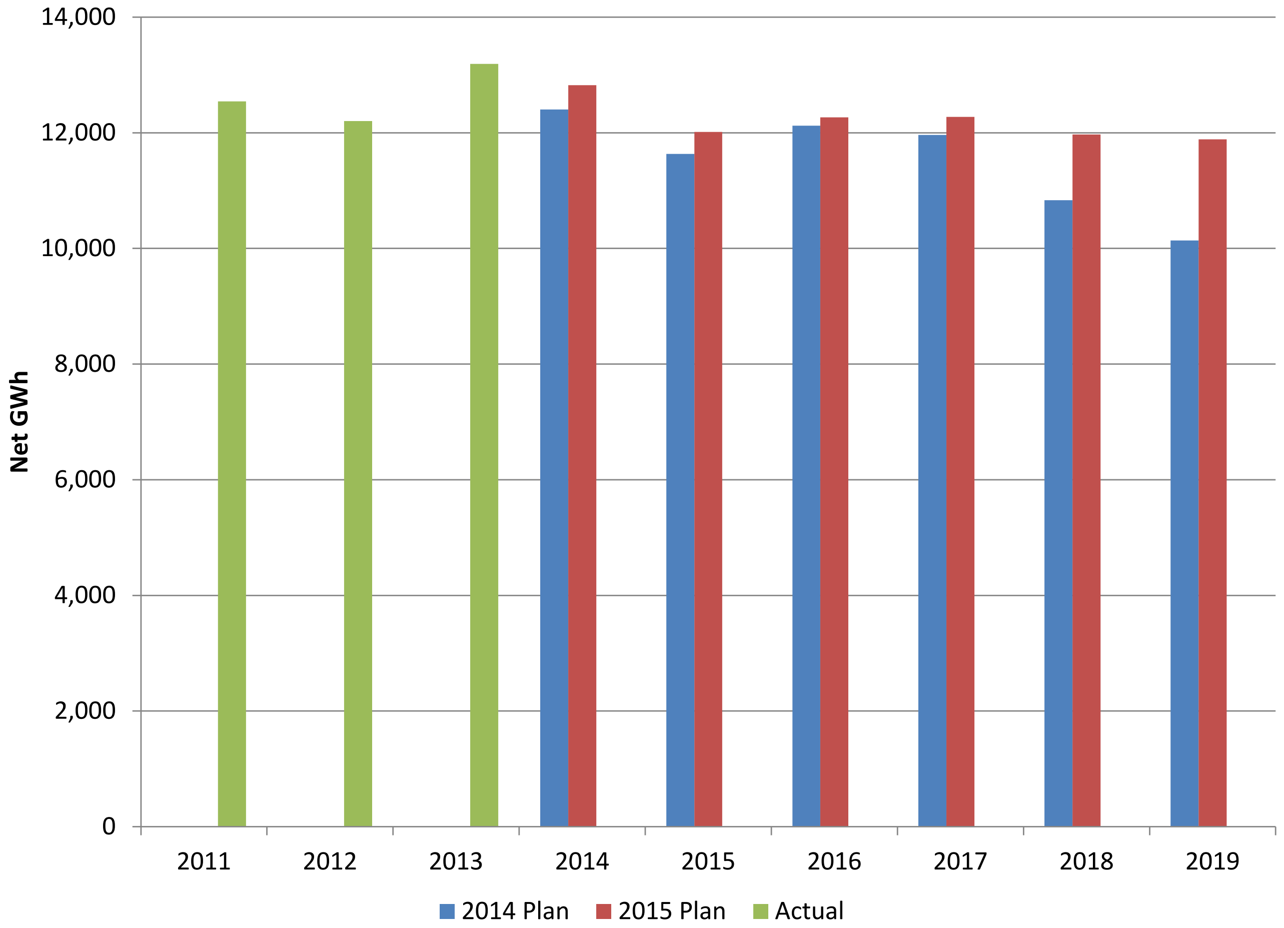
Trimble coal generation decreases in 2015 Plan primarily due to higher variable O&M costs



2014: 6 + 6

LG&E KU PPL companies

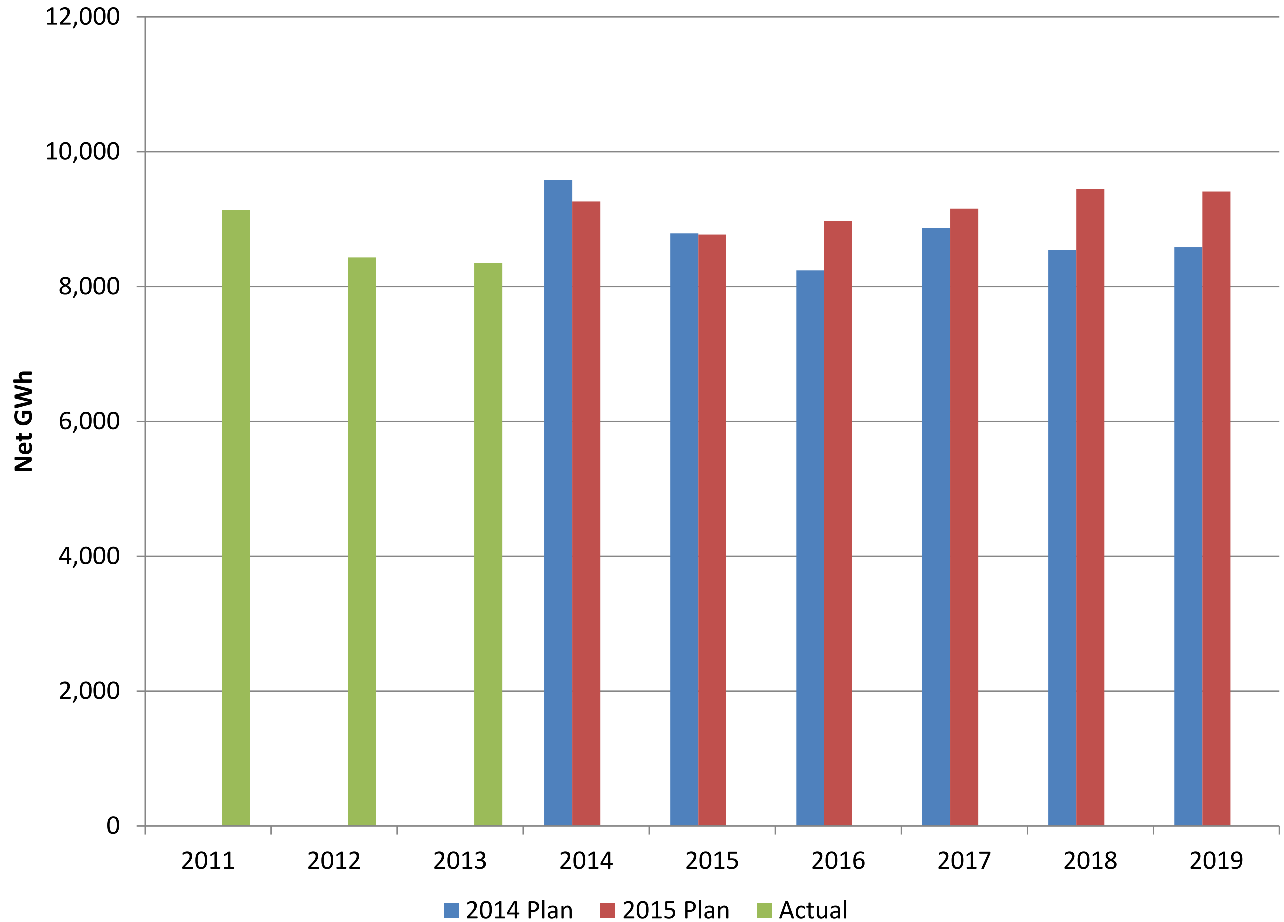
Ghent generation in the 2015 Plan increases mostly due to lower coal prices and increased SCR operation



2014: 6 + 6

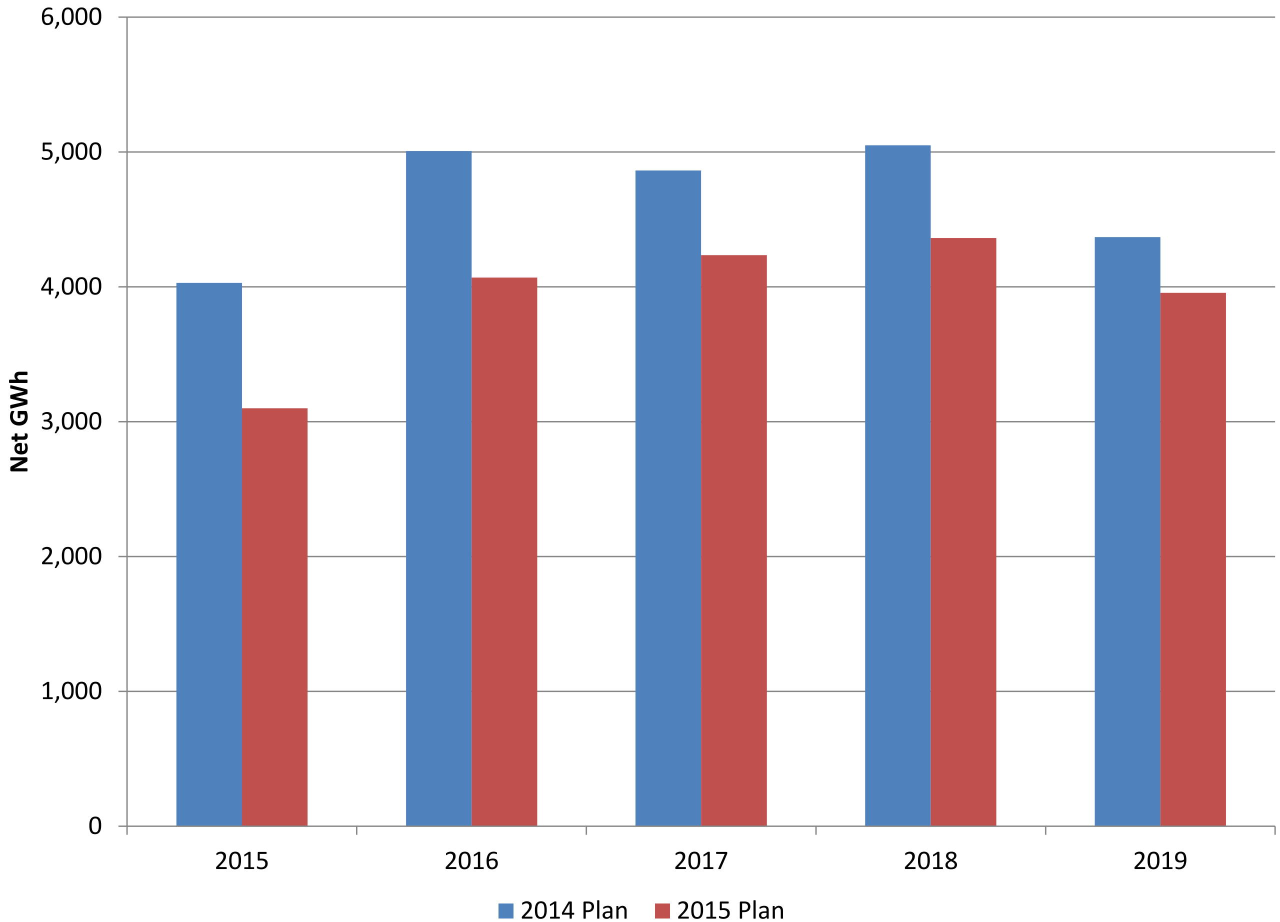
PPL companies

Mill Creek generation is higher in 2016-2019 due to lower variable O&M costs



2014: 6 + 6

Generation shifts from Cane Run 7 to coal units due to lower coal variable O&M, additional maintenance weeks for Cane Run 7, and the Green River 3-4 extension



2014: 6 + 6

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In the 2015 Plan, generation shifts from Cane Run 7 to coal

Cane Run 7 Capacity Factor Changes (%)

	2015	2016
2014 Plan	**88**	**86**
Key Changes:		
SCR Operation	-6	-3
Coal Variable O&M	-4	-3
Cane Run 7 Heat Rate	-4	-4
Electricity and Gas Prices	-3	7
Coal Prices	-1	-9
Planned Maintenance	-3	-3
Green River Extension	-3	-1
2015 Plan	**63**	**71**

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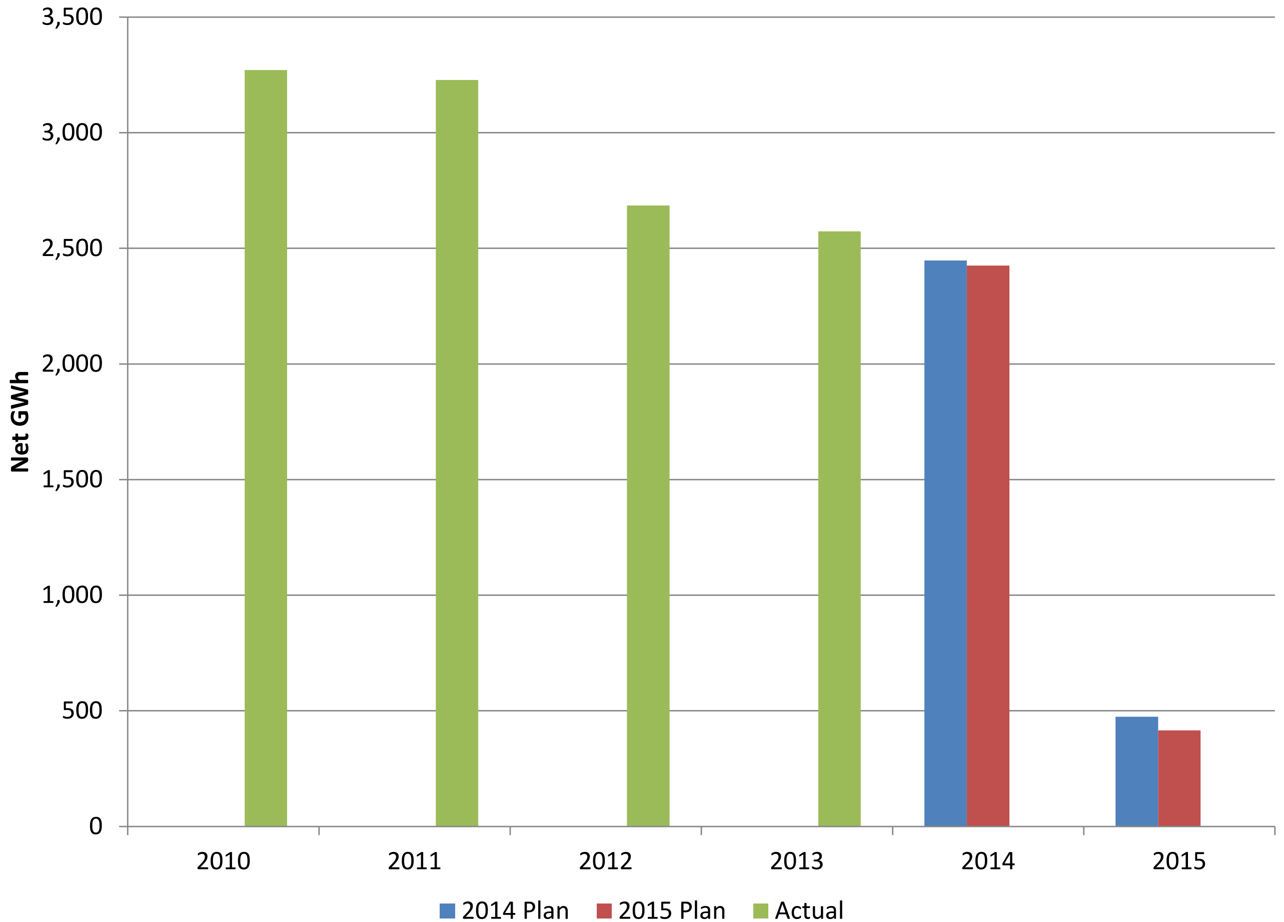
PPL companies

Cane Run coal generation is mostly unchanged



2013: 7 + 5

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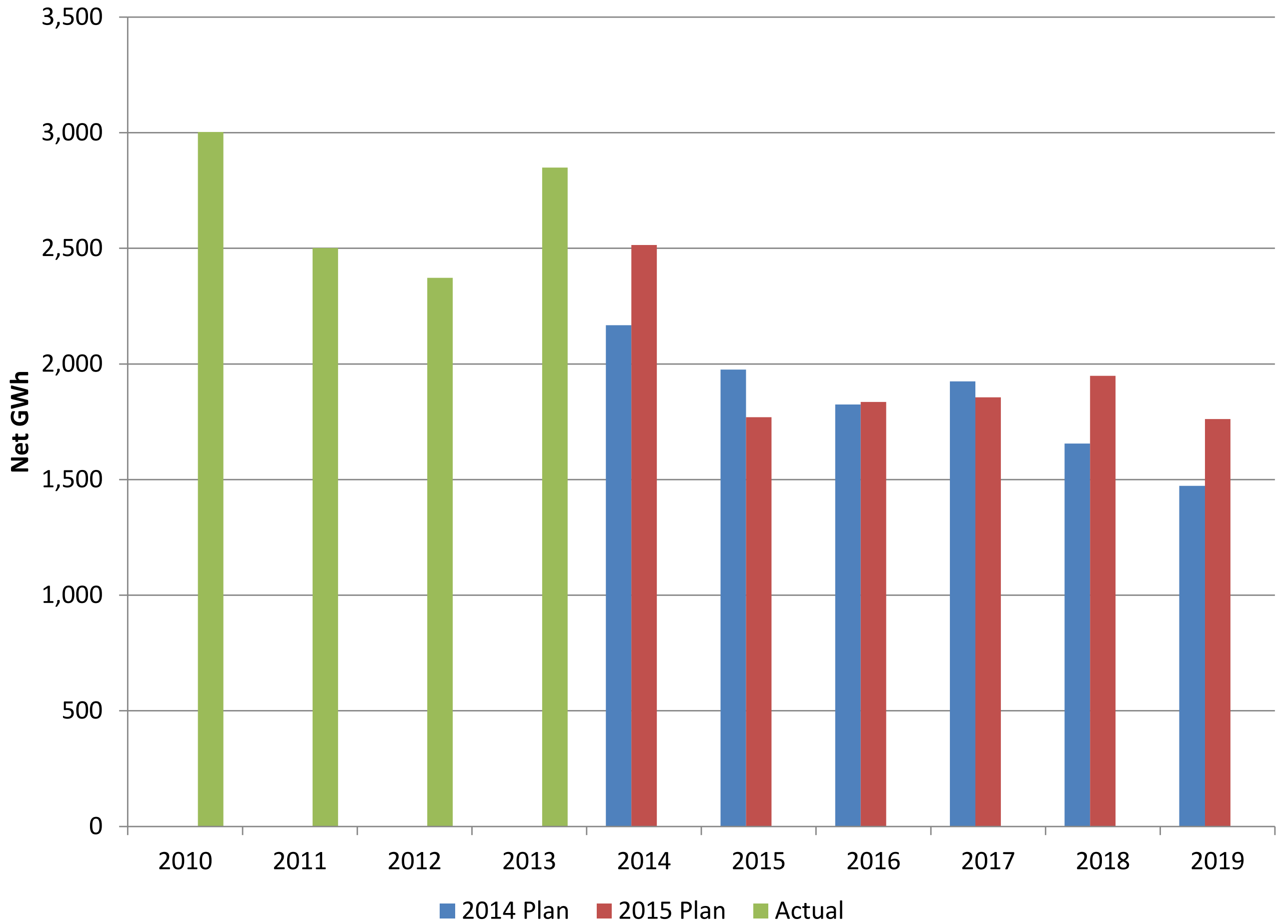
PPL companies

Brown coal generation increases beyond 2017 due to the deferral of Green River 5



2013: 6 + 6

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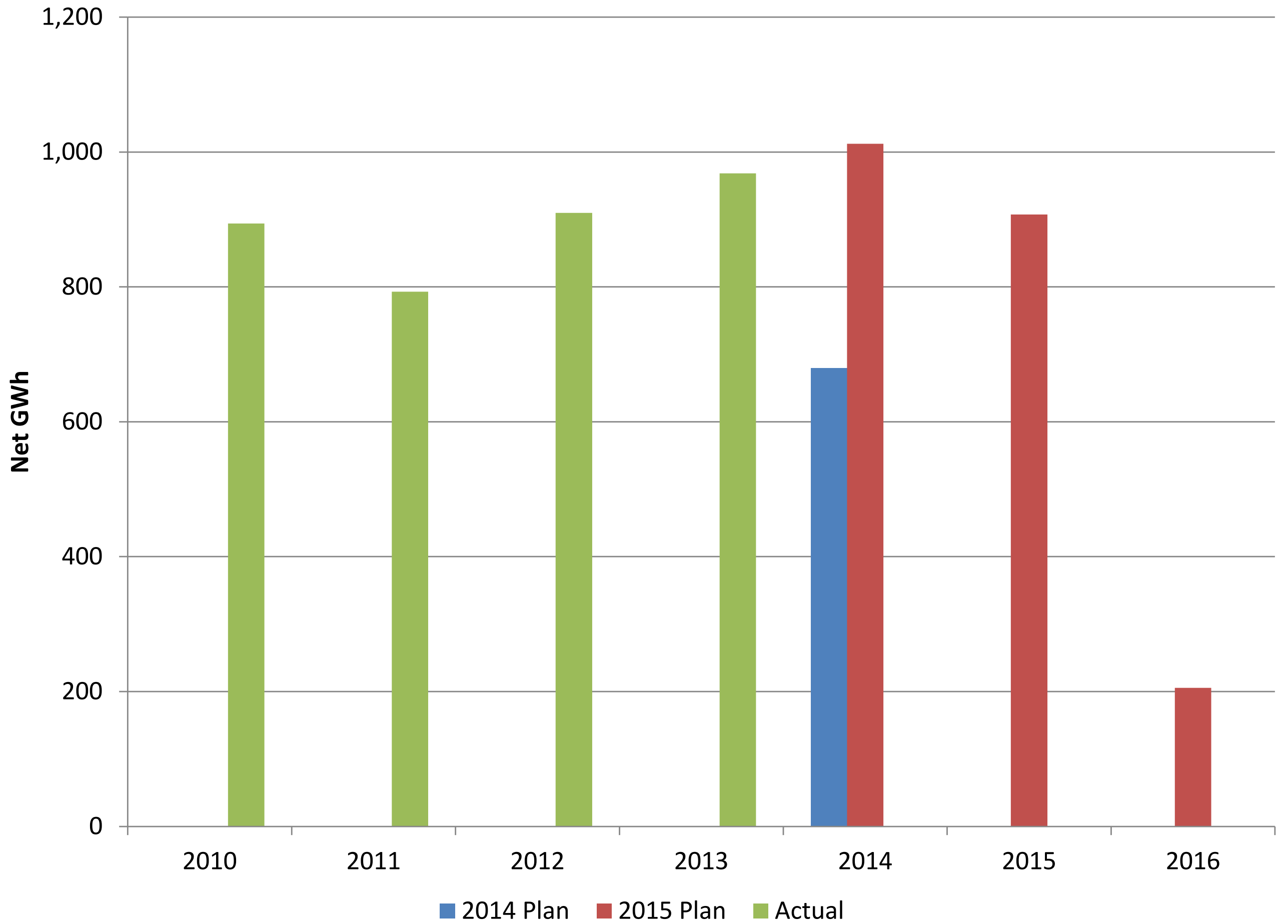
Green River generation increases in 2015 Plan due to its extended operation



2014: 6 + 6

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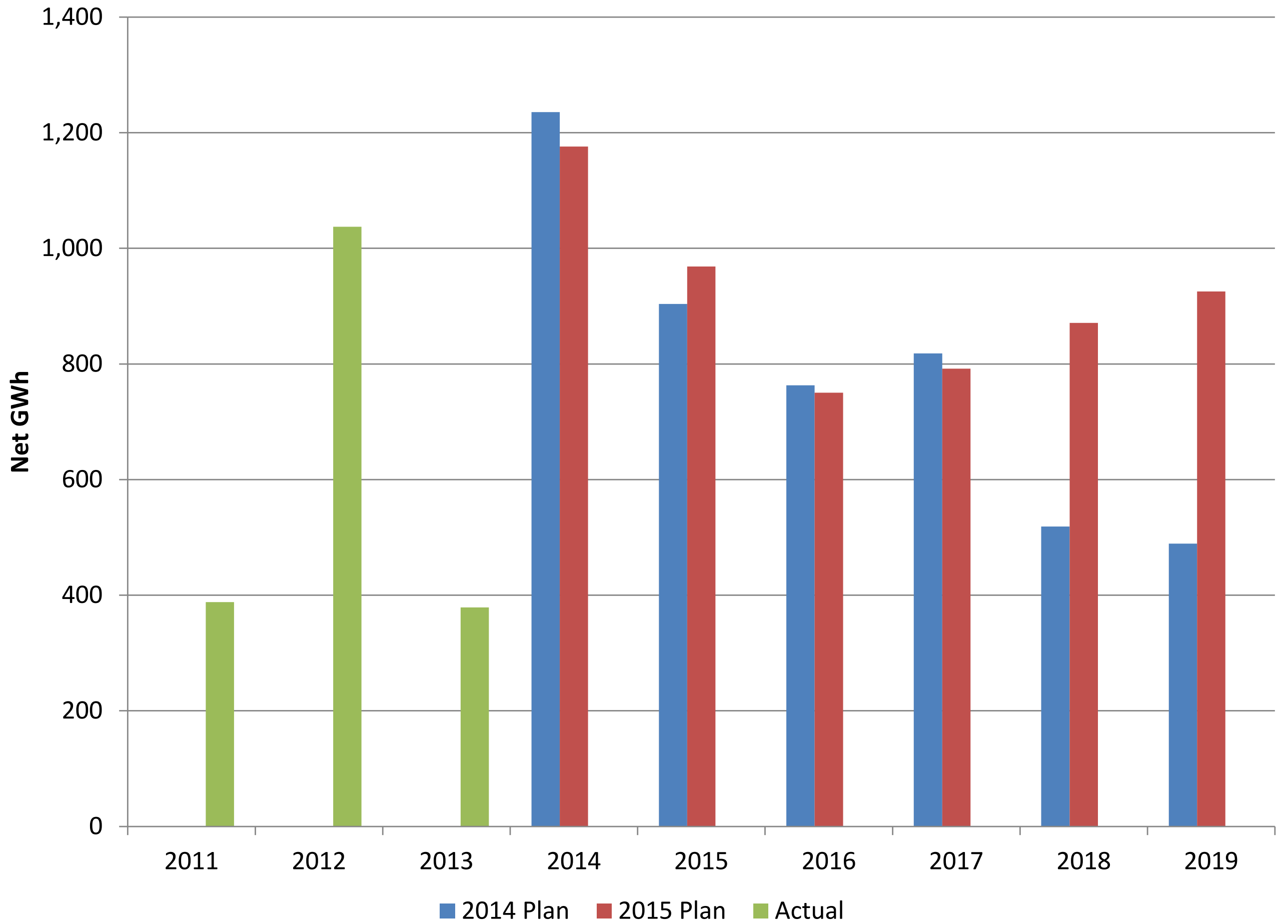
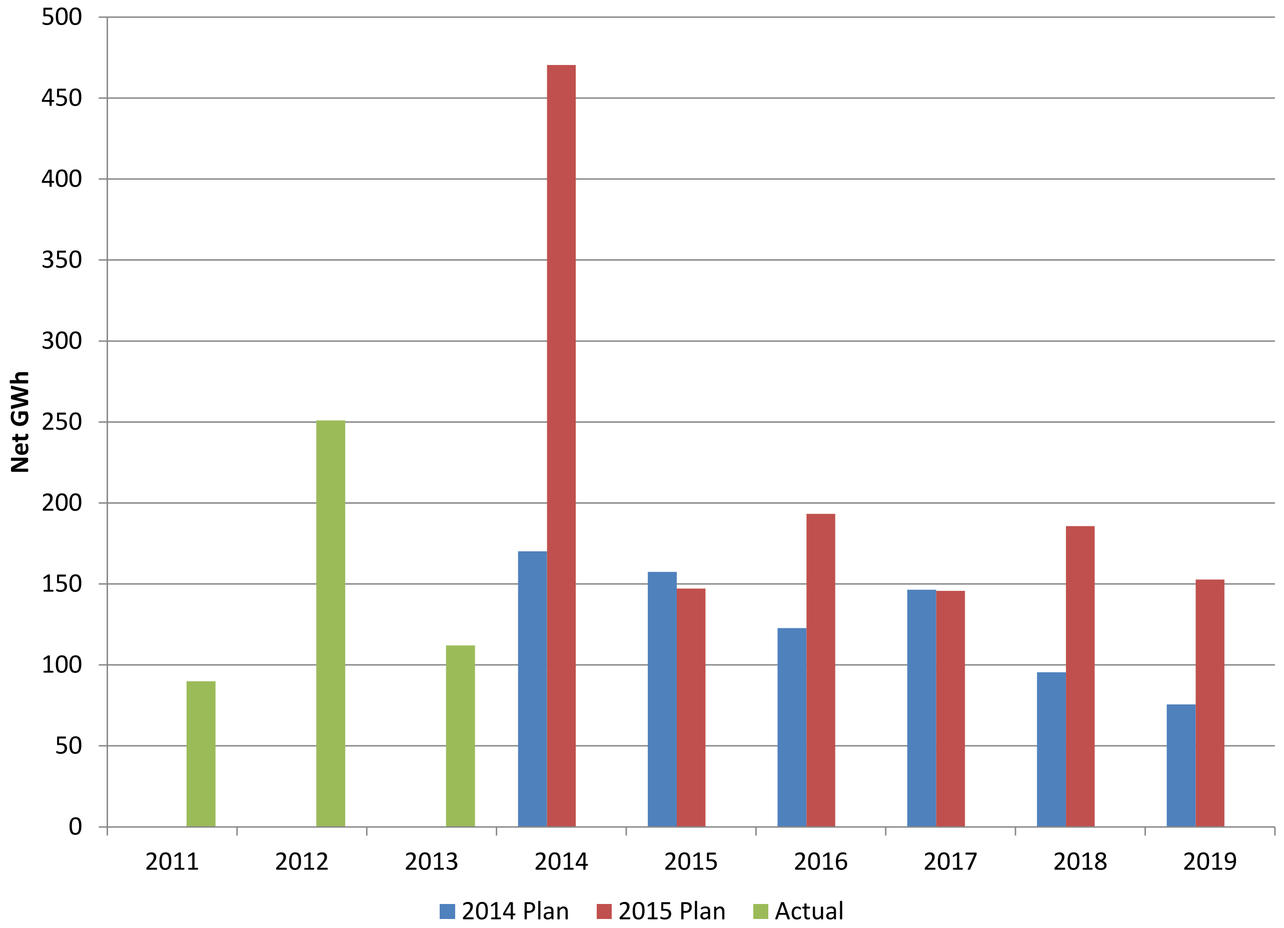
Trimble CT generation increases beyond 2017 due to the deferral of Green River 5



2014: 6 + 6

PPL companies

Brown CT generation increases beyond 2015 due primarily to lower gas prices and the deferral of Green River 5



2014: 6 + 6

LG&E KU
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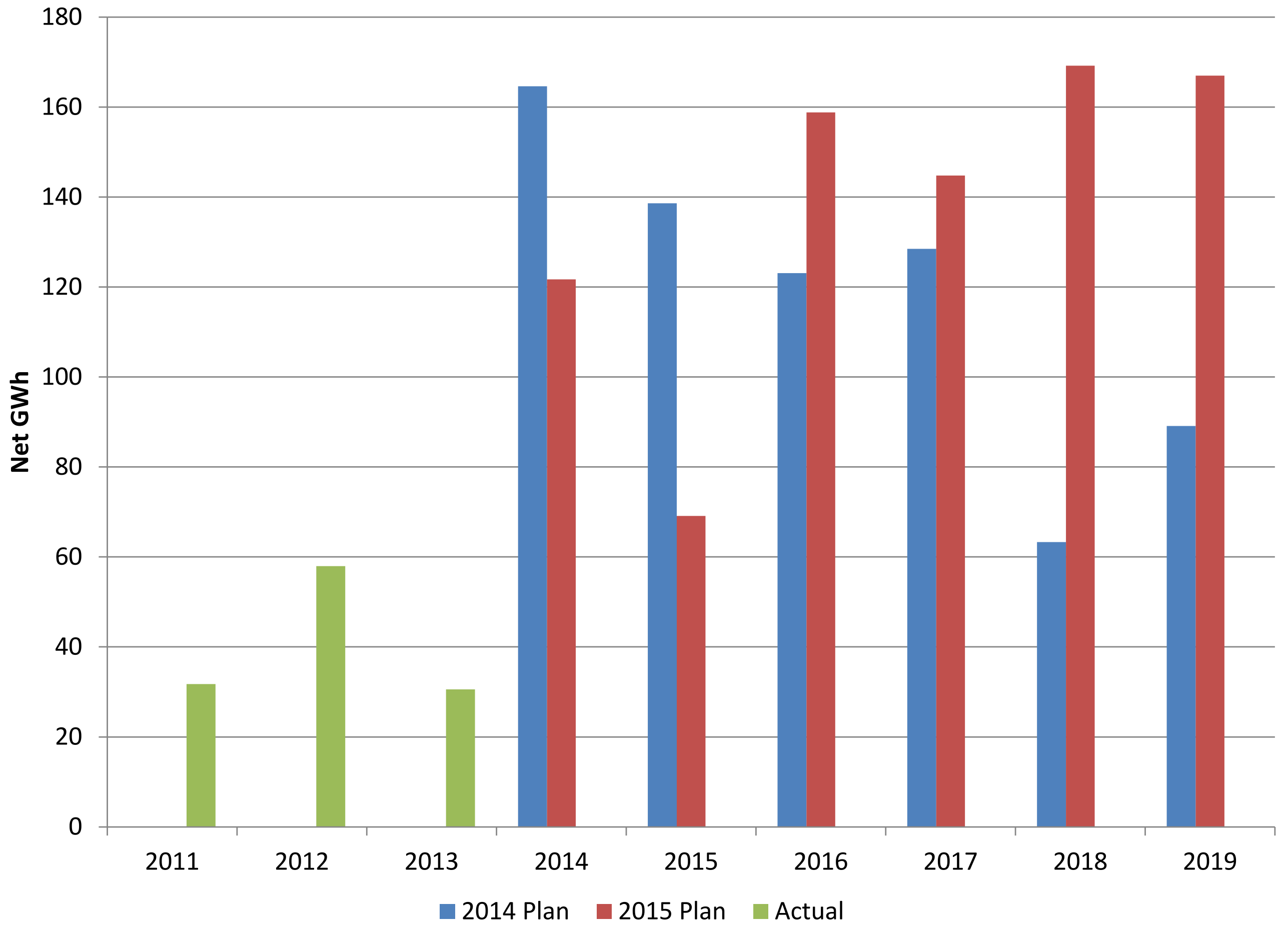
2015 Plan assumes Paddy's Run units available year-round beginning 1/1/2016 (pending completion of gas pipeline project)



2014: 6 + 6

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PPL companies

Variable O&M costs drive generation differences between 2014 and 2015 Plans

Total VO&M ($/MWh)	2015			2016			2017			2018		
	2014 Plan	2015 Plan	Diff	2014 Plan	2015 Plan	Diff	2014 Plan	2015 Plan	Diff	2014 Plan	2015 Plan	Diff
Brown 1	2.14	3.01	0.86	2.65	2.82	0.17	2.47	2.59	0.12	2.55	2.93	0.38
Brown 2	1.77	2.75	0.98	2.26	2.76	0.50	2.25	2.78	0.54	2.32	2.90	0.58
Brown 3	5.93	3.32	(2.61)	7.58	3.66	(3.92)	7.83	3.58	(4.25)	8.04	4.05	(3.98)
Cane Run 4	4.39	4.39	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cane Run 5	4.09	4.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cane Run 6	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ghent 1	3.75	3.24	(0.51)	3.93	3.35	(0.59)	4.34	3.63	(0.71)	4.67	3.94	(0.74)
Ghent 2	1.94	2.31	0.37	2.06	2.73	0.67	2.37	2.92	0.54	2.62	3.23	0.61
Ghent 3	3.56	3.34	(0.22)	3.83	3.44	(0.40)	4.37	3.77	(0.61)	4.93	4.11	(0.82)
Ghent 4	4.14	3.37	(0.76)	4.13	3.44	(0.69)	5.05	3.82	(1.23)	5.76	4.23	(1.54)
Mill Creek 1	3.17	1.56	(1.61)	3.89	1.65	(2.24)	3.85	1.68	(2.18)	3.90	1.74	(2.16)
Mill Creek 2	2.94	1.58	(1.37)	3.88	1.68	(2.20)	3.61	1.70	(1.91)	3.90	1.77	(2.14)
Mill Creek 3	1.59	1.41	(0.17)	5.19	2.51	(2.67)	5.06	2.45	(2.61)	5.09	2.52	(2.58)
Mill Creek 4	4.22	2.28	(1.94)	4.53	2.39	(2.14)	4.07	2.45	(1.62)	4.37	2.52	(1.86)
Trimble 1	2.11	2.63	0.52	2.83	2.74	(0.09)	3.24	2.89	(0.35)	3.08	3.17	0.08
Trimble 2	1.73	2.16	0.43	1.79	2.25	0.46	1.81	2.39	0.58	1.99	2.66	0.67

PPL companies

FGD O&M for all units reflects the inclusion of variable landfill costs

FGD	2015			2016			2017			2018		
($/MWh)	2014 Plan	2015 Plan	Diff	2014 Plan	2015 Plan	Diff	2014 Plan	2015 Plan	Diff	2014 Plan	2015 Plan	Diff
Brown 1	0.88	1.47	0.58	0.94	1.31	0.37	1.01	1.21	0.20	1.03	1.46	0.43
Brown 2	0.85	1.42	0.57	0.92	1.43	0.50	1.02	1.48	0.47	1.04	1.56	0.53
Brown 3	1.14	1.51	0.37	1.18	1.63	0.44	1.18	1.51	0.32	1.21	1.97	0.77
Cane Run 4	4.39	4.39	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cane Run 5	4.09	4.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cane Run 6	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ghent 1	1.03	1.04	0.01	1.09	1.08	(0.00)	1.30	1.26	(0.04)	1.47	1.42	(0.06)
Ghent 2	1.04	1.28	0.24	1.09	1.50	0.42	1.30	1.67	0.37	1.47	1.86	0.38
Ghent 3	1.03	1.04	0.01	1.09	1.07	(0.01)	1.30	1.25	(0.05)	1.46	1.37	(0.09)
Ghent 4	1.03	1.04	0.01	1.08	1.10	0.01	1.29	1.24	(0.05)	1.46	1.38	(0.08)
Mill Creek 1	0.71	0.78	0.07	0.74	0.83	0.09	0.74	0.83	0.09	0.75	0.86	0.11
Mill Creek 2	0.72	0.78	0.06	0.75	0.83	0.08	0.72	0.83	0.11	0.77	0.86	0.10
Mill Creek 3	0.99	1.01	0.02	1.11	0.96	(0.15)	1.09	0.83	(0.26)	1.09	0.86	(0.23)
Mill Creek 4	0.73	0.79	0.06	0.76	0.83	0.07	0.71	0.82	0.11	0.76	0.86	0.10
Trimble 1	0.58	0.56	(0.01)	0.59	0.58	(0.02)	0.62	0.65	0.03	0.63	0.85	0.22
Trimble 2	0.39	0.40	0.00	0.41	0.40	(0.00)	0.42	0.46	0.04	0.43	0.68	0.25

PPL companies

SCR O&M is mostly unchanged

SCR ($/MWh)	2015			2016			2017			2018		
	2014 Plan	2015 Plan	Diff	2014 Plan	2015 Plan	Diff	2014 Plan	2015 Plan	Diff	2014 Plan	2015 Plan	Diff
Brown 1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Brown 2	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Brown 3	0.54	0.43	(0.11)	0.54	0.45	(0.09)	0.54	0.48	(0.06)	0.55	0.46	(0.09)
Cane Run 4	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cane Run 5	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cane Run 6	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ghent 1	0.53	0.41	(0.12)	0.51	0.43	(0.09)	0.52	0.45	(0.07)	0.53	0.44	(0.09)
Ghent 2	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ghent 3	0.53	0.41	(0.12)	0.51	0.43	(0.09)	0.52	0.45	(0.07)	0.53	0.44	(0.09)
Ghent 4	0.53	0.41	(0.12)	0.51	0.43	(0.09)	0.52	0.45	(0.07)	0.53	0.44	(0.09)
Mill Creek 1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mill Creek 2	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mill Creek 3	0.47	0.40	(0.07)	0.45	0.43	(0.02)	0.46	0.45	(0.01)	0.47	0.44	(0.04)
Mill Creek 4	0.51	0.44	(0.07)	0.50	0.46	(0.03)	0.50	0.49	(0.02)	0.51	0.47	(0.04)
Trimble 1	0.42	0.30	(0.12)	0.41	0.31	(0.09)	0.41	0.33	(0.08)	0.42	0.32	(0.10)
Trimble 2	0.39	0.34	(0.06)	0.39	0.36	(0.03)	0.39	0.38	(0.01)	0.40	0.37	(0.03)

PPL companies

SO_3 O&M is lower for Mill Creek and Ghent

SO3 ($/MWh)	2015 2014 Plan	2015 2015 Plan	2015 Diff	2016 2014 Plan	2016 2015 Plan	2016 Diff	2017 2014 Plan	2017 2015 Plan	2017 Diff	2018 2014 Plan	2018 2015 Plan	2018 Diff
Brown 1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Brown 2	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Brown 3	0.32	0.41	0.09	0.32	0.43	0.11	0.32	0.44	0.12	0.33	0.46	0.13
Cane Run 4	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cane Run 5	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cane Run 6	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ghent 1	1.42	1.07	(0.35)	1.52	1.10	(0.42)	1.65	1.16	(0.49)	1.76	1.26	(0.50)
Ghent 2	0.19	0.48	0.30	0.21	0.53	0.33	0.23	0.54	0.31	0.25	0.60	0.35
Ghent 3	1.24	1.14	(0.10)	1.38	1.16	(0.22)	1.59	1.25	(0.35)	1.84	1.39	(0.45)
Ghent 4	1.71	1.20	(0.50)	1.67	1.20	(0.48)	2.16	1.34	(0.82)	2.53	1.51	(1.02)
Mill Creek 1	0.91	0.20	(0.71)	1.31	0.21	(1.10)	1.38	0.22	(1.15)	1.46	0.24	(1.22)
Mill Creek 2	0.87	0.20	(0.66)	1.31	0.22	(1.09)	1.38	0.23	(1.15)	1.46	0.24	(1.21)
Mill Creek 3	0.12	0.00	(0.12)	1.32	0.53	(0.79)	1.43	0.55	(0.87)	1.51	0.58	(0.92)
Mill Creek 4	1.04	0.48	(0.56)	1.10	0.51	(0.59)	1.16	0.53	(0.62)	1.22	0.56	(0.66)
Trimble 1	0.47	1.07	0.60	0.50	1.12	0.62	0.52	1.16	0.64	0.55	1.21	0.66
Trimble 2	0.30	0.90	0.60	0.31	0.94	0.63	0.33	0.98	0.65	0.35	1.02	0.67

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PPL companies

Variable O&M for mercury control is generally lower

Mercury	2015			2016			2017			2018		
($/MWh)	2014 Plan	2015 Plan	Diff	2014 Plan	2015 Plan	Diff	2014 Plan	2015 Plan	Diff	2014 Plan	2015 Plan	Diff
Brown 1	1.26	1.54	0.28	1.71	1.51	(0.20)	1.46	1.38	(0.08)	1.52	1.47	(0.05)
Brown 2	0.92	1.33	0.41	1.34	1.33	(0.01)	1.23	1.30	0.07	1.28	1.34	0.06
Brown 3	3.93	0.98	(2.95)	5.54	1.15	(4.39)	5.79	1.15	(4.64)	5.96	1.16	(4.80)
Cane Run 4	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cane Run 5	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cane Run 6	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ghent 1	0.78	0.73	(0.05)	0.81	0.73	(0.08)	0.87	0.76	(0.10)	0.92	0.83	(0.09)
Ghent 2	0.72	0.55	(0.17)	0.76	0.69	(0.07)	0.84	0.70	(0.14)	0.90	0.77	(0.13)
Ghent 3	0.77	0.76	(0.01)	0.85	0.77	(0.08)	0.96	0.82	(0.14)	1.11	0.91	(0.19)
Ghent 4	0.88	0.72	(0.15)	0.86	0.71	(0.14)	1.08	0.79	(0.29)	1.25	0.90	(0.35)
Mill Creek 1	1.54	0.58	(0.96)	1.84	0.61	(1.24)	1.73	0.62	(1.11)	1.70	0.64	(1.06)
Mill Creek 2	1.36	0.59	(0.77)	1.82	0.63	(1.19)	1.51	0.64	(0.87)	1.68	0.66	(1.02)
Mill Creek 3	0.00	0.00	0.00	2.32	0.60	(1.71)	2.08	0.62	(1.46)	2.02	0.63	(1.39)
Mill Creek 4	1.94	0.57	(1.37)	2.18	0.59	(1.58)	1.70	0.61	(1.09)	1.89	0.62	(1.27)
Trimble 1	0.65	0.70	0.05	1.33	0.73	(0.60)	1.69	0.75	(0.94)	1.48	0.78	(0.70)
Trimble 2	0.65	0.53	(0.12)	0.69	0.55	(0.14)	0.67	0.57	(0.10)	0.82	0.59	(0.23)

PPL companies

2015 heat rate assumptions are mostly unchanged in 2015 Plan

	2014 Plan	2015 Plan	Difference (2015 Plan vs 2014 Plan)	Percent Change
CR4	11,380	11,380	0	0.0%
CR5	10,380	10,380	0	0.0%
CR6	10,070	10,070	0	0.0%
MC1	10,490	10,340	-150	-1.4%
MC2	10,420	10,470	50	0.5%
MC3	10,530	10,530	0	0.0%
MC4	10,730	10,740	10	0.1%
TC1	10,470	10,550	80	0.8%
TC2	9,230	9,250	20	0.2%
BR1	10,560	10,370	-190	-1.8%
BR2	10,270	10,280	10	0.1%
BR3	10,800	10,840	40	0.4%
GH1 (Before Baghouse)	10,810	10,810	0	0.0%
GH1 (After Baghouse)	10,950	10,860	-90	-0.8%
GH2 (Before Baghouse)	10,620	10,620	0	0.0%
GH2 (After Baghouse)	10,810	10,660	-150	-1.4%
GH3 (Before Baghouse)	10,840	10,940	100	0.9%
GH3 (After Baghouse)	10,970	11,030	60	0.5%
GH4 (Before Baghouse)	10,860	10,860	0	0.0%
GH4 (After Baghouse)	11,000	10,950	-50	-0.5%
GR3	13,260	13,380	120	0.9%
GR4	10,650	11,180	530	5.0%
CR7	6,890	6,840	-50	-0.7%

Notes:
Values shown represent summer heat rates at maximum load.
Baghouse derate projections for Ghent units decreased from 6, 9, 6, and 6 MW to 2, 2, 4, and 4 MW respectively. These changes led to an improved heat rate for all Ghent units (roughly 0.2% per MW).

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PPL companies

SCCT operation expected to remain high

CT Generation *(GWh)*

	ACTUAL				(6+6)	2015 Plan				
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
BR5, 8-11	34	16	24	14	101	19	37	25	38	21
BR6, 7	95	62	223	93	364	128	156	121	148	132
PR13	15	31	56	29	119	69	159	145	169	167
TC5-10	682	376	1,034	366	1,168	968	750	792	871	925
	826	**485**	**1,337**	**502**	**1,753**	**1,185**	**1,102**	**1,082**	**1,226**	**1,245**
						2014 Plan				
						1,199	**811**	**877**	**743**	**654**

CT Starts *(# starts)*

	ACTUAL				(6+6)	2015 Plan				
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
BR5, 8-11	137	88	103	78	202	102	153	150	163	141
BR6, 7	139	110	185	119	220	172	174	161	180	194
PR13	18	49	68	28	92	94	219	218	259	236
TC5-10	779	509	626	499	945	978	748	773	918	888
	1,073	**756**	**982**	**724**	**1,459**	**1,346**	**1,294**	**1,302**	**1,520**	**1,459**
						2014 Plan				
						1,532	**1,028**	**1,057**	**951**	**910**

CT Generation (GWh)/Start

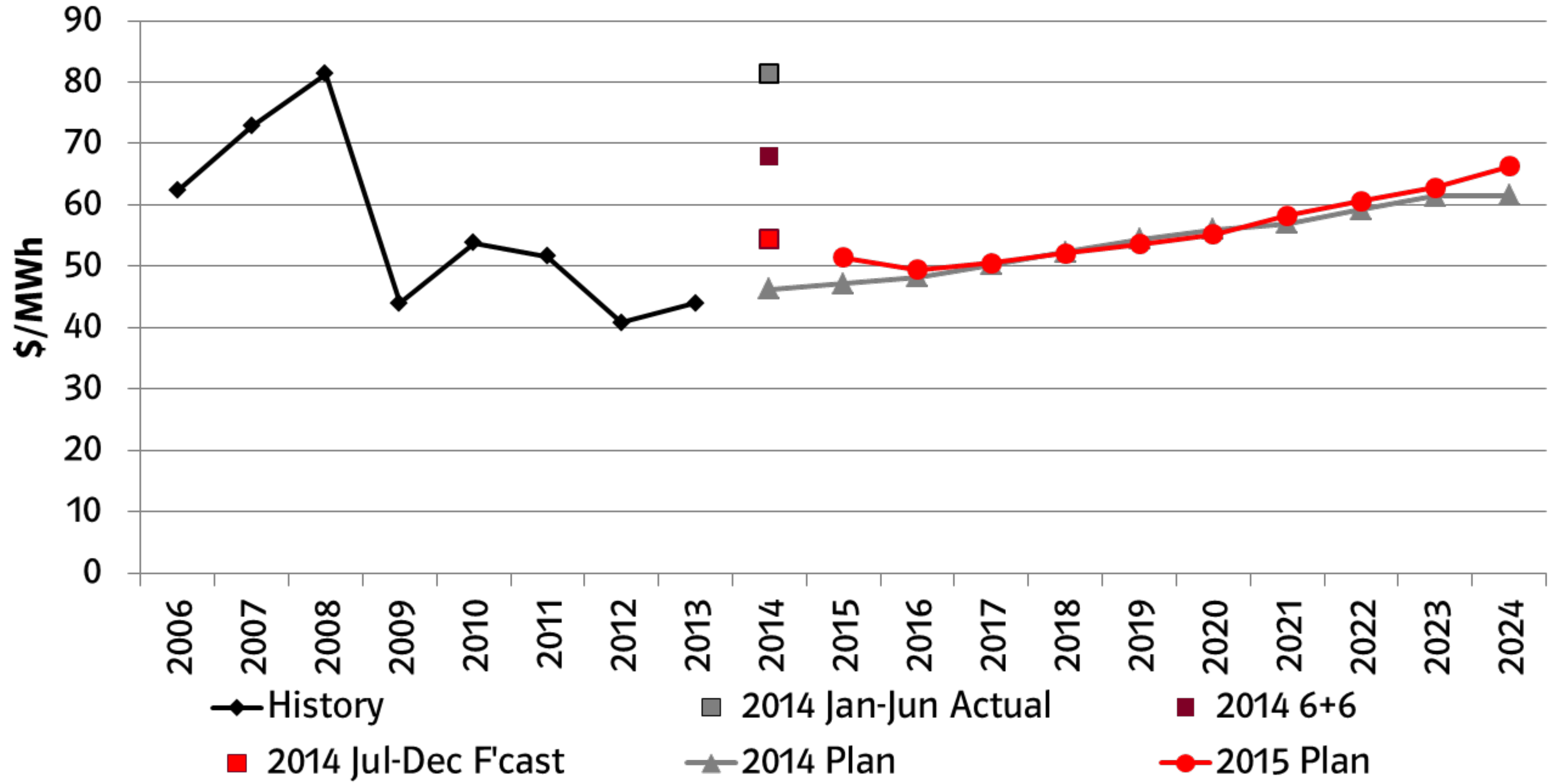
	ACTUAL				(6+6)	2015 Plan				
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
BR5, 8-11	0.2	0.2	0.2	0.2	0.5	0.2	0.2	0.2	0.2	0.2
BR6, 7	0.7	0.6	1.2	0.8	1.7	0.7	0.9	0.8	0.8	0.7
PR13	0.8	0.6	0.8	1.0	1.3	0.7	0.7	0.7	0.7	0.7
TC5-10	0.9	0.7	1.7	0.7	1.2	1.0	1.0	1.0	0.9	1.0
	0.8	**0.6**	**1.4**	**0.7**	**1.2**	**0.9**	**0.9**	**0.8**	**0.8**	**0.9**
						2014 Plan				
						0.8	**0.8**	**0.8**	**0.8**	**0.7**

CT Run Hours/Start

	ACTUAL				(6+6)	2015 Plan				
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
BR5, 8-11	4.6	4.3	4.3	3.8	9.4	3.7	4.8	3.4	4.5	3.1
BR6, 7	8.7	7.0	10.1	8.0	16.9	7.3	8.1	7.3	7.7	6.8
PR13	5.9	5.4	6.9	7.9	9.6	5.5	5.2	4.7	4.7	5.2
TC5-10	7.8	7.3	11.9	7.7	11.5	7.9	7.8	7.8	7.4	8.4
	7.4	**6.8**	**10.4**	**7.3**	**11.9**	**7.3**	**7.1**	**6.7**	**6.7**	**7.1**
						2014 Plan				
						6.8	**6.8**	**7.0**	**6.8**	**6.0**

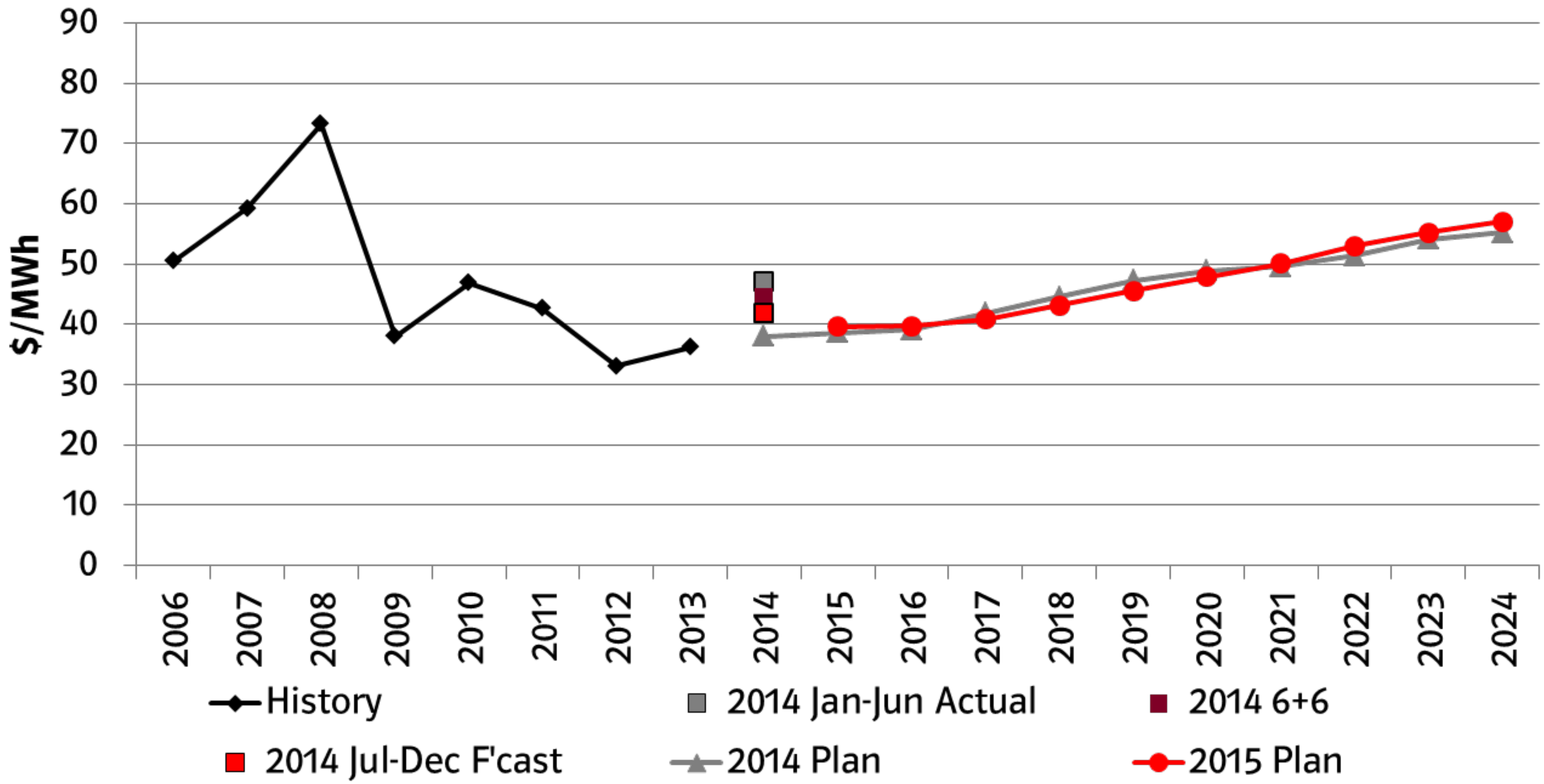
PPL companies

Electricity: PJM-West peak (5x16)

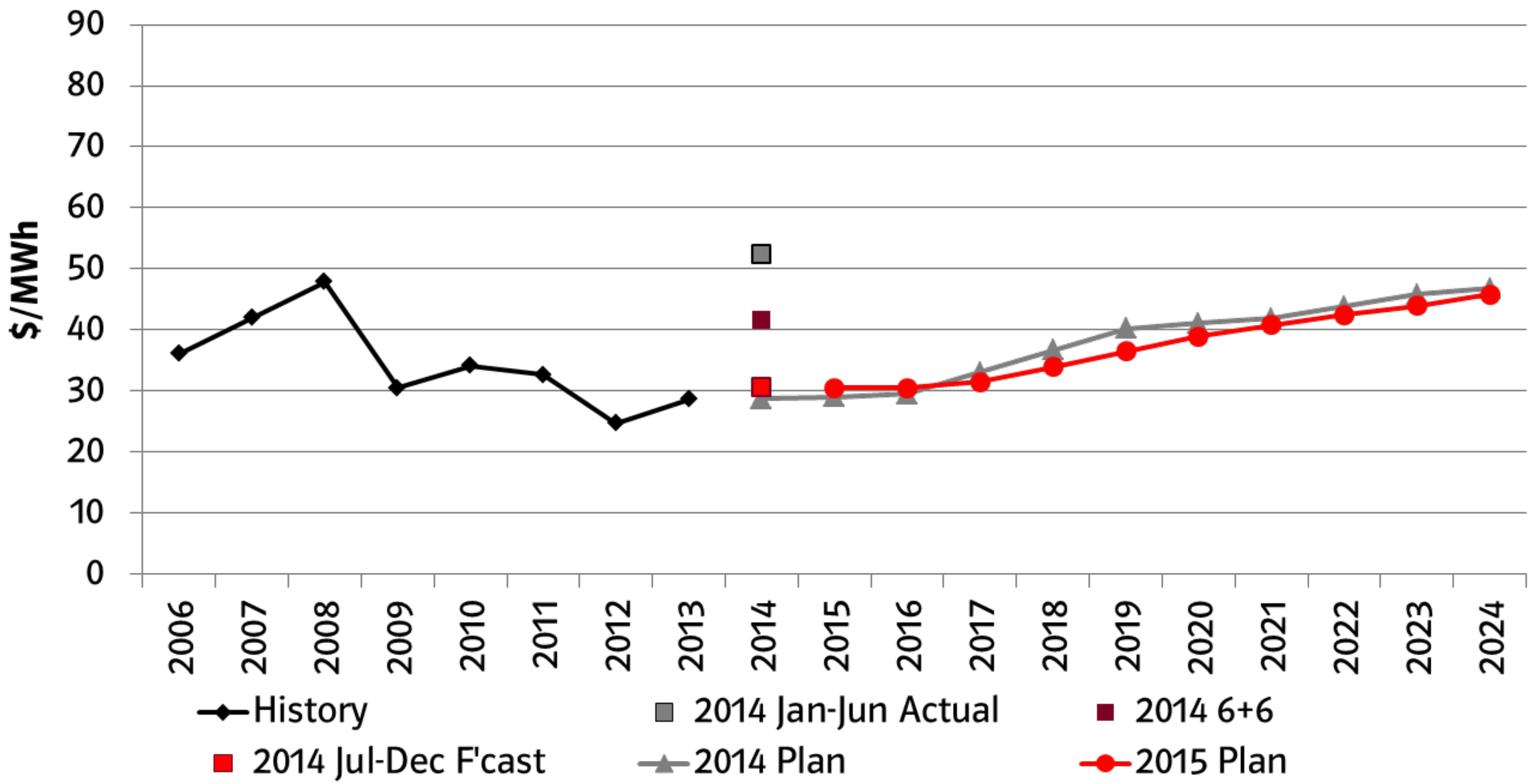


- *2015-2017 prices are ICE forward market prices as of June 23, 2014.*
- *2018-2019 prices are interpolated.*
- *Long-term prices from 2020 are modeled in AURORA.*

LG&E KU
PPL companies

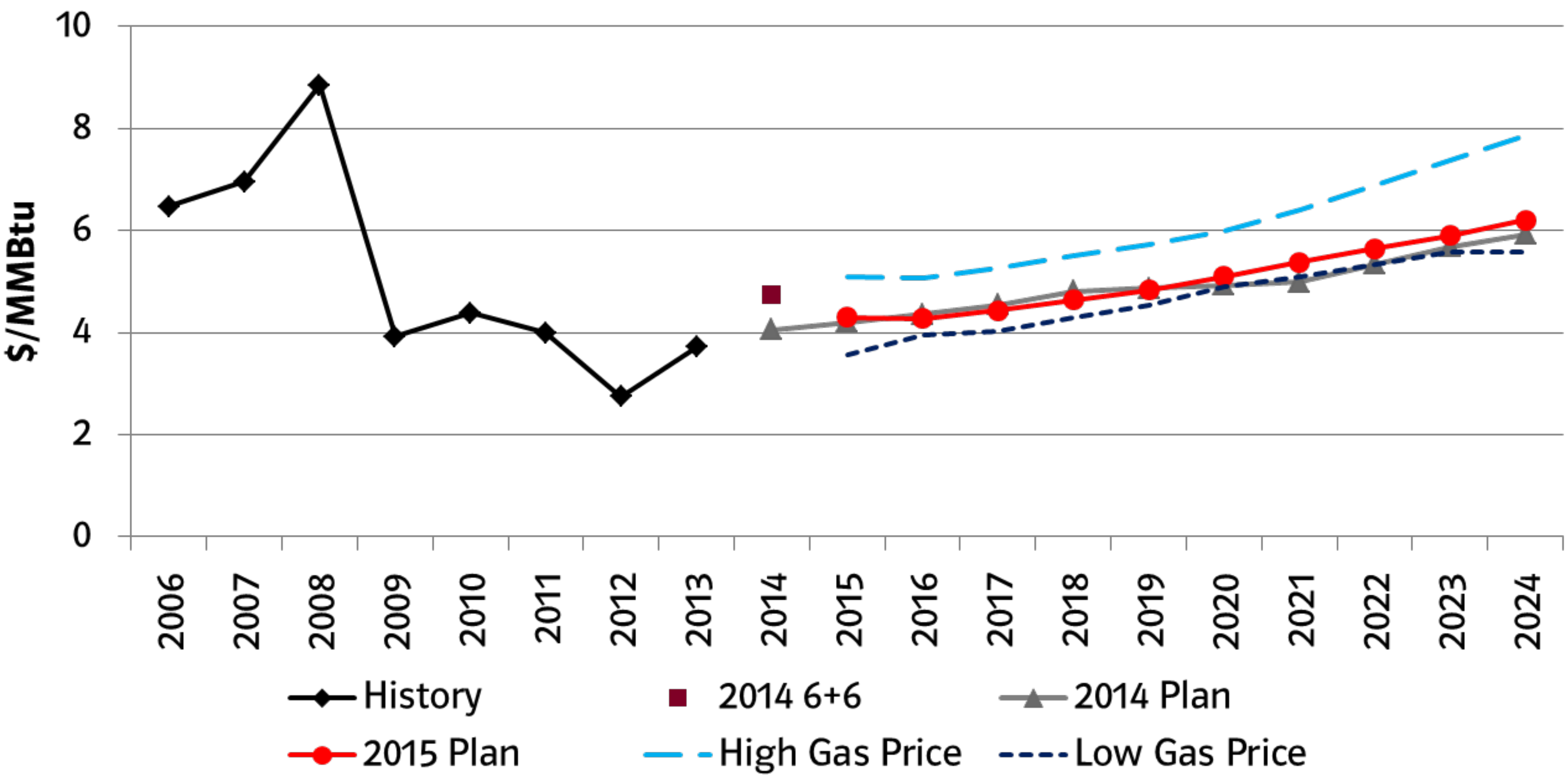


- *2015-2017 prices are ICE forward market prices as of June 23, 2014.*
- *2018-2019 prices are interpolated.*
- *Long-term prices from 2020 are modeled in AURORA.*



- *2015-2017 prices are ICE forward market prices as of June 23, 2014.*
- *2018-2019 prices are interpolated.*
- *Long-term prices from 2020 are modeled in AURORA.*

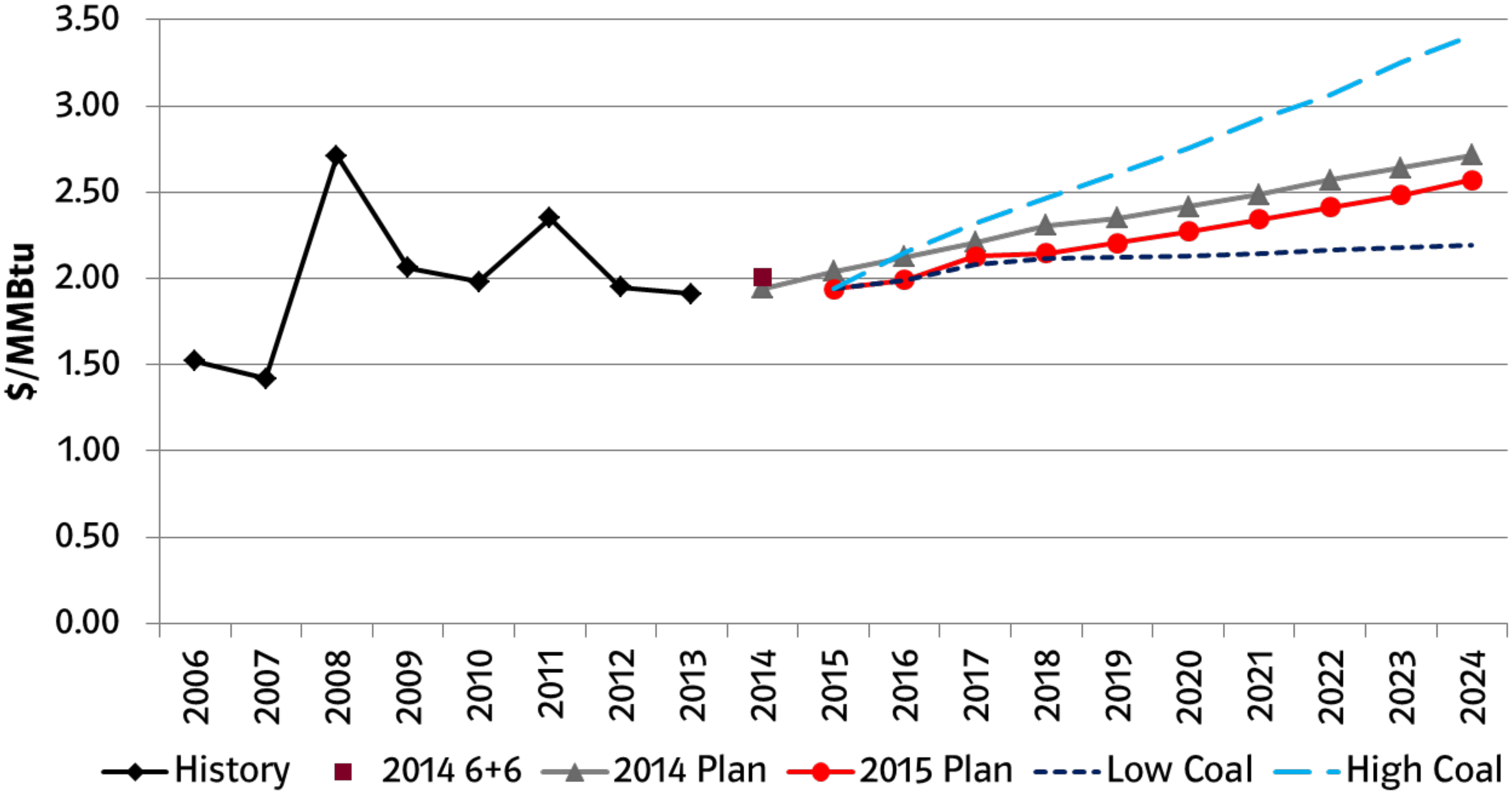
Henry Hub natural gas outlook slightly higher in near term



- *2015-2019 prices are NYMEX forward market prices as of June 23, 2014.*
- *2020-2021 prices are interpolated.*
- *Long-term prices from 2022 are EIA's Annual Energy Outlook Reference Case (May 2014).*
- *Does not include long-term CO_2-related impacts*

PPL companies

Illinois Basin high sulfur coal prices lower



- *Coal prices represent blend of bid information and Wood Mackenzie's Spring 2014 outlook through 2019. Thereafter, prices reflect EIA's (May 2014) forecasted growth rates.*

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PPL companies

Highest market electric price variances occur in January and February

Market Price Comparison

Market Price $/MWh	2015 Plan Peak	2015 Plan Off-Peak	2015 Plan Weekend	2014 Plan Peak	2014 Plan Off-Peak	2014 Plan Weekend	2015 Plan - 2014 Plan Peak	2015 Plan - 2014 Plan Off-Peak	2015 Plan - 2014 Plan Weekend
Jan-15	64.93	44.22	49.08	41.90	31.87	34.64	23.04	12.35	14.44
Feb-15	58.77	40.50	43.35	41.90	32.17	34.52	16.88	8.33	8.82
Mar-15	47.94	32.59	38.18	39.18	28.37	32.43	8.76	4.22	5.75
Apr-15	38.83	27.84	34.17	39.24	27.85	33.79	-0.41	-0.01	0.38
May-15	40.15	22.26	32.38	40.23	22.65	32.63	-0.08	-0.39	-0.25
Jun-15	43.54	20.99	36.45	44.33	21.49	38.85	-0.79	-0.51	-2.40
Jul-15	59.32	23.94	40.55	52.14	24.42	41.89	7.18	-0.48	-1.33
Aug-15	52.69	24.43	35.25	52.14	25.10	38.49	0.55	-0.67	-3.24
Sep-15	36.40	21.50	30.11	39.78	23.98	34.22	-3.38	-2.49	-4.10
Oct-15	34.25	24.12	29.09	38.03	26.51	31.16	-3.77	-2.39	-2.07
Nov-15	34.92	26.49	28.69	37.98	28.23	30.56	-3.06	-1.74	-1.87
Dec-15	41.62	27.59	32.87	39.60	27.99	33.57	2.02	-0.40	-0.70
Jan-16	58.73	41.93	46.23	43.16	32.05	34.64	15.57	9.89	11.59
Feb-16	58.73	42.69	45.79	43.16	32.30	34.74	15.57	10.39	11.05
Mar-16	44.01	30.81	35.99	40.25	28.90	33.21	3.76	1.91	2.78
Apr-16	37.55	29.95	36.27	40.38	28.14	33.67	-2.84	1.80	2.59
May-16	38.78	22.92	33.95	41.08	23.50	34.49	-2.30	-0.57	-0.53
Jun-16	43.08	21.84	37.93	44.55	21.74	39.30	-1.47	0.10	-1.37
Jul-16	54.36	23.02	36.03	54.16	24.35	38.53	0.19	-1.33	-2.50
Aug-16	54.36	24.24	36.68	54.16	25.02	40.48	0.19	-0.78	-3.80
Sep-16	34.77	22.92	32.11	41.39	25.00	35.67	-6.61	-2.08	-3.56
Oct-16	33.84	24.86	29.65	38.30	28.27	32.88	-4.45	-3.41	-3.22
Nov-16	34.93	25.70	28.27	38.39	28.96	31.81	-3.46	-3.27	-3.54
Dec-16	39.01	26.71	31.45	38.30	28.03	33.23	0.71	-1.33	-1.78

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PPL companies

2015 Fuel Cost Comparison – Annual Averages

Fuel Expense (¢/mmBTU)					Delta	
		2014 Forecast (6+6)	2015 Plan 2015	2014 Plan 2015	2015 Plan 2015 - 2014 Plan 2015	% Change
COAL	*BR*	*320*	*313*	*309*	*4*	*1%*
	GH	*226*	*231*	*243*	*(11)*	*-5%*
	GR	*232*	*234*	*NA*	*N/A*	*N/A*
	CR	*237*	*260*	*259*	*2*	*1%*
	MC	*238*	*241*	*241*	*0*	*0%*
	TC	*241*	*243*	*233*	*10*	*4%*
	TC PRB	*222*	*236*	*252*	*(16)*	*-7%*
GAS	*Gas BR*	*494*	*473*	*467*	*6*	*1%*
	Gas TC and CR7	*481*	*446*	*440*	*6*	*1%*
	Gas PR	*500*	*451*	*425*	*26*	*6%*
	Gas Haef	*781*	*693*	*687*	*6*	*1%*
OIL	*Oil*	*2245*	*2181*	*1794*	*387*	*22%*

PPL companies

2016 Fuel Cost Comparison – Annual Averages

Fuel Expense (¢/mmBTU)				Delta	
		2015 Plan 2016	2014 Plan 2016	2015 Plan 2016 - 2014 Plan 2016	% Change
COAL	*BR*	*312*	*315*	*(3)*	*-1%*
	GH	*237*	*250*	*(13)*	*-5%*
	GR	*N/A*	*N/A*	*N/A*	*N/A*
	CR	*N/A*	*N/A*	*N/A*	*N/A*
	MC	*234*	*244*	*(10)*	*-4%*
	TC	*231*	*242*	*(11)*	*-5%*
	TC PRB	*276*	*255*	*21*	*8%*
GAS	*Gas BR*	*472*	*483*	*(10)*	*-2%*
	Gas TC and CR7	*445*	*456*	*(11)*	*-2%*
	Gas PR	*450*	*440*	*10*	*2%*
	Gas Haef	*692*	*703*	*(10)*	*-1%*
OIL	*Oil*	*2,054*	*1,829*	*225*	*12%*

PPL companies

2017 Fuel Cost Comparison – Annual Averages

Fuel Expense (¢/mmBTU)				Delta	
		2015 Plan 2017	2014 Plan 2017	2015 Plan 2017 - 2014 Plan 2017	% Change
COAL	*BR*	*325*	*329*	*(3)*	*-1%*
	GH	*252*	*260*	*(9)*	*-3%*
	GR	*N/A*	*N/A*	*N/A*	*N/A*
	CR	*N/A*	*N/A*	*N/A*	*N/A*
	MC	*250*	*257*	*(7)*	*-3%*
	TC	*240*	*250*	*(10)*	*-4%*
	TC PRB	*286*	*259*	*27*	*10%*
GAS	*Gas BR*	*488*	*502*	*(14)*	*-3%*
	Gas TC and CR7	*462*	*476*	*(14)*	*-3%*
	Gas PR	*467*	*460*	*7*	*2%*
	Gas Haef	*708*	*722*	*(14)*	*-2%*
OIL	*Oil*	*2,002*	*1,917*	*84*	*4%*

PPL companies

Peak Load and Energy Comparison

Peak Delta (2015 Plan - 2014 Plan)

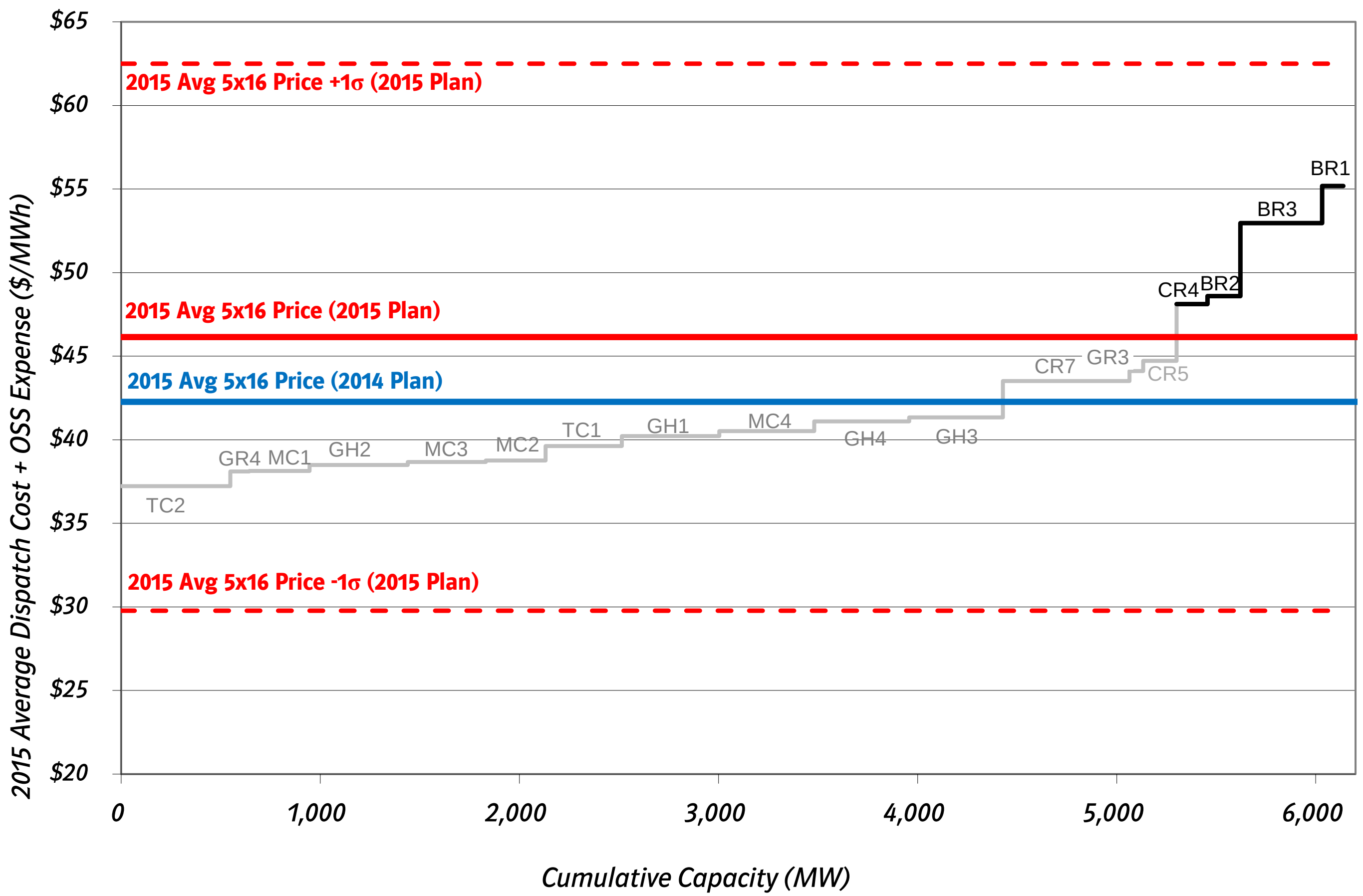
MW	2015	2016	2017	2018	2019
Jan	(19)	(22)	(23)	(16)	(206)
Feb	45	109	45	51	(130)
Mar	(61)	(65)	(62)	(60)	(206)
Apr	(76)	(74)	(74)	(70)	(198)
May	101	101	106	111	(31)
Jun	6	9	19	28	(155)
Jul	(237)	(196)	(212)	(205)	(386)
Aug	(63)	(62)	(66)	(78)	(360)
Sep	(178)	(181)	(177)	(175)	(334)
Oct	(96)	(97)	(93)	(88)	(216)
Nov	(97)	(99)	(96)	(91)	(230)
Dec	(18)	(17)	(14)	(11)	(189)
Peak	**(86)**	**(89)**	**(84)**	**(78)**	**(360)**

Energy Delta (2015 Plan - 2014 Plan)

GWh	2015	2016	2017	2018	2019
Jan	9	8	10	13	(84)
Feb	22	18	23	26	(61)
Mar	(27)	(29)	(27)	(25)	(108)
Apr	(36)	(36)	(35)	(33)	(106)
May	37	37	39	42	(36)
Jun	(23)	(24)	(21)	(18)	(105)
Jul	(146)	(147)	(145)	(143)	(237)
Aug	(97)	(99)	(96)	(93)	(189)
Sep	(89)	(89)	(88)	(86)	(166)
Oct	(59)	(59)	(58)	(56)	(132)
Nov	(53)	(54)	(53)	(50)	(129)
Dec	(15)	(15)	(13)	(11)	(106)
Total	**(476)**	**(489)**	**(464)**	**(435)**	**(1,457)**

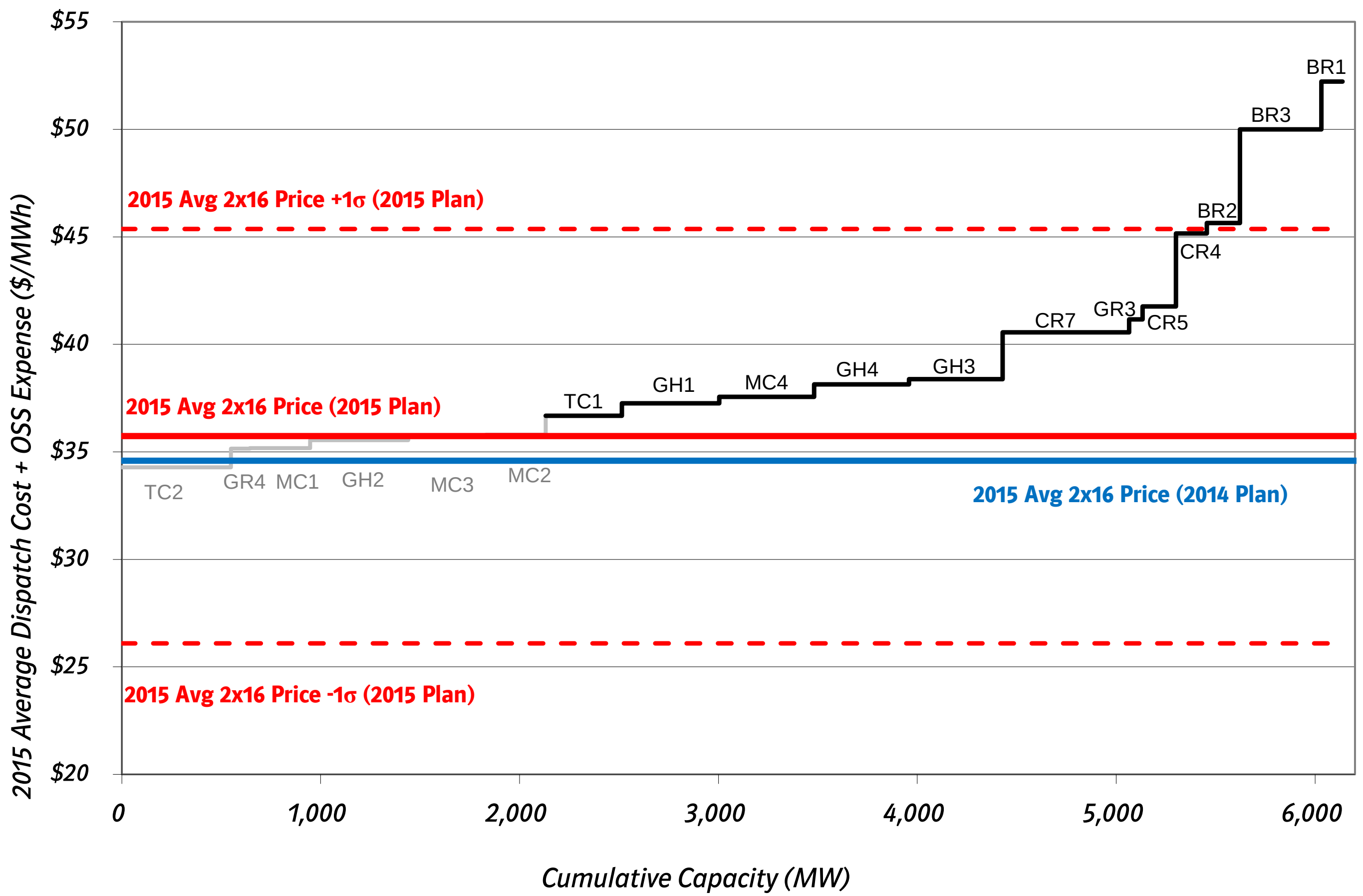
PPL companies

2015 5x16 Average Dispatch Cost (OSS)

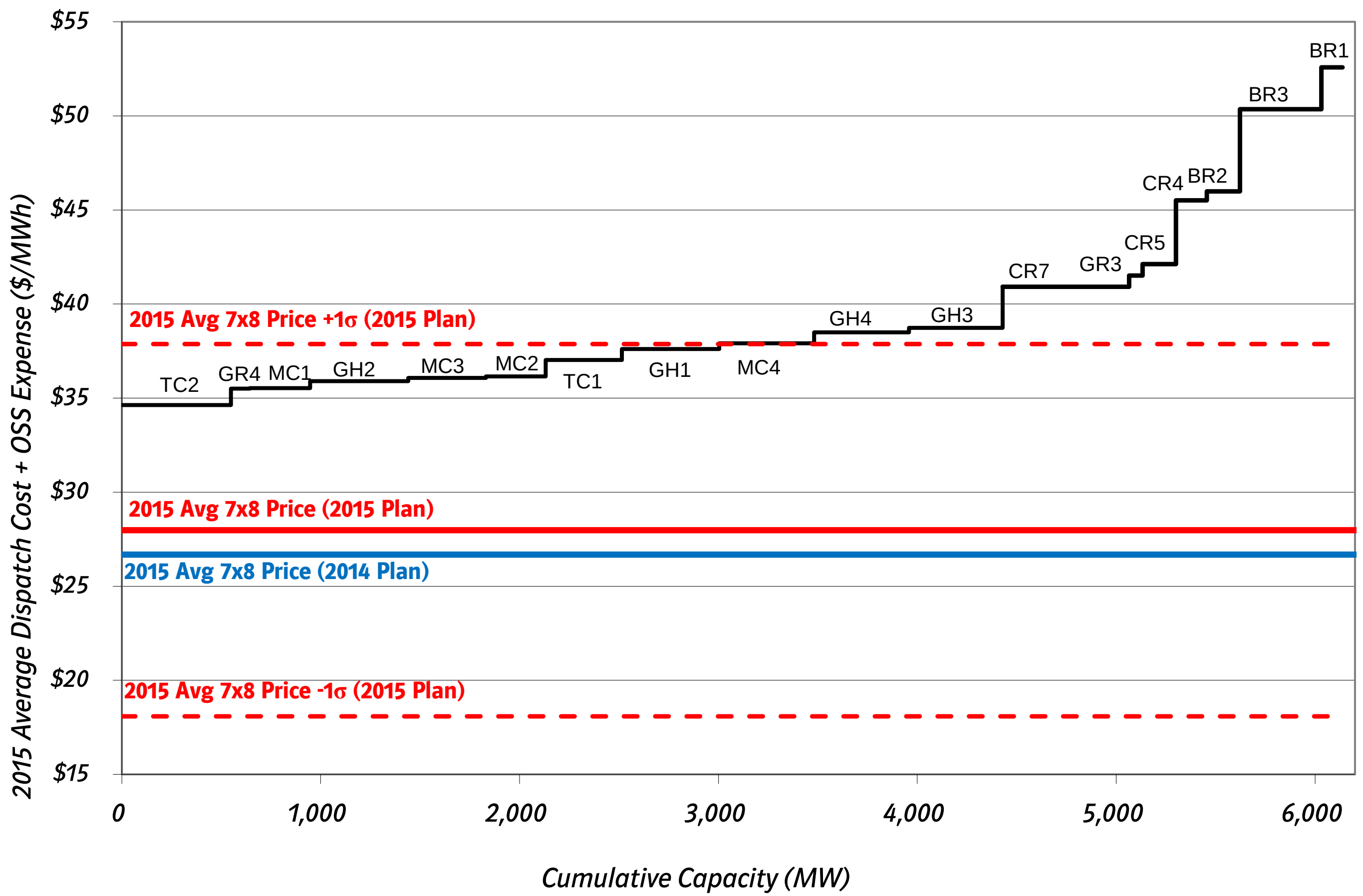


LG&E KU
PPL companies

2015 2x16 Average Dispatch Cost (OSS)

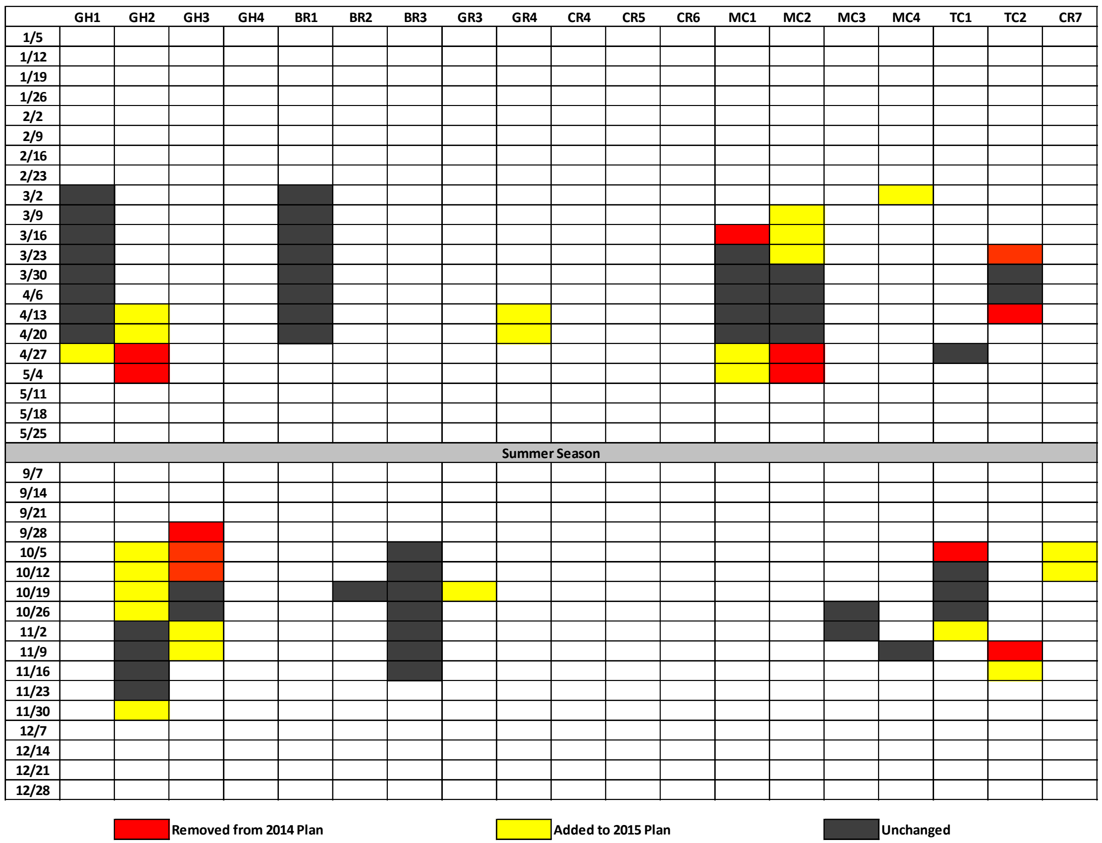


2015 7x8 Average Dispatch Cost (OSS)



2015 Maintenance Schedule Changes

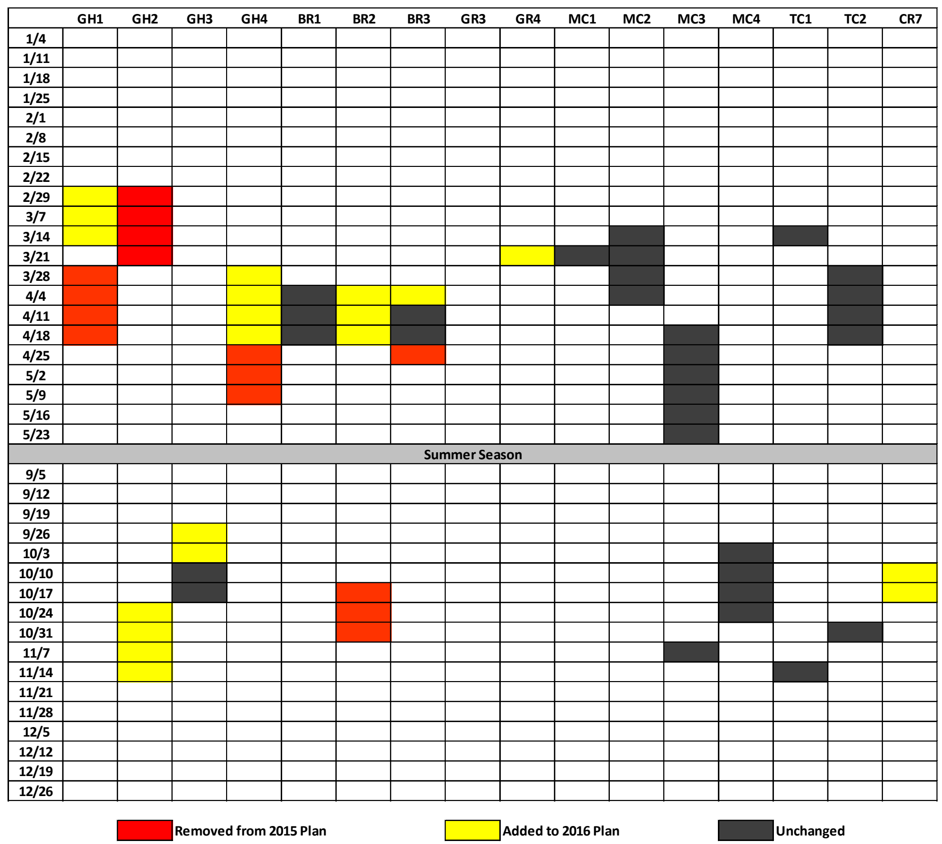
2015
Weekly Maintenance Detail



PPL companies

2016 Maintenance Schedule Changes

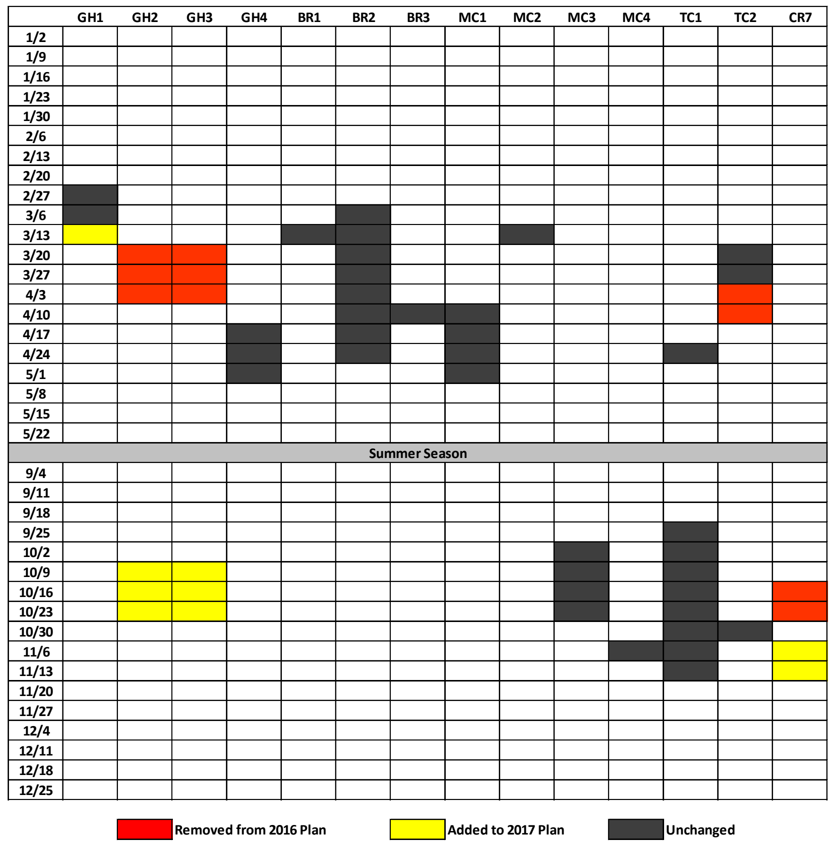
2016
Weekly Maintenance Detail



PPL companies

2017 Maintenance Schedule Changes

2017
Weekly Maintenance Detail



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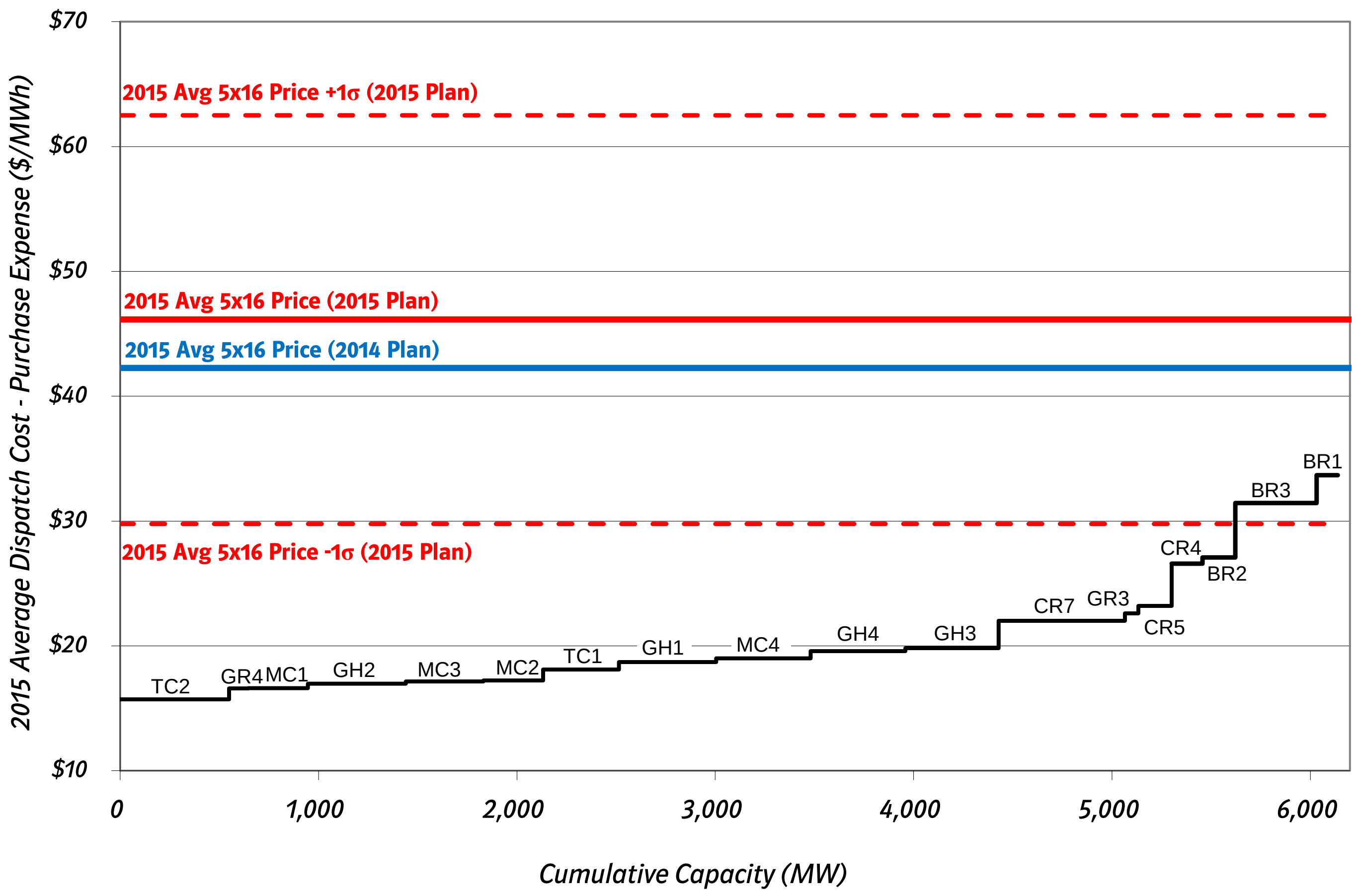
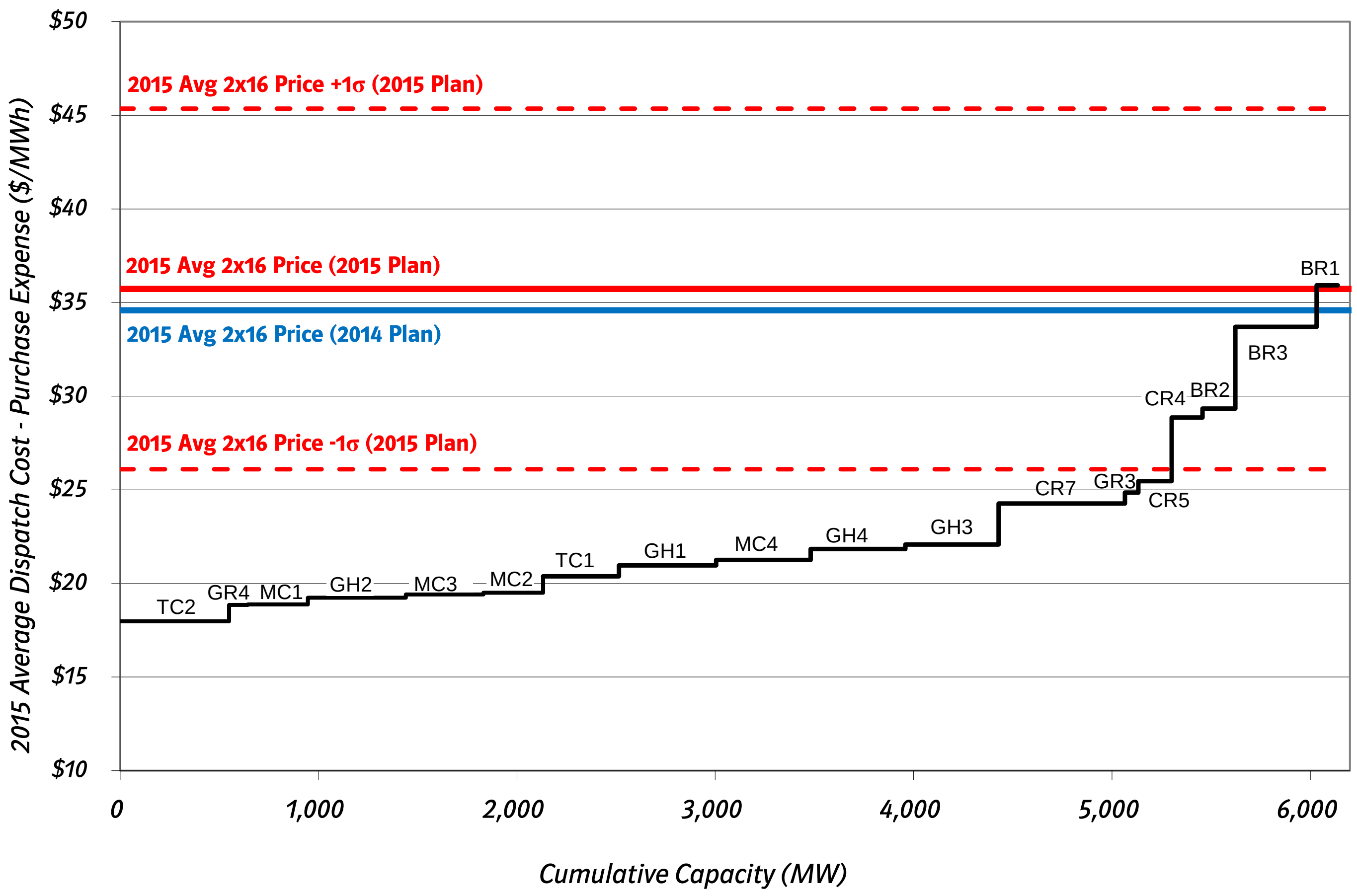
PPL companies

2015 5x16 Average Dispatch Cost (Purch)



LG&E KU
PPL companies

2015 2x16 Average Dispatch Cost (Purch)



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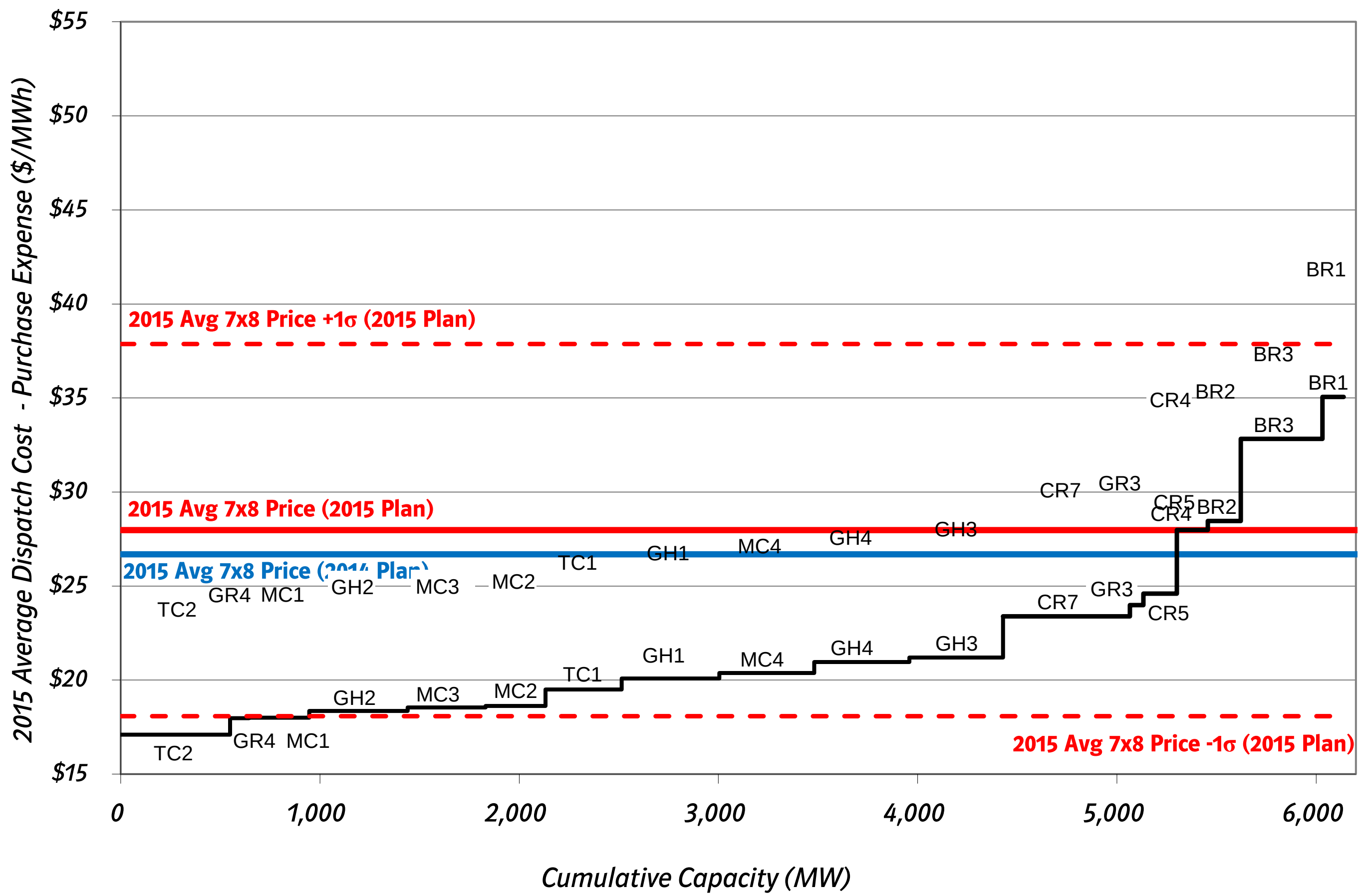
PPL companies

2015 7x8 Average Dispatch Cost (Purch)



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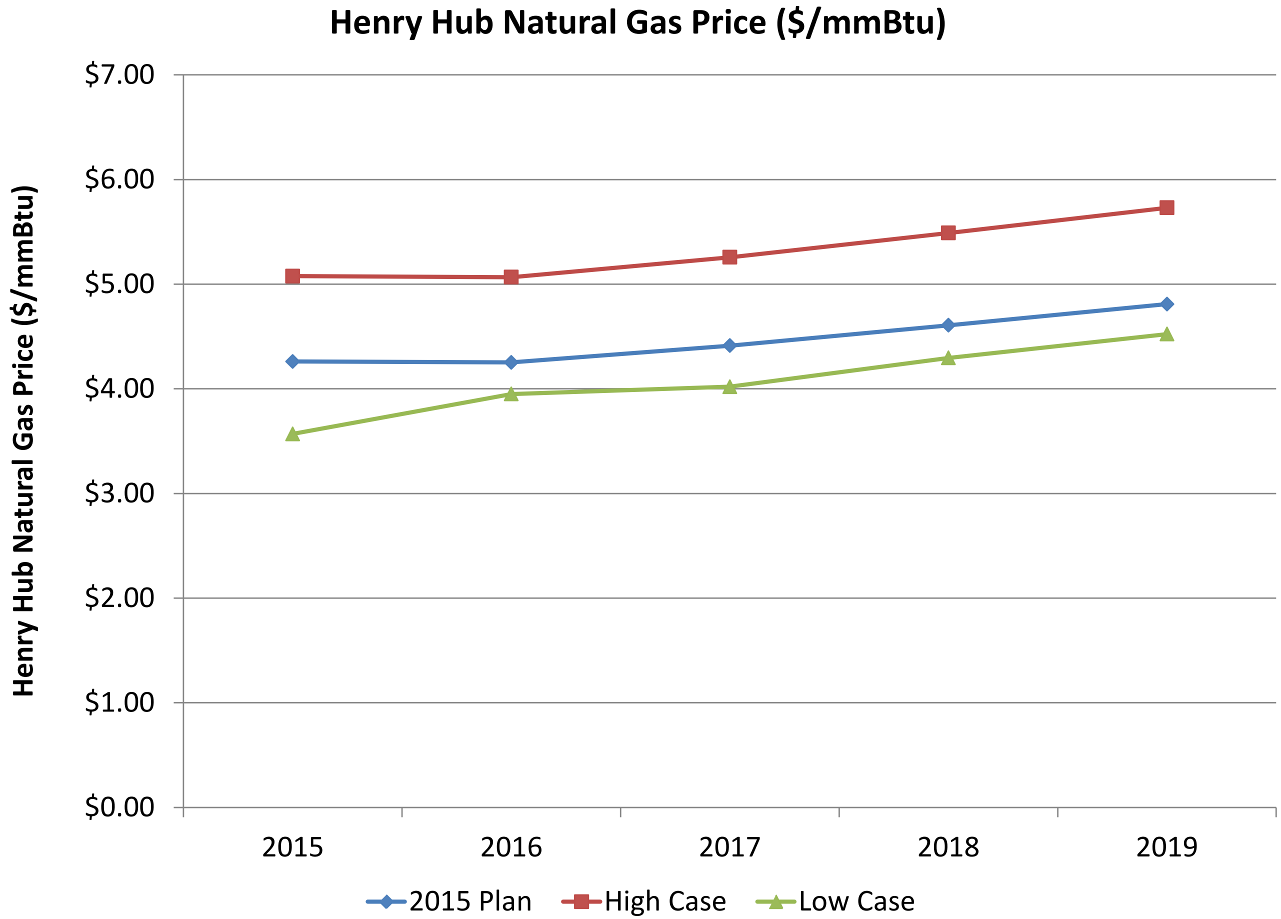
PPL companies

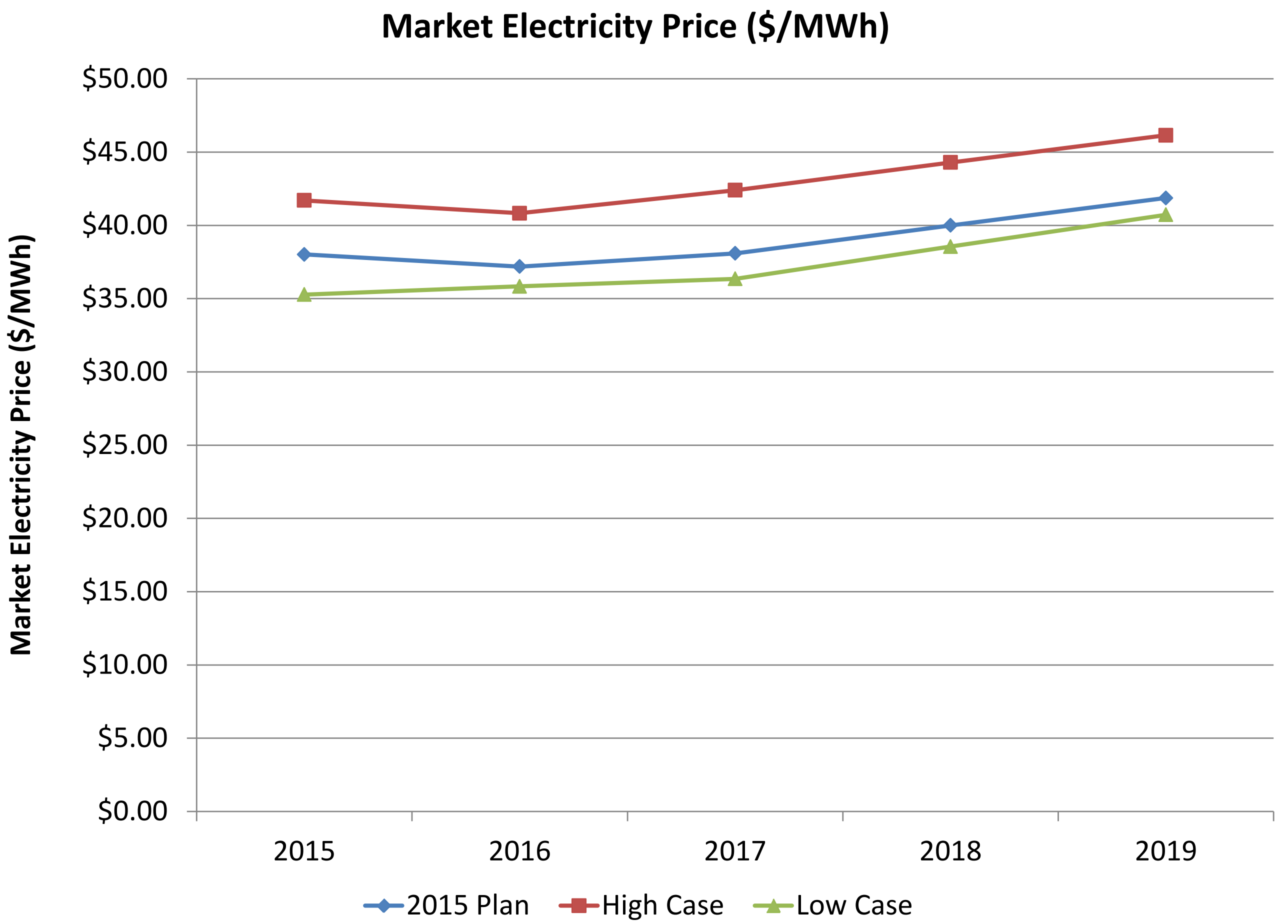
Natural Gas Price Scenarios



High and low gas price scenarios are from EIA.

PPL companies

Electricity Price Scenarios



High and low electricity price scenarios were developed in AURORA.

LG&E KU PPL companies

Unit availability uncertainty

2015 EFORs Sensitivities

Percentile	BR Sta	CR Sta	GR Sta	TC2	GH/MC/TC1
10%	2.8%	5.1%	5.1%	6.0%	4.0%
Avg.	5.6%	8.1%	8.1%	6.0%	5.6%
90%	8.0%	12.0%	12.0%	12.0%	6.2%

2016 EFORs Sensitivities

Percentile	BR Sta	CR Sta	GR Sta	TC2	GH/MC/TC1
10%	2.8%	N/A	5.4%	6.0%	4.0%
Avg.	5.6%	N/A	8.4%	6.0%	5.6%
90%	8.0%	N/A	12.3%	12.0%	6.2%

2017 EFORs Sensitivities

Percentile	BR Sta	CR Sta	GR Sta	TC2	GH/MC/TC1
10%	2.8%	N/A	N/A	6.0%	4.0%
Avg.	5.6%	N/A	N/A	6.0%	5.6%
90%	8.0%	N/A	N/A	12.0%	6.2%

Note: EFORs for GH, MC and TC1 are modeled as a group and therefore have less variability.

PPL companies

Production costs and OSS contribution are impacted by uncertainty in weather/load, electricity/gas prices, and unit availability

Native Load Production Cost ($/MWh)	2015	2016	2017	2018	2019
5th Percentile	*27.82*	*28.40*	*29.70*	*30.96*	*32.01*
2015 Plan	*29.39*	*29.60*	*31.12*	*32.38*	*33.35*
95th Percentile	*30.97*	*31.24*	*32.82*	*34.28*	*35.27*

OSS Contribution ($M)	2015	2016	2017	2018	2019
5th Percentile	*1.7*	*2.2*	*1.8*	*1.4*	*1.4*
2015 Plan	*3.0*	*3.1*	*2.1*	*1.6*	*1.9*
95th Percentile	*4.5*	*4.0*	*3.6*	*2.7*	*2.7*

PPL companies

Fuel burn is impacted by uncertainty in weather/load, electricity/gas prices, and unit availability

Gas Burn (GBtu)	2015	2016	2017	2018	2019
5th Percentile	27,371	27,283	27,865	30,632	28,203
2015 Plan	36,290	40,897	41,924	44,562	41,344
95th Percentile	48,200	48,890	50,399	51,570	48,321

Coal Burn (GBtu)	2015	2016	2017	2018	2019
5th Percentile	294,495	296,165	293,483	296,468	294,244
2015 Plan	317,726	312,740	311,367	311,225	308,593
95th Percentile	333,665	334,514	335,156	334,011	330,005

- *5th and 95th percentile values are based on the results of 1,200+ simulations. Range of outcomes reflects the uncertainty in weather/load, market electricity/gas prices, and unit availability.*

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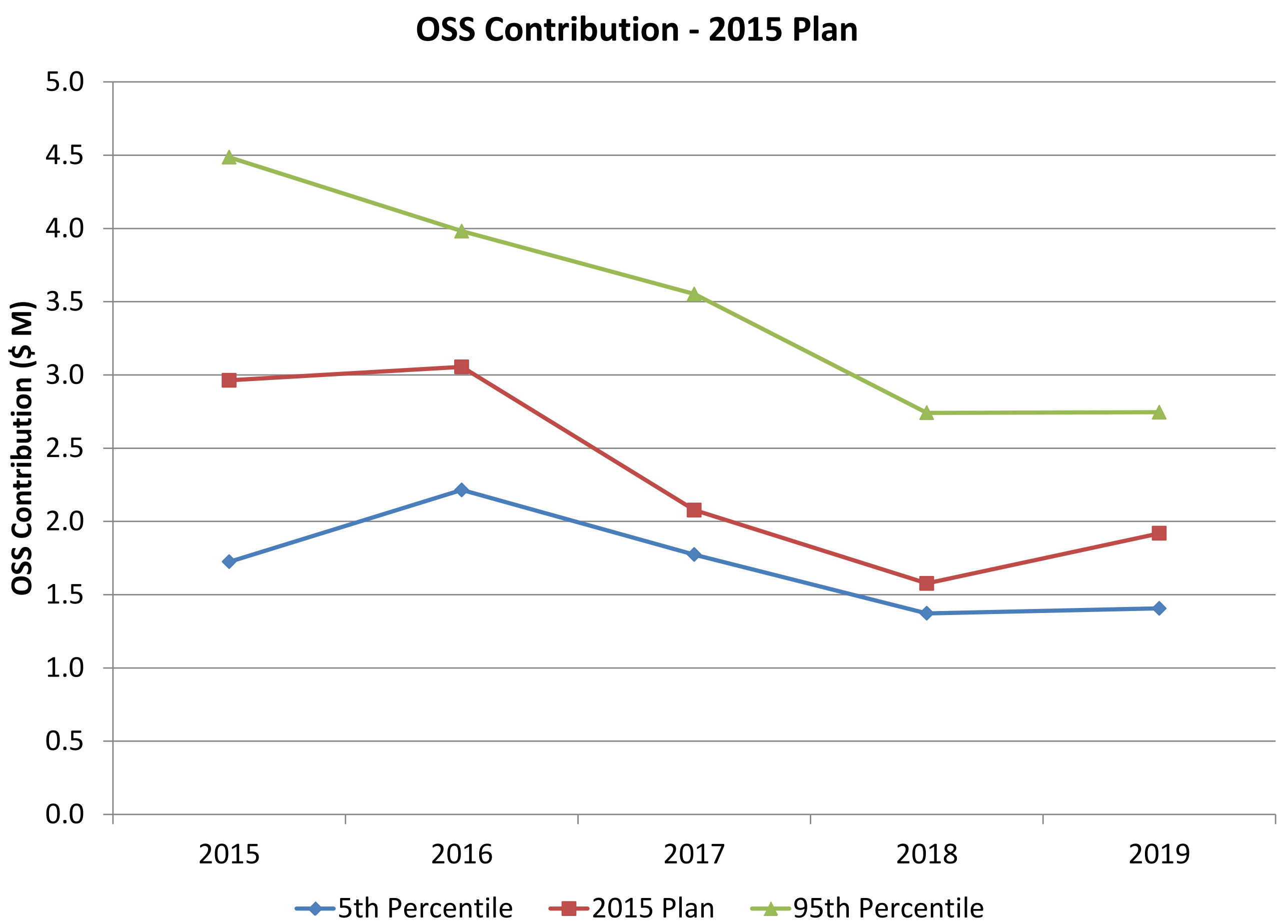
PPL companies

OSS contribution is impacted by uncertainty in weather, electricity/gas prices, and unit availability



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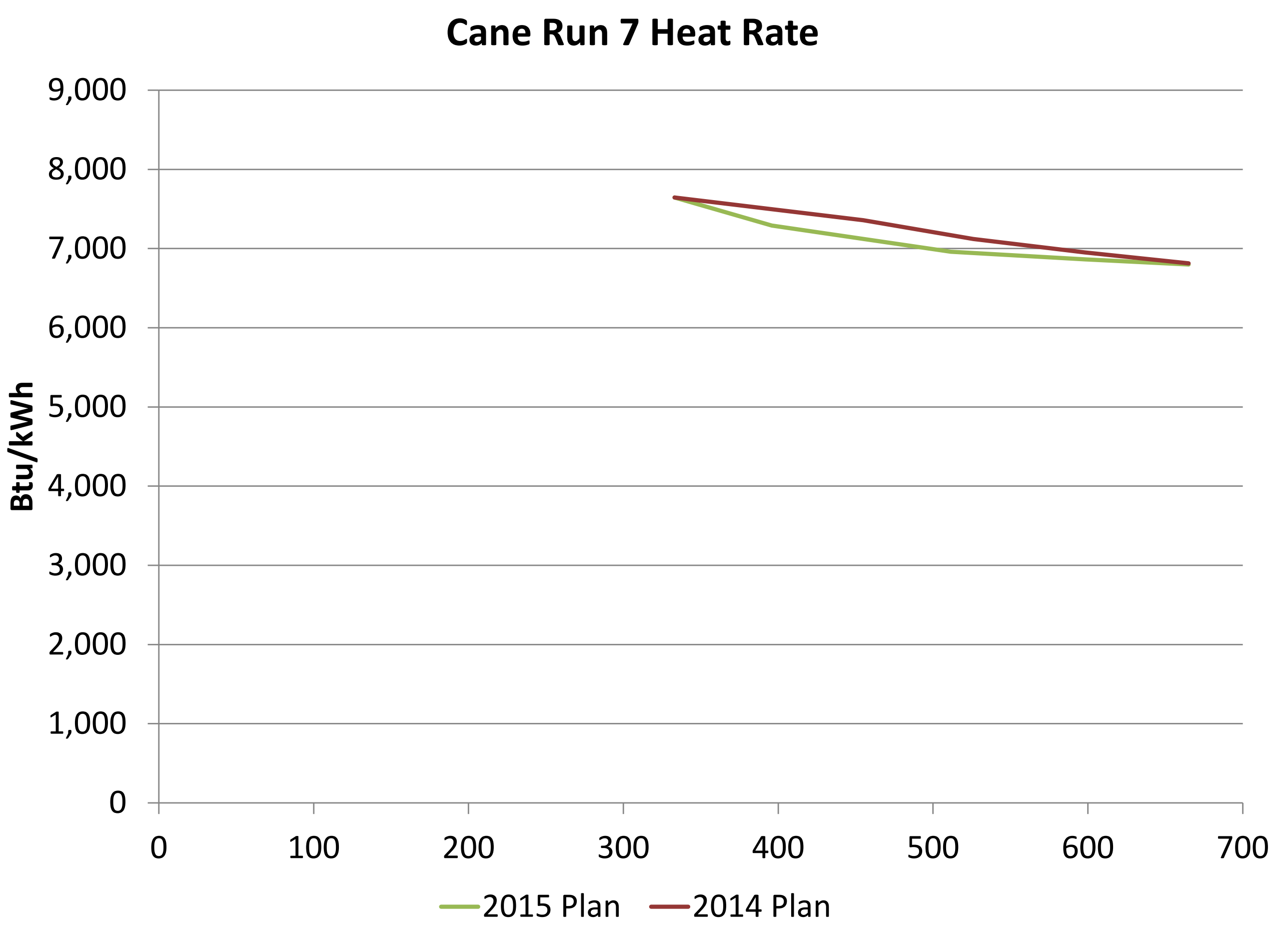
PPL companies

In 2015 Plan, Cane Run 7 heat rate curve is slightly flatter



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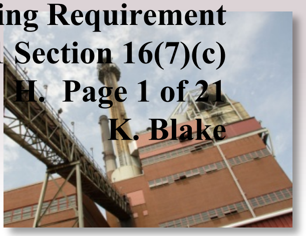
PPL companies

PPL companies

LOB name here

2015 Business Plan

Month, Day, Year



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LG&E KU

PPL companies

Plan Highlights

- Key Items

Major Assumptions

- State major assumptions

Financial Review – Prior Plan to Target Reconciliation ($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
OPEX (O&M and BTL):					
Prior Plan Amount					
Adjustments/Transfers:					
xxx					
xxx					
xxx					
xxx					
Current Target					

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
GMEXP (OCOS):					
Prior Plan Amount					
Adjustments/Transfers:					
xxx					
xxx					
xxx					
xxx					
Current Target					

- *Use more than 1 page if needed*

LG&E KU
PPL companies

Financial Performance - OPEX

2013-2019 O&M and Other Income/Expenses ($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
O&M Expenses Only:							
Labor							
Non labor (category 1)							
Non labor (category 2)							
Non labor (category 3)							
Non labor (category 4)							
Non labor (category 5)							
Subtotal O&M Expense	-	-	-	-	-	-	-
Other Income/Expense*							
* (see OIE slide for detail)							
Total OPEX	-	-	-	-	-	-	-

Financial Performance - OPEX

2013-2019 Other Income/Expenses (incl. BTL)
($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
OIE/BTL Expenses Only:							
Labor							
Contributions							
Employee Recognition							
Meals and Meetings Exp.							
Other							
Non labor (category 5)							
Total OIE / BTL Expense	-	-	-	-	-	-	-

2015-2019 O&M / Other Expense Reconciliation
($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Target					
Drivers:					
xxx					
xxx					
xxx					
xxx					
Current Plan					

Financial Performance

2013-2019 Margin Expenses / Cost of Sales
($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Margin Expenses							
Mechanism Recoverable:							
xxx							
xxx							
Total							
All other Cost of Sales:							
xxx							
xxx							
Total							
Total Margin/Cost of Sales	-	-	-	-	-	-	-

• *IF APPLICABLE*

PPL companies

2015-2019 Margin/Cost of Sales Reconciliation
($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Mechanism recoverable					
Prior Plan / Target					
Drivers					
xxx					
xxx					
xxx					
xxx					
Current Plan					
Other					
Prior Plan / Target					
Drivers					
xxx					
xxx					
xxx					
xxx					
Current Plan					

•IF APPLICABLE

PPL companies

2013-2019 Capital Breakdown (w COR) – Accrual Basis ($000)

Project	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Environmental							
XXX							
XXX							
New Generation Capacity							
XXX							
XXX							
Generation							
XXX							
XXX							
Distribution and Metering							
XXX							
XXX							
Transmission							
XXX							
XXX							
Other							
XXX							
XXX							
Total Capital and Cost of Removal							

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PPL companies

2015-2019
Capital Reconciliation (w COR) –Accrual Basis
($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Prior Plan					
Changes:					
xxx					
xxx					
xxx					
xxx					
Current Plan					

Financial Performance

2013-2019 Headcount

Department	2013 Year End	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
TOTAL	0	0	0	0	0	0	0
From 2014 Business Plan							
Variance to 2014 Business Plan		0	0	0			

Year to Year Increases (Decreases)	2014	2015	2016	2017	2018	2019
1.) Maintenance /Operational						
2.) Compliance – NERC, FERC, CIP, etc.						
3.) EPA/Environmental						
4.) Administrative/Corporate						
TOTAL	0	0	0	0	0	0
Contractor Offsets By Year: (New hire reducing contractor use)						

PPL companies

Operational Performance

Key Performance Indicators

KPI	2013 Year End	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan

PPL companies

Plan Risks

- List plan risks

Appendix

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PPL companies

2013-2019
Year over Year Walk Forward
OPEX and Other Expense

2013 Actual
xxx
xxx
xxx
2014 FC
xxx
xxx
xxx
2015 Budget
xxx
xxx
xxx
2016 Plan
xxx
xxx
xxx
2017 Plan
xxx
xxx
xxx
2018 Plan
xxx
xxx
xxx
2019 Plan

LG&E KU
PPL companies

2013-2019
Year over Year Walk Forward
GMEXP / Cost of Sales

2013 Actual
xxx
xxx
xxx
2014 FC
xxx
xxx
xxx
2015 Budget
xxx
xxx
xxx
2016 Plan
xxx
xxx
xxx
2017 Plan
xxx
xxx
xxx
2018 Plan
xxx
xxx
xxx
2019 Plan

PPL companies

2014-2019
Headcount progression

2014 Headcount (As of July 2014)
xxx
xxx
xxx
2014 Headcount FC - Year End
xxx
xxx
xxx
2015 Headcount Budget
xxx
xxx
xxx
2016 Headcount Plan
xxx
xxx
xxx
2017 Headcount Plan
xxx
xxx
xxx
2018 Headcount Plan
xxx
xxx
xxx
2019 Headcount Plan

Describe type of work not necessarily positions – should explain need for additional headcount year over year (CIP; customer Service; compliance; etc.)

LG&E KU
PPL companies

Headcount & Employee Expense

2014-2019 Headcount

Business Unit Name	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Total Full Time & Part Time Headcount (without interns)	0	0	0	0	0	0

Employee Related Expenses	2014	2015	2016	2017	2018	2019
1.) Training & Development						
2.) Travel						
3.) Meals and Expenses						
4.) Employee Recognition						
5.) Employee Dues and Memberships						
TOTAL	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Average Employee Expense per number of employees	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**

Note: For the Employee related expense line items above, please use the following expenditure types:

1) 0778 Tuition Reimbursement, 0634 Education & Training
2) 0641 Travel
3) 0642 Meals – Partially Deductible, 0643 Meals – Fully Deductible
4) 0636 Employee Recognition
5) 0654 Employee Dues/Memberships

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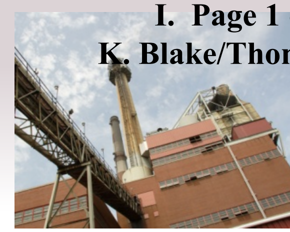
PPL companies

2013-2019
Other Balance Sheet Costs
($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Stores Expense							
Labor							
Non labor							
Total							
Local Engineering							
Labor							
Non labor							
Total							
Other Balance Sheet							
Labor							
Non labor							
Total							
Total Other Costs							

- THIS SLIDE USED FOR SUMMARY; only use costs that apply to your area – others can be deleted

LG&E KU
PPL companies





LG&E KU
PPL companies

Corporate

2015 Business Plan

September 17, 2014

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PPL companies

Major Assumptions

- *Pension based on actuarial calculations and assumptions:*
  - *Increases from previous plan driven by change from BB mortality scale to RP-2014/MP-2014 mortality scale, change in the discount rate and the change in LGE bargaining plan multipliers ($13M impact included $3M increase to capital and $10M increase in O&M)*
  - *Increases above partially offset by demographic gains, change in asset returns and favorable impact of 2014 higher funding level*
- *Medical expense adjusted for headcount and 2014 actuals with increases of 6% annually for 2015-2019*
  - *Premium costs increase effectively managed to only 4% increase*
  - *Additional funding included for employee wellness and health programs to continue and expand the promotion of healthy lifestyle maintenance*
- *Property insurance increases driven by Capital investments and growth of assets in plan years; insurance expense growth is lower than previously budgeted*

LG&E KU
PPL companies

Major Assumptions

- *Assumed amortization of regulatory assets will continue through plan periods based on KPSC orders*
- *Assumed a 2% annual increase on the minimum base rent and a 2.5% annual increase for operating expense (per contract) for the LGE Center Lease*
- *Allocation of indirect PPL expenses based on most current amounts provided that may be revised as further planning processes continue*
- *Incentive expenses currently based on most recent calculations provided this year*

PPL companies

Financial Performance - OPEX

2013-2019 O&M and Other Income/Expenses
($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
O&M Expenses Only:							
Pension	36,762	15,093	37,473	31,584	27,784	26,417	23,172
Post Retirement	8,045	7,610	8,914	8,125	6,179	5,763	5,582
Medical/Dental	23,604	24,403	29,023	30,849	32,671	34,601	36,646
Payroll taxes	17,925	20,711	21,107	21,848	22,503	23,178	23,874
401k Drop In	10,057	11,003	11,759	12,202	12,738	13,307	13,912
Other Benefits	4,585	5,232	6,222	6,449	6,664	6,888	7,120
PPL Expense Allocation	13,507	13,729	15,123	15,361	15,646	16,106	16,369
Incentive Compensation	14,376	14,228	14,078	13,409	13,125	13,139	13,204
Insurance Expense	12,064	12,646	13,140	15,549	17,333	18,893	20,711
Amortization of Regulatory Assets	16,083	16,041	15,976	15,759	14,764	13,270	13,270
LGE Center and Other Facilities Exp	3,169	10,088	10,016	9,950	10,086	10,232	10,398
A&G Transfer Credit	(7,655)	(9,273)	(10,726)	(11,049)	(11,284)	(11,064)	(11,487)
IMEA/IMPA billings	(12,880)	(13,334)	(13,650)	(14,024)	(15,944)	(15,746)	(16,829)
Other	(1,224)	4,430	2,555	2,610	2,641	4,710	4,776
Subtotal O&M Expense	138,418	132,607	161,010	158,622	154,907	159,695	160,717
Other Income/Expense*	(1,996)	(3,111)	(2,581)	(2,998)	(1,857)	(1,749)	(1,751)
* (see OIE slide for detail)							
Total OPEX	136,423	129,496	158,429	155,624	153,049	157,946	158,966

LG&E KU
PPL companies

Financial Performance - OPEX

2013-2019 Other Income/Expenses (incl. BTL) ($000)

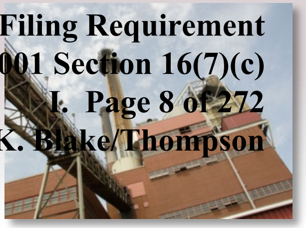
Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
OIE/BTL Expenses Only:							
IMEA/IMPA Billings	(1,303)	(1,350)	(1,319)	(1,321)	(1,323)	(1,322)	(1,323)
Other Income	(1,905)	(2,765)	(2,256)	(2,681)	(1,547)	(1,450)	(1,461)
Other Expenses	1,213	1,004	994	1,003	1,013	1,023	1,033
Total OIE / BTL Expense	(1,996)	(3,111)	(2,581)	(2,998)	(1,857)	(1,749)	(1,751)

PPL companies

2015-2019 O&M / Other Expense Reconciliation
($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Plan Expectation	159,565	160,953	166,509	171,546	175,786
Drivers:					
Pension	9,517	4,530	403	(280)	(3,526)
Post Retirement	717	884	691	450	269
Medical/Dental	(1,435)	(1,877)	(2,634)	(3,629)	(4,597)
Payroll taxes	(1,065)	(990)	(1,020)	(1,050)	(1,082)
Other Burden Expense	(1,458)	(1,500)	(1,498)	(1,495)	(1,489)
A&G Transfer Credit	(1,879)	(2,009)	(2,762)	(2,298)	(3,140)
IMEA/IMPA Billings	(267)	405	(1,271)	(1,214)	(1,936)
Insurance	(1,696)	(1,279)	(1,084)	(1,262)	(1,346)
Other	(3,570)	(3,492)	(4,284)	(2,821)	28
Current Plan	158,429	155,624	153,049	157,946	158,966
Variance	1,136	5,329	13,460	13,600	16,819

PPL companies



PPL companies

CFO Organization

2015 Business Plan

September 17, 2014

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LG&E KU
PPL companies

Plan Highlights

- CFO budget is primarily labor costs (~71% of total annual budget).
  - *Employee Opinion Survey suggests resources are sufficient.*
  - *No headcount increases in Plan.*
  - *Reduction of 2 in 2017 for Operations Forecast & Budgeting as construction moderates.*
- Audit, bank and insurance fees comprise approximately 22% of total annual costs.
  - *Cost estimates based on contractual rates and projected activity.*
- The remaining O&M budget is approximately $1.3 Million.
- Capital to support planned upgrades for CFO systems is budgeted as part of the Information Technology centralized five year plan.

PPL companies

Major Assumptions

- Workforce maintained at 142 full-time, 2 part-time, and 11 interns.
- Labor escalations for plan years based on market guidance of 3% per year.
- Non-labor costs based on contractual or expected increases or escalated at 2% increase per year.

LG&E KU
PPL companies

Financial Review – Prior Plan to Expectation Reconciliation ($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
OPEX (O&M and BTL):					
Prior Plan Amount	19,452	19,870	20,517	21,040	21,566
Adjustments/Transfers:					
Direct PPL Charges from Corporate	353	362	372	382	393
Rating Agency Fees from Corporate	80	80	80	80	80
Bank Fees for Smart Safes & Check Scanners (From Customer Services)	55	56	57	58	59
BP Efficiency Savings	(482)	(505)	(478)	(170)	(138)
Current Plan Expectation	19,458	19,864	20,548	21,390	21,960
Drivers:					
Bank Fees (increased fees)	424	384	320	311	361
Retirements & Labor Costs	-	-	(100)	(337)	(381)
Consulting & External Fees			(209)	(247)	(148)
Other	3	(54)	(39)	(42)	(30)
Current Plan	19,886	20,193	20,520	21,075	21,762
Variance	(428)	(330)	28	315	198

LG&E KU
PPL companies

Financial Performance - OPEX

2013-2019 O&M and Other Income/Expenses
($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2014 - 2019 CAGR
O&M Expenses Only:								
Labor	13,137	14,016	14,194	14,545	14,790	15,284	15,706	
Audit Fees	1,591	1,665	1,716	1,716	1,716	1,716	1,785	
Bank Fees	967	1,248	1,835	1,818	1,907	1,928	2,009	
Insurance Management Fee	658	787	806	831	846	861	877	
Training, Travel & Meals	339	593	558	552	544	553	563	
Software Maintenance Fees	49	56	275	284	294	304	315	
Outside Services	427	273	131	72	42	43	114	
Other	454	273	318	321	325	330	335	
Subtotal O&M Expense	17,622	18,912	19,832	20,139	20,465	21,020	21,705	2.8%
Other Income/Expense:								
Labor	1							
Contributions	22	37	39	39	40	40	41	
Employee Recognition & Meals	25	14	14	15	15	15	15	
Other	5							
Total OIE / BTL Expense	53	51	54	54	54	55	57	2.1%
Total OPEX	17,675	18,963	19,886	20,193	20,520	21,075	21,762	2.8%

LG&E KU
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Financial Performance

2013-2019 Headcount

Department	2013 Year End	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Controller	55	55	55	55	55	55	55
Audit Services	14	14	14	14	14	14	14
Corporate Tax & Payroll	16	16	16	16	16	16	16
Financial Plan & Analysis	15	15	15	15	15	15	15
Treasurer	16	16	16	16	16	16	16
Dir Ops Bud & Forecast	26	26	26	26	24	24	24
CFO	2	2	2	2	2	2	2
TOTAL	144	144	144	144	142	142	142
From 2014 Business Plan		144	144	144			
Variance to 2014 Business Plan		0	0	0			

Year to Year Increases (Decreases)	2014	2015	2016	2017	2018	2019
1.) Maintenance /Operational						
2.) Compliance – NERC, FERC, CIP, etc.						
3.) EPA/Environmental						
4.) Administrative/Corporate				(2)		
TOTAL	0	0	0	(2)	0	0

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Plan Risks

- Integration of primary system changes within planning window and their impact on existing processes (PeopleSoft Time and Labor, PowerPlant, Oracle, etc.).
- Maintaining flat staffing levels allow for limited resources available for special projects (i.e. new initiatives, future rate cases).
- Planned employee retirements in next few years place greater emphasis on knowledge transfer and effective timing of staffing changes.

Appendix

2013-2019
Year over Year Walk Forward
OPEX and Other Expense

2013 Actual	17,675
Labor	879
Bank Fees	281
Tuition, Education, Travel & Meals	254
Outside Services	(155)
Other	29
2014 FC	18,963
Labor	178
Bank Fees	587
Software Maintenance	218
Other	(60)
2015 Budget	19,886
Labor	351
Outside Services	(59)
Other	15
2016 Plan	20,193
Labor	245
Other	82
2017 Plan	20,520
Labor	493
Other	62
2018 Plan	21,075
Labor	423
Bank Fees	81
Audit Fees	69
Other	114
2019 Plan	21,762

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2014-2019
Headcount progression

2014 Headcount (as of July 2014)	143
Accounting Analyst Position Open in Controller	1
2014 Headcount FC - Year End	144
2015 Headcount Budget	144
2016 Headcount Plan	144
Retirements Ops Budgeting & Forecasting	-2
2017 Headcount Plan	142
2018 Headcount Plan	142
2019 Headcount Plan	142

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Headcount & Employee Expense

2014-2019 Headcount

Business Unit Name	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Total Full Time & Part Time Headcount (without interns)	144	144	144	142	142	142

Employee Related Expenses	2014	2015	2016	2017	2018	2019
1.) Training & Development	$388,959	$342,600	$342,121	$331,362	$335,965	$342,088
2.) Travel	$139,821	$124,430	$117,907	$119,413	$121,801	$124,237
3.) Meals and Expenses	$63,541	$90,987	$92,053	$93,174	$95,038	$96,939
4.) Employee Recognition	$14,382	$14,306	$14,568	$14,835	$15,132	$15,435
5.) Employee Dues and Memberships	$33,971	$42,530	$43,063	$44,104	$44,986	$45,886
TOTAL	**$640,674**	**$614,853**	**$609,712**	**$602,888**	**$612,922**	**$624,585**
Average Employee Expense per number of employees	**$ 4,449**	**$ 4,270**	**$ 4,234**	**$ 4,246**	**$ 4,316**	**$ 4,398**

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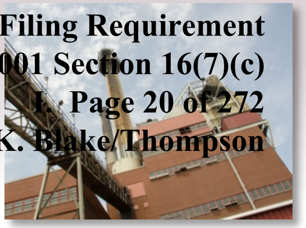




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Chief Administrative Officer

2015 Business Plan

September 17, 2014

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Plan Highlights

- The 2015 Chief Administrative Officer O&M budget submitted for the 2015 Business Plan is $107.2 million. The current business plan for 2015 is flat to the Business Plan expectation due to overall CAO budget cuts.
  - *Headcount remained flat to forecast through 2017 and growth was reduced in other areas to meet expectation.*

- The 2015 CAO Capital budget is $39.3 million and is $6.8 million lower than the adjusted 2014 Business Plan. The decrease is due primarily to the CCS upgrade.

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Major Assumptions

Information Technology

- Major Initiatives
  - *Roughly one third of the 5 year capital plan (approximately $70M) represents 10 business initiatives (including $23M for CCS and $14M for GIS).*
  - *A significant number of IT resources are tied to these capital projects. Approximately 47 employees at risk to capital which is consistent with the current trend.*
- Safety & Regulatory
  - *Increased regulatory scrutiny at FERC, NERC and SERC as it relates to Critical Infrastructure Protection (CIP) and cyber security will drive the need for increased spending for both labor and information technology solutions to meet compliance requirements. Resource requirements for impact of CIP version 5 are still being assessed and are not included in the plan.*

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Major Assumptions

Information Technology

- Business Reliance on Technology
  - *Business reliance on information technology services to conduct day to day operations continues to expand. Due to increased regulatory requirements, more business processes are moving towards automation.*
  - *This trend means that the reliability and availability of information technology services is critically important to the business. There is little tolerance for almost any kind of system outage.*
  - *Increased reliance on technology is leading to increased storage, maintenance and support costs which are reflected in the plan.*

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Major Assumptions

Information Technology

- Cyber Security Threats
  - *IT Security threats and data protection issues continue to increase. These threats are becoming even more sophisticated and difficult to overcome. Continued investment in protective and preventive measures to reduce these threats are required and included in the plan.*

- Customer Experience
  - *As our primary interface with our customers, the CCS system will require additional upgrades and enhancements to continue to meet customer and business expectations. This will include release upgrades to the SAP applications and hardware refresh and expansion.*
  - *Continued efforts to support the customer experience initiative with related capital projects such as call center technology improvements, bill presentation and customer communication preferences.*
  - *Rate Case submissions will continue to occur on a regular basis requiring updates to the CCS system and customer billing.*

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Major Assumptions

Information Technology

- Advances in New Technologies
  - *Technology continues to advance at an ever increasing pace. New technologies first introduced in the consumer space are making their way into the enterprise. This includes everything from smart phones to tablet PCs (iPads) to social media.*
  - *Leveraging these new technologies will be a major differentiator for productivity and customer satisfaction.*
  - *The current plans include the deployment of many of these new technologies such as Mobility, Virtual Desktop technology, Unified Communications and Collaboration tools, Business Intelligence and others.*
  - *Plans include working closely with the business to determine which of these technologies can deliver the greatest benefit.*

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Major Assumptions

General Counsel

- Legal
  - *The Outside Counsel budget is consistent with current forecast levels.*
  - *Hourly rates of outside providers will not materially increase.*
  - *No significant unexpected developments in pending regulatory or litigation matters and no new material regulatory or litigation claims are assumed in plan.*
  - *Environmental and regulatory litigation will continue to put pressure on budget.*
- Corporate Communications
  - *Maintaining positive brand image in light of increased activities by national and local environmental activists will require additional education and communication measures with key stakeholders.*
  - *Increased Energy Education efforts will require support through targeted communications, advertising and increased sponsorship activation.*
  - *The large number of construction projects and rate pressures will continue to require increased communications.*

PPL companies

Major Assumptions

General Counsel

- Corporate Responsibility
  - *Nonprofit organizations will continue to experience financial challenges.*
  - *Elected officials and general public expectations of corporate community involvement will increase.*
  - *Several key fundraising initiatives are on the horizon:*
    - *K-12 and higher education initiatives*
    - *Performing arts fundraising initiatives*
    - *Public parks and green space initiatives*
  - *Rate case filing and aftermath will require community visibility, enhancement of current community partnerships and development of new partnerships.*
  - *Criticism and scrutiny from environmental groups will require strategic community relations plans.*
  - *Focused community relations strategy needed to address anticipated customer concerns regarding new Louisville Metro franchise agreement implementation.*
  - *Innovative strategies will be needed to address the level of low income customer dissatisfaction.*

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Major Assumptions

General Counsel

- Compliance
  - *No material change in current role.*
  - *No new significant enforcement issues.*
  - *Increased emphasis on cyber security.*
  - *Implementation of CIP version 5.*
  - *NERC Reliability Assurance Initiative is still being finalized and could impact resources.*

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PPL companies

Major Assumptions

General Counsel

- External Affairs
  - *Increased legislative and regulatory activity by local, state and federal governmental entities affecting the company's activities in the operational, regulatory and environmental areas.*
  - *Pressure by local, state and federal governmental entities upon the company to use its monopolistic status to increase governmental revenues.*
  - *Public comparison of:*
    - Levels of engagement and contributions with and to advocacy groups
    - PPL and LG&E/KU legislative and regulatory positions on various issues

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PPL companies

Major Assumptions

General Counsel

- Federal Regulation & Policy
  - *Uncertain implementation path of Order 1000 regional/interregional transmission planning and cost allocation rules.*
  - *Uncertain policy direction arising from the transient nature of the FERC chair over the next several months, the increasing lack of consensus among commissioners and the appointment of a new commissioner.*
  - *Increased pressure on the company to disclose more information regarding how rates are calculated.*
  - *Increased pressure to impose an RTO type model on transmission services.*
  - *Heightened enforcement focus upon the ascendancy to the chair of the new chairman in 2015.*

PPL companies

Major Assumptions

General Counsel

- State Regulation & Rates
  - — *Filing of two base rate cases for LG&E and KU in Kentucky.*
  - — *Filing of three base rate cases for KU in Virginia.*
  - — *Revise the formula rates for FERC wholesale municipal and OATT customers.*
  - — *One or more CPCN proceedings for generation facilities.*
  - — *Filing of new and enhanced DSM/EE programs.*
  - — *Filing of new ECR plans to comply with air regulations.*
  - — *Filing of Integrated Resource Plan.*

PPL companies

Major Assumptions

General Counsel

- Environmental
  - *Coal combustion residuals regulations will likely require closure of all generating station ash ponds.*
  - *Permitting activity will increase significantly and more time required to obtain environmental permits.*
  - *Most all environmental permits associated with coal will be challenged by environmental groups.*
  - *New Ozone NAAQS expected for proposal this year will likely result in significant portion of KY becoming non-attainment.*
  - *Greenhouse Gas regulations for existing units will likely require additional gas-fired generation and less coal.*

PPL companies

Major Assumptions

Human Resources

- Current and potential Federal legislative initiatives could significantly affect the existing landscape and costs associated with virtually every aspect of the workforce (benefits, compensation, union relations, safety, etc.).
- Wellness must continue to evolve as a means of containing healthcare costs.
- The pace and complexity of regulatory compliance will continue to escalate.
- Competition for talent will require more non-traditional sourcing.
- Capital spend within the plan is based on the need to automate certain HR systems.
- Retirement-based attrition will continue to put demands on staffing and development.
- We must continue to find balance between the regular workforce and contractors on certain key functions.

LG&E KU
PPL companies

Major Assumptions

Supply Chain

- Detailed long range procurement plans are in place.
- Proactive engagement with the PPL Supply Chain is planned in the T&D and Corporate areas, but the nature and magnitude of the engagement is unknown at this point due to the change in leadership and go-forward leadership philosophy.
- Known retirements occurring in early 2016 will be filled by a combination of current internal resources and internal hiring.
- Several initiatives have been identified and/or being implemented that will result in efficiency improvements to the way paper invoices are being received and processed through AP.
- Active engagement with the UK and UL Schools of Business will continue.

PPL companies

Financial Review – Prior Plan to Plan Expectation Reconciliation
CAO Consolidated ($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
OPEX (O&M and BTL):					
Prior Plan Amount	108,696	110,995	117,150	119,463	122,457
Adjustments/Transfers:					
IT HW/SW MTCE	1,680	1,764	1,852	1,945	2,042
BP Efficiency Savings	(2,994)	(3,506)	(3,873)	(1,364)	(1,344)
Software Transfers from ES&A	237	242	247	252	257
HR transfer to Safety and Security	(255)	(261)	(267)	(273)	(279)
Current Plan Expectation	107,364	109,234	115,109	120,022	123,133

PPL companies

Financial Performance – OPEX

CAO Consolidated

2013-2019 O&M and Other Income/Expenses
($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
O&M Expenses Only:							
Labor	41,683	46,569	50,661	52,267	53,626	56,288	58,864
HW/SW Maintenance	14,733	16,181	19,096	20,412	21,639	22,776	24,093
Outside Counsel	5,987	7,997	8,092	8,484	8,908	9,353	9,821
Other O/S Services	7,314	8,488	7,825	7,548	8,421	7,964	8,066
Training, Travel, & Meals	1,647	2,516	2,276	2,304	2,368	2,415	2,440
Dues & Subscriptions	2,442	2,705	3,106	3,284	3,448	3,656	3,884
Advertising	1,295	1,639	1,404	1,439	1,540	1,615	1,656
Rate Case Amortization	1,685	1,084	1,648	1,232	2,378	2,336	2,895
Other Non-Labor	8,379	10,935	8,252	8,090	7,869	7,956	7,889
Subtotal O&M Expense	85,166	98,114	102,361	105,059	110,197	114,360	119,607
Other Income/Expense*	5,651	5,675	4,836	5,043	5,228	5,306	5,448
* (see OIE slide for detail)							
Total OPEX	90,817	103,789	107,197	110,102	115,425	119,666	125,056
Current Plan Expectation			107,364	109,234	115,109	120,022	123,133
Variance to Plan			167	(868)	(315)	355	(1,922)

LG&E KU
PPL companies

Financial Performance – OPEX

CAO Consolidated

2013-2019 Other Income/Expenses (incl. BTL)
($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
OIE/BTL Expenses Only:							
Labor	1,039	1,031	528	544	553	569	586
Employee Recognition	236	357	416	486	468	464	495
Contributions	1,876	2,291	2,122	2,194	2,358	2,389	2,444
Training, Travel, & Meals	589	509	371	382	387	395	403
Other Non Labor	1,911	1,488	1,399	1,438	1,462	1,489	1,520
Total OIE / BTL Expense	5,651	5,675	4,836	5,043	5,228	5,306	5,448

PPL companies

2013-2019 Capital Breakdown (w COR) – Accrual Basis
CAO Consolidated ($000)

Project	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Information Technology							
SAP CRM/ECC Upgrade	-	-	-	17,200	5,800	-	-
Smallworld GIS Upgrade	-	-	-	-	3,324	4,749	5,927
SAP CRM/ECC Enhancement	-	-	500	500	500	3,000	4,000
Cisco UC&C	3,840	2,119	962	-	-	-	-
Oracle Financials Upgrade	-	-	-	3,078	3,762	-	-
NorthEast KY Transport Buildout	-	-	-	-	1,805	1,805	1,805
Work Mgmt System	3,087	1,160	-	-	-	-	-
SAN Capacity Expansion	-	-	1,057	952	255	967	1,000
Mobile Radio System Replacement	-	-	-	4,000	-	-	-
OTN Core Rings	-	-	2,090	1,900	-	-	-
Oracle Licenses	3,959	-	-	-	-	-	-
Enterprise Storage System Refresh	-	-	-	-	3,952	-	-
Replace Fiber Reach Nodes	1,403	1,274	950	-	-	-	-
Ventyx Mobile Upgrade	-	653	2,236	700	-	-	-
Ventyx Mobile Upgrade	-	653	2,236	700	-	-	-
Server Hardware Refresh	-	-	575	510	772	510	510
Transmission Lines Work Management	-	-	-	1,250	1,250	-	-
Access Switch Rotation	-	-	390	500	500	500	500
Mobile Dispatch for ARM	-	-	-	500	1,750	-	-
Refresh/Replace VDI Infrastrcuture	-	-	-	-	2,185	-	-
OTN Extension EKY Ring	-	-	-	-	-	-	1,710
Design Tool Replacement (WIM)	-	-	1,700	-	-	-	-
IVR - Major upgrades/changes	-	-	-	-	1,425	-	-
Oracle Network Mgmt System	-	-	-	-	-	1,425	-
SAN Switch Refresh	-	-	-	-	-	-	1,400
Analog Sunset	-	-	266	266	266	266	266

LG&E KU
PPL companies

2013-2019 Capital Breakdown (w COR) – Accrual Basis
CAO Consolidated ($000)

Project	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Information Technology							
Call Recording Upgrade	-	-	-	-	-	475	823
PS 9.2 Upgrade	-	-	-	604	649	-	-
Expand Responsive Design of My Accoun	-	-	250	250	250	250	250
Purchase/Rebuild Radio Sites	-	-	300	150	219	300	250
LogRhythm Hardware Refresh	-	-	-	222	-	-	995
CERUS IV	-	-	-	400	400	400	-
Customer Preference Portal - SMS, email,	-	-	-	300	300	300	300
WMS Work Management System Upgrad	-	-	-	-	-	-	1,200
Backup Capacity Expansion	-	-	200	200	225	225	225
Outside Cable Plant	-	-	200	200	200	200	200
Cascade Biennial Technology/Compliance	-	-	-	500	-	500	-
Customer Bill Redesign / Bill Print Tool	-	-	500	500	-	-	-
Maximo Upgrade	-	-	-	-	-	500	500
Other	25,475	29,339	23,181	19,819	16,819	19,045	17,561
Supply Chain							
Danville Trans Pole Yard	738	1	-	-	-	-	-
Lexington Stone Rd Pole Racks	-	270	-	-	-	-	-
Danville Pole Racks	231	(0)	-	-	-	-	-
Auburndale Plating Storage	-	-	-	100	100	-	-
Other	209	306	600	430	345	317	358
Human Resources							
HR Planning	-	-	938	-	-	-	-
Recruiting System Impl	65	253	-	-	-	-	-
HR Cap Equip Improvmnts LGE	-	-	20	20	20	20	20
General Counsel							
Environmental Equipment LGE	-	101	100	100	100	99	100
	39,007	36,129	39,251	55,851	47,173	35,853	39,899

PPL companies

2015-2019
Capital Reconciliation (w COR) –Accrual Basis
CAO Consolidated ($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Prior Plan	46,002	42,598	40,775	39,692	29,943
Changes:					
CCS Upgrade	(10,340)	13,440	1,600	-	-
CCS Enhancements	-	-	-	(1,700)	4,000
SAP AMI Implementation	(1,880)	(5,640)	-	-	-
OTN Core Rings	2,090	1,900	-	-	1,710
Ventyx Mobile Upgrade	2,236	700	-	-	-
GIS/Smallworld	-	-	-	(1)	5,927
Other IT	185	2,833	4,678	(2,303)	(1,759)
General Counsel Total	-	-	-	(1)	100
Human Resources Total	958	20	20	20	(380)
Supply Chain Total	-	-	100	145	358
Current Plan	$ 39,251	$ 55,851	$ 47,173	$ 35,853	$ 39,899

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Financial Performance

CAO Consolidated

2013-2019 Headcount (excluding interns)

Department	2013 Year End	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
CAO	2	2	2	2	2	2	2
General Counsel	93	99	100	100	100	100	100
Human Resources	54	54	54	54	54	54	54
Supply Chain	50	51	51	52	52	52	52
IT	286	311	311	311	311	318	326
TOTAL	485	517	518	519	519	526	534
From 2014 Business Plan		516	524	526			
Variance to 2014 Business Plan		1	-6	-7			

Year to Year Increases (Decreases)	2014	2015	2016	2017	2018	2019
1.) Maintenance /Operational	0	0	0	0	0	0
2.) Compliance – NERC, FERC, CIP, etc.	5	0	0	0	1	0
3.) EPA/Environmental	1	0	0	0	0	0
4.) Administrative/Corporate	26	1	1	0	6	8
TOTAL	32	1	1	0	7	8

PPL companies

Plan Risks

Information Technology

- Resource requirements for impact of CIP version 5 are still being assessed and not included in the plan.
- Available resources have been allocated to required or high risk capital projects. A significant number of projects identified through strategic planning were unfunded.
- Acquiring skilled IT resources will continue to be a challenge for us and the rest of the industry.
- Approximately 47 employees at risk to capital labor; $6.8m each year of the plan. Any subsequent changes to the capital plan may adversely impact O&M.
- Project assessments and software maintenance contract renewals for significant systems costs may be materially higher than planned (e.g. Oracle).
- Increased capital and O&M costs due to industry regulatory requirements.
- Planned levels of spend do not include unplanned business initiatives that may have an IT O&M impact.

PPL companies

Plan Risks

General Counsel

- Legal
  - — *New environmental regulations and third-party challenges will continue to require extraordinary legal review and input.*
  - — *The Company becomes involved in a significant unanticipated legal dispute.*
  - — *Intensity of litigation with respect to a pending matter may significantly increase.*

- Corporate Communications
  - — *Given increased ECR spending, planned rate cases and cost associated with the new EPA regulations, customer bills will continue to increase, potentially resulting in lower customer satisfaction levels.*
  - — *National and local environmental groups will continue to threaten the company's brand.*

PPL companies

Plan Risks

General Counsel

- Corporate Responsibility
  - *Weather uncertainties and/or natural disasters may necessitate new levels of assistance to agencies addressing the needs of challenged customers.*
  - *Unfavorable legal or regulatory result may require focused community relations strategy.*
- Compliance
  - *NERC Reliability Standards, including Cyber Security Standards, are likely to be revised and affect resources.*
  - *Extraordinary workload anticipated due to efforts to implement new CIP version 5 requirements and revise or expand certain compliance programs.*

PPL companies

Plan Risks

General Counsel

- Federal Regulation & Policy
  - *Unreasonable requirements for acceptance of FERC 1000 compliance filings.*
  - *Greater socialization of transmission costs across the entire region.*
  - *Increased tension between state and federal regulators with respect to cost recovery.*
  - *New rules and regulations promulgated by EPA and FERC.*
  - *Imposition of new efficiency and demand response pricing rules that would modify existing commercial and regulatory arrangements.*
  - *Increased regulatory and economic pressure to join an RTO.*

PPL companies

Plan Risks

General Counsel

- External Affairs
  - *Upward pressure on customer's electric rates due to increased capital expenditures for pollution control and base load generation construction. Environmental, energy efficiency and renewable portfolio standards legislation and Federal EPA regulations place substantial compliance costs on the company and its customers.*
  - *Local, State and Federal budget shortfalls result in increased efforts to raise revenue through surcharges on the customer electric bill and increased corporate fees and taxes.*
  - *Political environment at the federal and state level becomes increasingly more challenging.*
  - *Push by industrials for limited wheeling.*
  - *Increased efforts to maintain or increase subsidies for solar customers.*

PPL companies

Plan Risks

General Counsel

- State Regulation & Rates
  - *Commission and intervenor sensitivity to rising costs.*
  - *Failure to get timely regulatory approvals for generation and transmission investment could put customer service and utility economics at risk.*
  - *Legislation that changes the regulatory structure (e.g. limited wheeling for industrials).*
  - *Increased scope and diversity of intervenors in proceedings.*
  - *Increased efforts to maintain or increase subsidies for distributed generation customers.*

PPL companies

Plan Risks

General Counsel

- Environmental
  - *Water discharge permits limits could be lower than expected.*
  - *The requirements for closure of existing ash ponds could be greater than predicted.*
  - *Potential for need of addition of SCRs on coal-fired units (Ghent 2, Mill Creek 1 and 2).*
  - *Additional permitting activities associated with new gas-fired generation.*

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Plan Risks

Human Resources

- Economic pressures and impact on Human Resource management.
- Effects of possible Federal legislation relating to benefits, compensation, labor, safety and taxation.
- Staffing expenses and resources could increase due to the need to expand the potential hiring base due to attrition and the increase in planned retirements.

LG&E KU PPL companies

Plan Risks

Supply Chain

- Workforce demographics will continue to challenge both our short and long term staffing strategies.
- While all major work is covered by consolidated multi-year agreements, non-routine (project) work not yet known nor included in the existing Procurement Plans could require the need for temporary sourcing resources.

Appendix

Financial Performance - OPEX

2013-2019 O&M and Other Income/Expenses
Information Technology ($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
O&M Expenses Only:							
Labor	22,728	26,154	29,029	29,982	30,766	32,691	34,590
HW/SW Maintenance	14,733	16,181	19,096	20,412	21,639	22,776	24,093
O/S Services	4,458	5,050	4,082	3,747	3,822	3,895	3,970
Training, Travel, & Meals	730	1,141	993	1,016	1,037	1,058	1,079
Dues & Subscriptions	35	40	49	50	51	52	53
Other Non-Labor	4,187	6,509	4,587	4,600	4,621	4,653	4,533
Subtotal O&M Expense	46,872	55,075	57,837	59,807	61,937	65,125	68,317
Other Income/Expense							
Employee Recognition	11	66	74	75	77	78	80
Contributions	2	3	3	3	3	3	3
Other Non-Labor	124	7	0	-	-	-	-
Subtotal Other Income/Expense	137	75	76	78	79	81	83
Total OPEX	47,009	55,150	57,914	59,885	62,016	65,206	68,400

PPL companies

2015-2019 O&M / Other Expense Reconciliation
Information Technology ($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Plan Expectation	57,945	59,810	62,032	65,697	67,431
Drivers:					
IT HW/SW MTCE	(157)	381	762	1,093	1,920
Labor	498	504	123	(237)	649
Outside Services	(176)	(568)	(569)	(740)	(763)
Fee, Licenses and Permits	(195)	(198)	(201)	(212)	(217)
Other Non Labor	(3)	(44)	(131)	(394)	(621)
Current Plan	57,914	59,885	62,016	65,206	68,400
Expectation Variance-Fav / (Unfav)	32	(75)	16	491	(969)

LG&E KU
PPL companies

2013-2019 Year over Year Walk Forward
OPEX and Other Expense
Information Technology ($000)

2013 Actual	**47,009**
Labor	3,392
HW/SW Maintenance	2,845
O/S Services	592
Other Non Labor	1,312
2014 FC	**55,150**
Labor	2,826
HW/SW Maintenance	1,589
O/S Services	(968)
Other Non Labor	(684)
2015 Budget	**57,914**
Labor	950
HW/SW Maintenance	1,315
O/S Services	(336)
Other Non Labor	41
2016 Plan	**59,885**
Labor	780
HW/SW Maintenance	1,228
Other Non Labor	123
2017 Plan	**62,016**
Labor	1,921
HW/SW Maintenance	1,137
Other Non Labor	132
2018 Plan	**65,206**
Labor	1,895
HW/SW Maintenance	1,317
Other Non Labor	(18)
2019 Plan	**68,400**

PPL companies

2014-2019
Headcount Progression (excluding interns)
Information Technology

2014 Headcount (As of July 2014)	**292**
Telecom Engineer	2
Telecom Technician (Compliance)	2
Network Engineer (2 Compliance)	4
Database Admin	1
Security Analyst (1 Compliance)	2
BI Support	1
.Net and Mobile	1
Programmer Analyst	4
Service Desk Support analyst	1
Workstation Technician	1
2014 Headcount FC - Year End	**311**
2015 Headcount Budget	**311**
2016 Headcount Plan	**311**
2017 Headcount Plan	**311**
.Net and Mobile	2
CIP Security Analyst	1
Project Mgmt Leader	1
Telecom Engineer	1
Network Engineer	1
Infrastucture Computer Operator	1
2018 Headcount Plan	**318**
Telecom	2
Network Engineer	2
.Net and Mobile	1
BI Support	1
Customer Service	1
Workstation Technician	1
2019 Headcount Plan	**326**

PPL companies

Headcount & Employee Expense

Information Technology ($)

2014-2019 Headcount (excluding interns)

Business Unit Name	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Total Full Time & Part Time Headcount (without interns)	311	311	311	311	318	326

Employee Related Expenses	2014	2015	2016	2017	2018	2019
1.) Training & Development	$659,147	$661,159	$677,622	$691,174	$704,999	$719,098
2.) Travel	$364,170	$325,402	$327,346	$329,329	$331,352	$333,415
3.) Meals and Expenses	$237,269	$175,325	$177,691	$180,106	$182,568	$185,080
4.) Employee Recognition	$65,521	$73,830	$75,307	$76,813	$78,349	$79,916
5.) Employee Dues and Memberships	$24,605	$24,151	$24,634	$25,127	$25,629	$26,142
TOTAL	**$1,350,712**	**$1,259,867**	**$1,282,601**	**$1,302,549**	**$1,322,897**	**$1,343,651**
Avg. Employee Expense per number of employees	**$ 4,343**	**$ 4,051**	**$ 4,124**	**$ 4,188**	**$ 4,160**	**$ 4,122**

PPL companies

Financial Performance - OPEX

2013-2019 O&M and Other Income/Expenses
General Counsel ($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
O&M Expenses Only:							
Labor	9,847	10,600	11,582	11,951	12,224	12,614	12,972
Outside Counsel	5,987	7,997	8,092	8,484	8,908	9,353	9,821
O/S Services	2,225	2,617	2,997	3,011	3,661	3,239	3,244
Dues & Subscriptions	2,272	2,576	2,800	2,972	3,130	3,333	3,554
Rate Case Amortization	1,685	1,032	1,648	1,232	2,378	2,336	2,895
Training, Travel, & Meals	554	755	689	706	718	732	747
Other Non-Labor	5,114	5,422	4,723	4,596	4,422	4,557	4,659
Subtotal O&M Expense	27,684	30,999	32,531	32,951	35,440	36,164	37,892
Other Income/Expense							
Labor	1,027	1,031	528	544	553	569	586
Contributions	1,609	2,108	1,976	2,054	2,202	2,252	2,304
Training, Travel, & Meals	305	263	211	218	221	225	230
Employee Recognition	13	12	12	12	13	13	13
Outside Counsel	290	-	0	-	-	-	-
Other	1,040	968	856	887	902	918	938
Subtotal Other Income/Expense	4,284	4,381	3,583	3,716	3,891	3,978	4,071
Total OPEX	31,968	35,380	36,114	36,667	39,331	40,141	41,963

PPL companies

2015-2019 O&M / Other Expense Reconciliation
General Counsel ($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Plan Expectation	36,273	35,972	39,243	39,779	40,783
Drivers:					
Rate Case Amortization	(577)	38	(475)	676	1,202
Labor	114	163	40	86	69
Outside Services	42	210	182	268	100
Outside Counsel	208	251	295	104	106
Environmental Fees & Dues	(99)	(270)	(479)	(346)	(197)
Other	154	301	525	(426)	(99)
Current Plan	36,114	36,667	39,331	40,141	41,963
Expectation Variance-Fav / (Unfav)	159	(695)	(88)	(362)	(1,180)

LG&E KU
PPL companies

2013-2019 Year over Year Walk Forward
OPEX and Other Expense
General Counsel ($000)

2013 Actual	**31,968**
Outside Counsel & O/S Services	2,112
Contributions	498
Labor	757
Rate Case Amortization	(653)
Other Non Labor	698
2014 FC	**35,380**
Rate Case Amortization	616
Labor	480
Outside Counsel & O/S Services	475
Other Non Labor	(704)
Contributions	(132)
2015 Budget	**36,114**
Rate Case Amortization	(417)
Outside Counsel & O/S Services	406
Labor	385
Other Non Labor	178
2016 Plan	**36,667**
Rate Case Amortization	1,147
Outside Counsel & O/S Services	1,074
Labor	283
Contributions	148
Other Non Labor	13
2017 Plan	**39,331**
Labor	406
Rate Case Amortization	(43)
Other Non Labor	447
2018 Plan	**40,141**
Labor	375
Rate Case Amortization	559
Outside Counsel & O/S Services	473
Other Non Labor	414
2019 Plan	**41,963**

PPL companies

2014-2019
Headcount Progression (excluding interns)
General Counsel

2014 Headcount (As of July 2014)	94
Corporate Events Specialist	1
Corporate Responsibility Manager	1
Compliance Secretary	1
Environmental Schientist/Engineer	1
Environmental Secretary	1
2014 Headcount FC - Year End	99
Rates & Regulatory Analyst	1
2015 Headcount Budget	100
2016 Headcount Plan	100
2017 Headcount Plan	100
2018 Headcount Plan	100
2019 Headcount Plan	100

LG&E KU
PPL companies

Headcount & Employee Expense

General Counsel ($)

2014-2019 Headcount (excluding interns)

Business Unit Name	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Total Full Time & Part Time Headcount (without interns)	99	100	100	100	100	100

Employee Related Expenses	2014	2015	2016	2017	2018	2019
1.) Training & Development	$177,393	$128,438	$135,020	$136,665	$139,399	$142,187
2.) Travel	$345,909	$318,832	$319,063	$319,336	$319,111	$318,881
3.) Meals and Expenses	$171,980	$192,024	$193,750	$195,465	$197,694	$199,968
4.) Employee Recognition	$12,272	$12,200	$12,406	$12,618	$12,870	$13,128
5.) Employee Dues and Memberships	$21,128	$49,012	$49,936	$50,874	$51,891	$52,929
TOTAL	**$728,682**	**$700,506**	**$710,175**	**$714,958**	**$720,966**	**$727,093**
Average Employee Expense per number of employees	**$ 7,360**	**$ 7,005**	**$ 7,102**	**$ 7,150**	**$ 7,210**	**$ 7,271**

excludes intiatives that are not employee driven

LG&E KU
PPL companies

Financial Performance - OPEX

2013-2019 O&M and Other Income/Expenses
Human Resources ($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
O&M Expenses Only:							
Labor	5,424	5,881	6,023	6,164	6,330	6,537	6,727
O/S Services	602	759	690	732	879	770	791
Training, Travel, & Meals	204	403	313	301	328	333	316
Dues & Subscriptions	65	44	173	176	179	183	187
HW/SW Maintenance	28	28	0	-	-	-	-
Other Non-Labor	196	495	224	207	236	228	217
Subtotal O&M Expense	6,519	7,609	7,423	7,580	7,953	8,051	8,238
Other Income/Expense*							
Employee Recognition	207	272	322	390	370	364	394
Contributions	45	99	62	54	69	49	49
Other Non-Labor	36	-	0	-	-	-	0
Subtotal Other Income/Expense	288	370	385	444	439	413	443
Total OPEX	6,807	7,979	7,807	8,024	8,392	8,464	8,681

PPL companies

2015-2019 O&M / Other Expense Reconciliation
Human Resources ($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Plan Expectation	7,828	8,006	8,175	8,636	8,860
Drivers:					
Outside Services	-	-	128	(129)	-
Software Maint. Reductions	-	-	-	-	-
Other	(21)	19	90	(43)	(179)
Current Plan	7,807	8,024	8,392	8,464	8,681
Expectation Variance-Fav / (Unfav)	(21)	19	217	(172)	(179)

LG&E KU
PPL companies

2013-2019 Year over Year Walk Forward OPEX and Other Expense Human Resources ($000)

2013 Actual	**6,807**
Labor	457
HW/SW Maintenance	210
Training Travel & Meals	199
O/S Services	157
Other Non Labor	150
2014 FC	**7,979**
Labor	142
Training Travel & Meals	(90)
O/S Services	(69)
Other Non Labor	(155)
2015 Budget	**7,807**
Labor	141
Other Non Labor	76
2016 Plan	**8,024**
Labor	167
O/S Services	147
Other Non Labor	54
2017 Plan	**8,392**
Labor	206
O/S Services	(109)
Other Non Labor	(25)
2018 Plan	**8,464**
Labor	191
Other Non Labor	26
2019 Plan	**8,681**

PPL companies

2014-2019
Headcount Progression (excluding interns)
Human Resources

2014 Headcount (As of July 2014)	53
HRIS Business Analyst Open	1
2014 Headcount FC - Year End	54
2015 Headcount Budget	54
2016 Headcount Plan	54
2017 Headcount Plan	54
2018 Headcount Plan	54
2019 Headcount Plan	54

LG&E KU
PPL companies

Headcount & Employee Expense

Human Resources ($)

2014-2019 Headcount (excluding interns)

Business Unit Name	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Total Full Time & Part Time Headcount (without interns)	54	54	54	54	54	54

Employee Related Expenses	2014	2015	2016	2017	2018	2019
1.) Training & Development	$160,212	$96,998	$106,720	$107,680	$101,665	$103,714
2.) Travel	$205,806	$158,592	$159,330	$159,880	$160,914	$161,969
3.) Meals and Expenses*	$51,998	$54,754	$54,592	$54,542	$54,595	$54,649
4.) Employee Recognition**	$21,695	$20,004	$23,576	$23,684	$24,158	$24,641
5.) Employee Dues and Memberships	$5,408	$15,638	$15,814	$15,966	$16,285	$16,611
TOTAL	**$445,119**	**$345,986**	**$360,032**	**$361,752**	**$357,617**	**$361,584**
Average Employee Expense per number of employees	**$ 8,243**	**$ 6,407**	**$ 6,667**	**$ 6,699**	**$ 6,623**	**$ 6,696**

*adjusted for Retiree Expenses
**excludes Services Awards

LG&E KU
PPL companies

Financial Performance - OPEX

2013-2019 O&M and Other Income/Expenses
Supply Chain ($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
O&M Expenses Only:							
Labor	3,053	3,332	3,390	3,513	3,632	3,750	3,859
O/S Services	29	29	16	17	17	17	18
Training, Travel, & Meals	84	118	131	127	130	133	136
Dues & Subscriptions	10	24	26	26	27	27	28
Other Non-Labor	93	113	79	85	86	88	90
Subtotal O&M Expense	3,270	3,616	3,642	3,768	3,892	4,016	4,132
Other Income/Expense							
Employee Recognition	2	2	3	3	3	3	3
Contributions	19	27	26	26	26	27	27
Other	2	-	0	-	-	-	-
Subtotal Other Income/Expense	23	29	29	29	29	30	31
Total OPEX	3,293	3,645	3,672	3,798	3,921	4,046	4,162

PPL companies

2015-2019 O&M / Other Expense Reconciliation
Supply Chain ($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Plan Expectation	3,643	3,733	3,908	4,117	4,222
Drivers:					
Other	28	65	13	(70)	(59)
Current Plan	3,672	3,798	3,921	4,046	4,162
Expectation Variance-Fav / (Unfav)	(28)	(65)	(13)	70	59

PPL companies

2013-2019 Year over Year Walk Forward
OPEX and Other Expense
Supply Chain ($000)

2013 Actual	**3,293**
Labor	279
Training, Travel, & Meals	34
Other Non Labor	39
2014 FC	**3,645**
Labor	58
Other Non Labor	(31)
2015 Budget	**3,672**
Labor	123
Other Non Labor	3
2016 Plan	**3,798**
Labor	119
Other Non Labor	5
2017 Plan	**3,921**
Labor	118
Other Non Labor	7
2018 Plan	**4,046**
Labor	109
Other Non Labor	7
2019 Plan	**4,162**

LG&E KU
PPL companies

2014-2019
Headcount Progression (excluding interns)
Supply Chain

2014 Headcount (As of July 2014)	**50**
Storeroom Specialist London	1
2014 Headcount FC - Year End	**51**
2015 Headcount Budget	**51**
Support Analyst	1
2016 Headcount Plan	**52**
2017 Headcount Plan	**52**
2018 Headcount Plan	**52**
2019 Headcount Plan	**52**

PPL companies

Headcount & Employee Expense

Supply Chain ($)

2014-2019 Headcount (excluding interns)

Business Unit Name	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Total Full Time & Part Time Headcount (without interns)	51	51	52	52	52	52

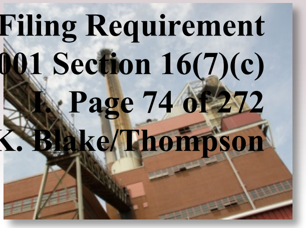
Employee Related Expenses	2014	2015	2016	2017	2018	2019
1.) Training & Development	$68,772	$80,730	$70,354	$71,716	$68,076	$69,525
2.) Travel	$64,488	$59,532	$59,976	$60,480	$60,833	$61,193
3.) Meals and Expenses	$15,462	$15,828	$15,948	$16,080	$16,263	$16,450
4.) Employee Recognition	$2,040	$3,012	$3,060	$3,120	$3,182	$3,246
5.) Employee Dues and Memberships	$0	$2,664	$2,712	$2,784	$2,840	$2,896
TOTAL	**$150,762**	**$161,766**	**$152,050**	**$154,180**	**$151,195**	**$153,311**
Average Employee Expense per number of employees	**$ 2,956**	**$ 3,172**	**$ 2,924**	**$ 2,965**	**$ 2,908**	**$ 2,948**

PPL companies

2013-2019
Other Balance Sheet Costs
CAO Consolidated ($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Stores Expense							
Labor	1,311	1,269	1,408	1,428	1,451	1,482	1,514
Non labor	802	695	847	887	889	907	925
Total	2,114	1,963	2,256	2,314	2,339	2,389	2,439
WKE							
Labor	9	-	-	-	-	-	-
Non labor	463	250	80	80	80	82	83
Total	471	250	80	80	80	82	83
Regulatory Assets							
Non labor	-	1,850	3,245	2,103	3,113	2,110	3,238
Total	-	1,850	3,245	2,103	3,113	2,110	3,238
Total Other Costs	2,585	4,063	5,581	4,497	5,533	4,580	5,760

PPL companies



LG&E KU

PPL companies

Electric Distribution

2015 Business Plan

September 17, 2014

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PPL companies

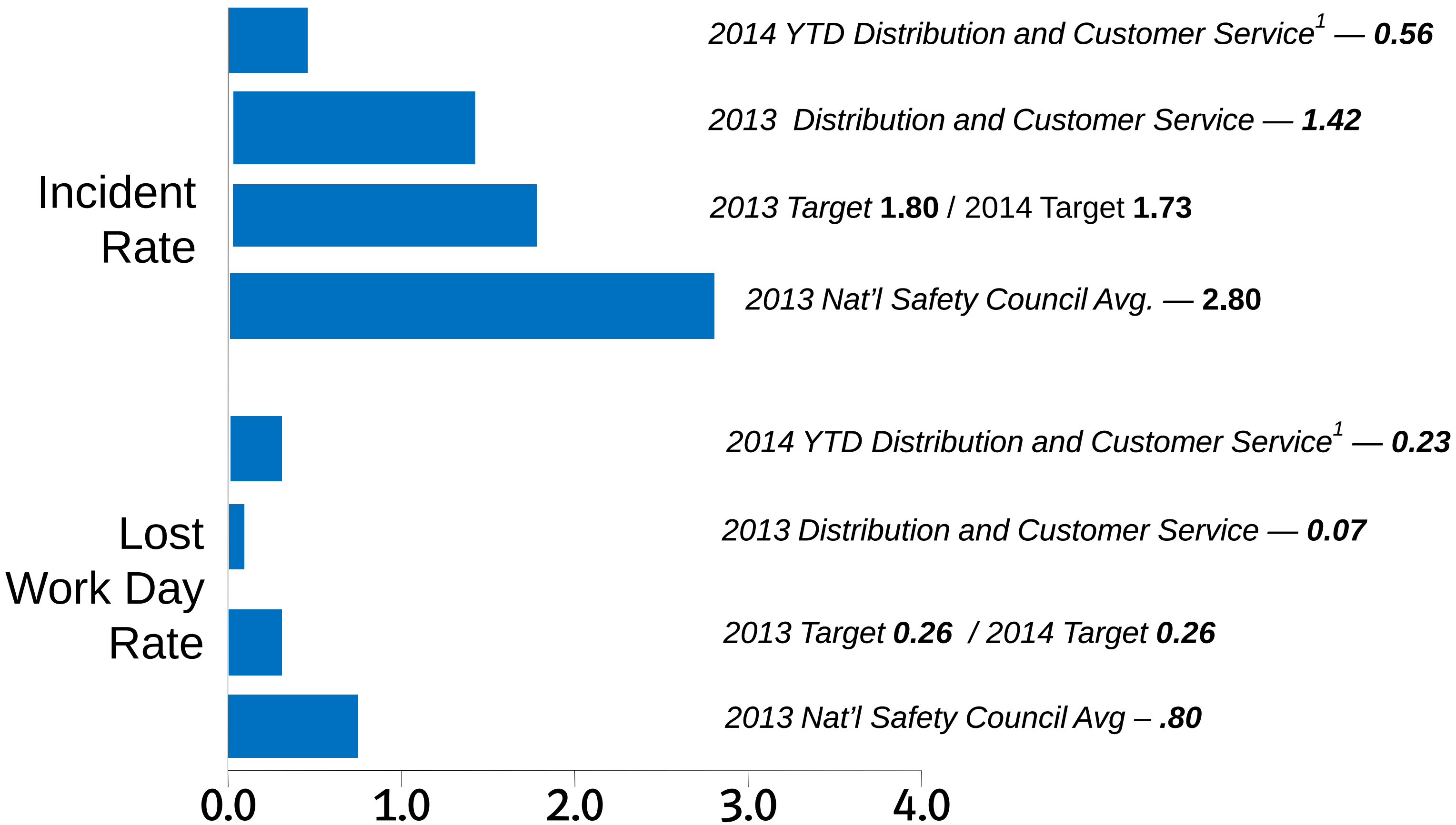
Plan Highlights

Electric Distribution's Business Plan provides for continued emphasis on the Company's core values of safety and customer satisfaction. Plan funding will continue to provide for safe, reliable and low cost electric service for customers, with priority given to the following:

- Employee, business partner and public safety
- Electric system hardening and protection to improve service reliability
- Technology advancements to enhance business processes, improve operational efficiencies and increase customers' communications options
- Asset replacements to address aging infrastructure
- System enhancements to meet existing and future customer loads and to improve contingency in critical areas of the system
- Construction projects to serve new customers and satisfy customer requested projects
- Maintenance, inspections and operations programs which assure regulatory compliance and operational performance

Plan Highlights

Safety Performance



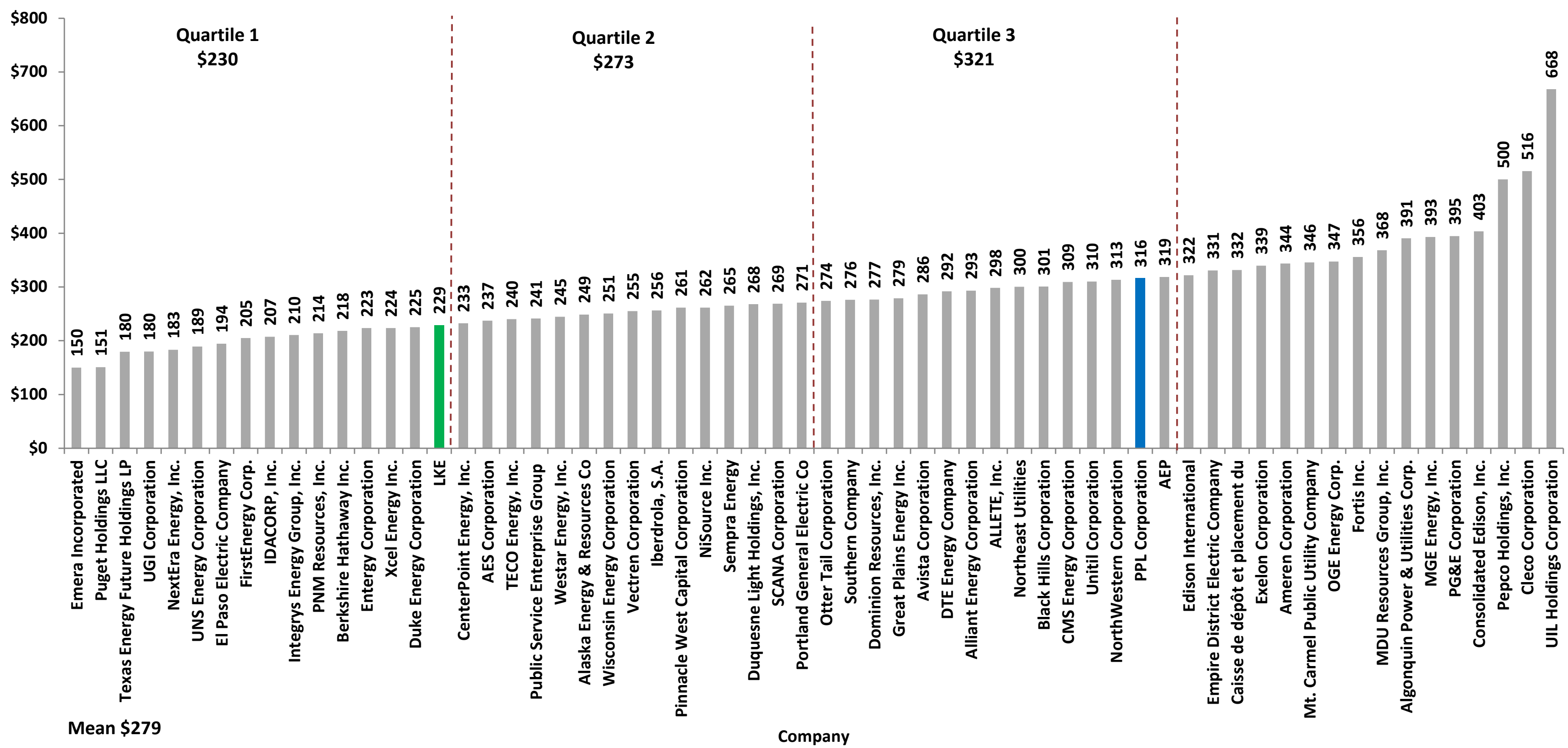
[1]As of July YTD 2014

PPL companies

Plan Highlights

Total DO Electric Cash Cost per Customer Performance

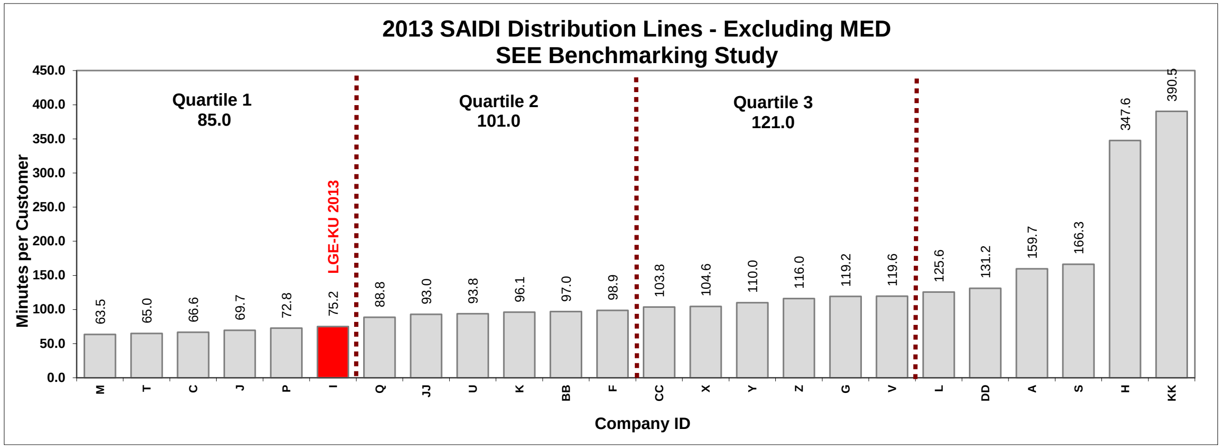
Overall Electric Distribution Expenditures per Customer
FERC Utility Cost Benchmarking – 2013 Data (Electric Only)

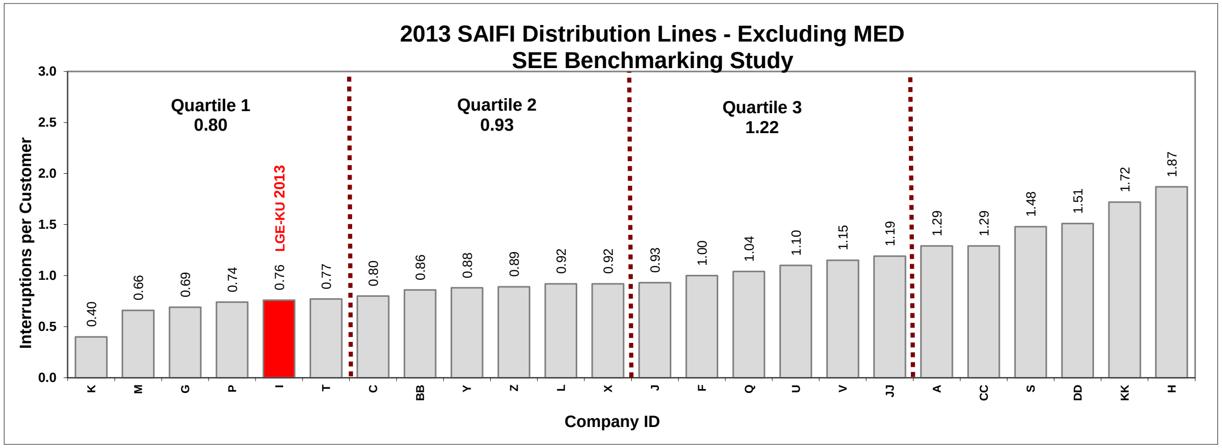


PPL companies

Plan Highlights

Reliability Performance





LG&E KU
PPL companies

Plan Highlights

- Safety and Wellness
  - *Continue commitment to employees, business partners and public safety*
  - *Maintain industry leading performance*
  - *Enhance operational effectiveness within the COO organization*
  - *Support the transfer of safety knowledge from seasoned to new employees*
  - *Ensure a comprehensive safety/technical training plan is in place for all employees*
  - *Focus on incident prevention plans and critical danger zones*
  - *Continue to improve motor vehicle safety*
  - *Identify, share and capitalize on industry best practices*
  - *Promote wellness as an aspect of safety*

PPL companies

Plan Highlights

- Customer Experience
  - *Continue to respond to all outage events in an efficient and effective manner, and continue to improve on the accuracy and timeliness of restoration times*
  - *Continue to identify and respond to opportunities to improve reliability performance*
  - *Continue to build on technology which enhances business processes, reduces cycle times, and enhances communications with customers*
  - *Invest in aging infrastructure replacement to continue long term service reliability*
  - *Continue to be responsive to customer requests for new service or infrastructure relocations*
  - *Continue focus on portraying a professional and positive customer image*
  - *Satisfy customer capacity needs*

PPL companies

Plan Highlights

- OPEX
  - *On target in 2014 to achieve 7&5 approved forecast.*
  - *Compounded Annual Growth Rate (CAGR) from 2014-2019 is flat.*
  - *Major Initiatives:*
    - Line Clearance, Hazard Tree Program and Emerald Ash Borer removal
    - Regulatory Inspection and Maintenance Programs
    - Storm and Trouble Response
  - *Major Financial Risks:*
    - Storm Restoration that Exceeds the 10 Year Average
    - New OSHA 1910.269 Regulation Changes Involving the Protection of Workers from ARC Flash and General Requirement for Flame Retardant Clothing

LG&E KU
PPL companies

Plan Highlights

- Capital
  - *On target in 2014 to achieve 7&5 approved forecast.*
  - *Compounded Annual Growth Rate (CAGR) from 2014-2019 is 6.1%.*
  - *Continued focus on critical capital investments related to reliability and operational performance, replacement of aging infrastructure, storm and system repair, meeting customer demand and native load, and connecting new customers.*
  - *Major Initiatives:*
    - System Reliability Programs
    - System Enhancements to Improve Switching Capability at Critical Substations
    - LG&E Downtown Network Enhancements
    - Aging Infrastructure Replacement including the Pole Inspection & Treatment Program
    - Major Substation and Circuit Projects to Meet Demand
    - System Enhancements to Serve New Customers

PPL companies

Major Assumptions

- Customer expectations regarding levels of service and availability of information continue to increase.
- Reliability investments continue to target improvement in overall SAIDI/SAIFI metrics and specific circuits with customers experiencing multiple interruptions.
- New investments to further reinforce customer reliability include building in redundancy on select critical substations and purchase of an additional portable substation.
- Aging infrastructure investments include:
  - *Louisville Downtown Network accelerated PILC program and manhole lid replacement*
  - *Substation legacy equipment replacement*
  - *Replacement of LG&E substation underground exit cables*
  - *Rear easement hardening*
- Focus will continue to be placed on enhancing system reliability and making necessary repairs, meeting customer demand and native load, and replacing aging infrastructure.

LG&E KU
PPL companies

Major Assumptions

- New Business:
  - *Moderate volume and inflationary increases are forecasted through the planning period.*
  - *Funding included for known major customer expansions/additions.*
- The Pole Inspection and Treatment Program will continue through the plan period.
- O&M storm budgets are based on 10 year average.
- Continue hazard tree removal program.
- Incremental headcount proposed to:
  - *Return some critical technical skills in –house and reduce the dependency on contractors*
  - *Address critical technical positions forecasted to be impacted by retirements.*

LG&E KU
PPL companies

Financial Review – Prior Plan to Plan Expectation Reconciliation ($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
OPEX (O&M and BTL):					
Prior Plan Amount	**76,331**	**79,098**	**82,110**	**84,233**	**85,824**
Adjustments/Transfers:					
Safety & Tech Training - SERVCO	(1,267)	(1,301)	(1,348)	(1,391)	(1,433)
Safety & Tech Training - Distribution	(326)	(335)	(342)	(351)	(358)
Security - Transferred to CS	(3,148)	(3,235)	(3,300)	(3,374)	(3,442)
Transfer of Gas Line Clearance to GDO	(100)	(100)	(100)	(100)	(100)
BP Efficiency Savings	(992)	(1,348)	(894)	(977)	(977)
Current Plan Expectation	**70,498**	**72,779**	**76,126**	**78,040**	**79,514**

LG&E KU
PPL companies

Financial Performance - OPEX

2013-2019 O&M and Other Income/Expenses ($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
O&M:							
Labor	**23,793**	**25,171**	**24,558**	**24,956**	**25,703**	**26,519**	**27,314**
Non Labor							
Line Clearance [1]	22,359	22,796	23,032	24,142	24,880	26,872	26,995
Storm Restoration [2]	5,237	11,899	4,353	4,865	4,925	5,000	5,072
Outside Services	8,776	7,989	8,249	8,296	8,470	8,554	8,725
Materials	4,050	3,875	3,896	3,975	4,054	4,136	4,218
Transportation and Equipment	4,023	4,302	3,529	3,626	3,714	3,788	3,864
Other Non Labor	1,786	2,178	1,967	1,532	1,641	2,077	2,190
Total Non Labor	**46,231**	**53,039**	**45,026**	**46,436**	**47,684**	**50,427**	**51,064**
Subtotal O&M Expense [3]	**70,024**	**78,210**	**69,584**	**71,392**	**73,387**	**76,946**	**78,378**
Other Income/Expense*	**128**	**50**	**44**	**45**	**46**	**47**	**48**
*** (see OIE slide for detail)**							
Total OPEX	**70,152**	**78,260**	**69,628**	**71,437**	**73,433**	**76,993**	**78,426**

[1] Total Line Clearance including labor is $23.2M for 2013, $23.7M for 2014, $24M for 2015, $25.1M for 2016, $25.9M for 2017, $27.8M for 2018, and $28M for 2019.

[2] Total Storm Restoration including labor is $7.8M 2013, $16.4M for 2014, $7.3M for 2015 and $7.4M for 2016, $7.6M for 2017, $7.7M for 2018, and $7.9M for 2019.

[3] 2013 Actuals are not adjusted the Safety re-organization.

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Financial Performance - OPEX

2013-2019 Other Income/Expenses (incl. BTL) ($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
OIE/BTL Expenses Only:							
Labor	-	-	-	-	-	-	-
Contributions	32	37	35	36	37	38	38
Employee Recognition	36	13	8	8	8	8	9
Meals and Meetings Exp.	24	-	-	-	-	-	-
Employee Moving Expense	21	-	-	-	-	-	-
Other	15	-	1	1	1	1	1
Total OIE / BTL Expense	**128**	**50**	**44**	**45**	**46**	**47**	**48**

PPL companies

2015-2019 O&M / Other Expense Reconciliation ($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Plan Expectation	**70,498**	**72,779**	**76,126**	**78,040**	**79,514**
Drivers:					
Pole Attachment Audit	91	95	103	98	106
Reduction in Tree Removal [1]	(1,300)	(1,300)	(2,627)	(1,300)	(1,300)
Storm Restoration	339	257	200	155	106
Budget Stretch	-	(394)	(369)	-	-
Current Plan	**69,628**	**71,437**	**73,433**	**76,993**	**78,426**

[1] This is a reduction compared to prior plan, but see pg. 14 Line Clearance for the year over year increases.

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2013-2019 Capital Breakdown (w COR) – Accrual Basis ($000)

Project	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Electric Distribution							
New Business	55,176	54,989	59,334	65,358	65,875	68,151	71,512
Enhance the Network	31,439	27,092	35,460	31,662	39,603	40,248	46,360
Maintain the Network	46,822	48,596	54,157	55,061	59,665	58,813	60,582
Repair the Network	12,232	13,710	11,983	12,330	12,667	13,013	13,368
Miscellaneous	4,748	1,169	956	3,992	4,026	4,047	4,067
Total Capital and Cost of Removal	**150,417**	**145,556**	**161,890**	**168,403**	**181,836**	**184,272**	**195,889**

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PPL companies

2015-2019
Capital Reconciliation (w COR) –Accrual Basis
($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Prior Plan	**162,943**	**164,452**	**180,513**	**192,929**	**N/A**
Changes:					
New Business - Major Projects	(382)	(3,428)	(925)		
New Business - Transformer Purchases	732				
New Business - All Other	(250)	75	112	117	
Network Initiatives - Incremental PILC	(2,000)	(2,060)	(2,122)	(2,175)	
Network Initiatives - KU SCADA Expansion	(500)	-	-	5,135	
Sys Enhancements - Enhancements to Meet Demand	613	2,204	1,662	5,702	
Transmission - Conductor Line Clearance and Relocation	(300)	(780)			
Purchase of Vehicles	3,000				
Transfer From Transmission - Distribution Capacitors	(278)	(278)	(278)	(278)	
Other	418	316	228	156	
Total Changes (Increases)/Decreases	**1,053**	**(3,951)**	**(1,323)**	**8,657**	**-**
Current Plan	**161,890**	**168,403**	**181,836**	**184,272**	**195,889**

LG&E KU
PPL companies

Financial Performance

2013-2019 Headcount

Department	2013 Year End	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
VP, Electric Distribution Operations	2	2	2	2	2	2	2
Transportation	3	3	3	3	3	3	3
System Restoration & LG&E Distribution	183	200	209	212	218	221	221
Electric Reliability	13	13	14	14	14	14	14
KU Distribution	296	299	300	299	299	299	299
Asset Management & Substations	157	163	167	172	173	172	172
Interns	6	5	7	7	7	7	7
TOTAL	**660**	**685**	**702**	**709**	**716**	**718**	**718**
From 2014 Business Plan		687	699	702			
Variance to 2014 Business Plan		-2	3	7			

Year to Year Increases (Decreases)	2014	2015	2016	2017	2018	2019
1.) Maintenance /Operational	26	15	7	7	2	
2.) Compliance – NERC, FERC, CIP, etc.						
3.) EPA/Environmental						
4.) Administrative/Corporate	-1	2				
TOTAL	**25**	**17**	**7**	**7**	**2**	**0**
Contractor Offsets By Year: (New hire reducing contractor use)	0	11	8	6	3	0

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Operational Performance

Key Performance Indicators

KPI	2013 Year End	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Safety - Employees Incident Rate	1.42	1.73	1.70	1.70	1.70	1.70	1.70
Safety - Contractors Incident Rate	1.11	2.00	1.85	1.85	1.85	1.85	1.85
SAIFI	0.84	0.86	1.00	0.99	0.98	0.97	0.96
SAIDI	81.61	82.96	95.00	94.00	93.00	92.00	91.00
Cash Cost Per Customer	229.15	269.35	275.48	283.45	297.06	300.52	312.80

PPL companies

Plan Risks

- Increased maintenance, inspection and operating costs associated with changing regulations
- Increased severe weather events
- Accelerating economy and customer growth
- Increased hazard trees and reliability impacts associated with the emerald ash borer
- Market driven cost increases in materials, supplies and services

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Appendix

2013-2019
Year over Year Walk Forward
OPEX and Other Expense

2013 Actual	**70,152**
Labor Changes	1,378
Line Clearance	437
Storm Restoration	6,662
Non-Labor	(369)
2014 FC	**78,260**
Labor Changes	(613)
Line Clearance	236
Storm Restoration	(7,546)
Net Other Changes	(709)
2015 Budget	**69,628**
Labor Changes	398
Line Clearance	1,110
Storm Restoration	512
Budget Stretch	(394)
Net Other Changes	183
2016 Plan	**71,437**
Labor Changes	747
Line Clearance	738
Storm Restoration	60
Net Other Changes	451
2017 Plan	**73,433**

2017 Plan	**73,433**
Labor Changes	816
Line Clearance	1,992
Storm Restoration	75
Budget Stretch	369
Net Other Changes	308
2018 Plan	**76,993**
Labor Changes	795
Line Clearance	123
Storm Restoration	72
Net Other Changes	443
2019 Plan	**78,426**

(Decreases)/Increases

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2014-2019
Headcount progression

(With Interns)

July 2014 Headcount	**677**
System Restoration & LG&E Distribution	6
KU Distribution	1
Asset Management & Substations	1
2014 Headcount FC	**685**
System Restoration & LG&E Distribution	9
Electric Reliability	1
KU Distribution	1
Asset Management & Substations	4
Interns	2
2015 Headcount Budget	**702**

2015 Headcount Budget	**702**
System Restoration & LG&E Distribution	3
KU Distribution	-1
Asset Management & Substations	5
2016 Headcount Plan	**709**
System Restoration & LG&E Distribution	6
Asset Management & Substations	1
2017 Headcount Plan	**716**
System Restoration & LG&E Distribution	3
Asset Management & Substations	-1
2018 Headcount Plan	**718**
2019 Headcount Plan	**718**

Increases / (Decreases)

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Headcount & Employee Expense

2014-2019 Headcount

Business Unit Name	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Total Full Time & Part Time Headcount (without interns)	680	695	702	709	711	711

Employee Related Expenses ($000s)	2014	2015	2016	2017	2018	2019
1.) Training & Development	$108	$111	$130	$133	$135	$138
2.) Travel	$189	$214	$222	$226	$231	$236
3.) Meals and Expenses	$140	$101	$99	$102	$104	$106
4.) Employee Recognition	$13	$8	$9	$9	$9	$9
5.) Employee Dues and Memberships	$8	$6	$6	$7	$7	$7
TOTAL	**$458**	**$440**	**$466**	**$477**	**$486**	**$496**
Average Employee Expense per number of employees	**$ 674**	**$ 633**	**$ 664**	**$ 673**	**$ 684**	**$ 698**

PPL companies

2013-2019
Other Balance Sheet Costs
($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Local Engineering							
Labor	12,889	13,602	15,722	15,843	16,080	16,562	17,059
Non labor	3,045	4,205	2,841	2,801	2,860	2,917	2,975
Total	**15,934**	**17,807**	**18,563**	**18,644**	**18,940**	**19,479**	**20,034**
Transportation	**20,979**	**22,308**	**22,236**	**22,812**	**23,256**	**23,721**	**24,196**
Total Other Costs	**36,913**	**40,115**	**40,799**	**41,456**	**42,196**	**43,200**	**44,230**

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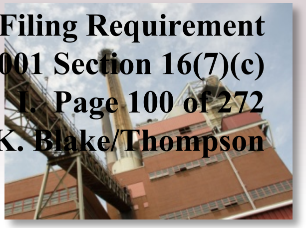

PPL companies

Transmission

2015 Business Plan

September 17, 2014





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PPL companies

Plan Highlights

- *The 2015-2019 Transmission Business Plan will continue a culture of strong safety performance and regulatory compliance, maintain position as a low cost provider and improve system reliability and performance.*
- *Focus on reliability performance improvement through analysis and capital improvements to reduce customer exposure and reduce outages.*
  - *Outage analysis and cause determination*
  - *Installation of sectionalizing circuit breakers and switches to reduce line exposure*
  - *Assess and improve line sections based on performance*
  - *Targeted replacement of assets including wood poles, insulators, static lines, relays, control houses, circuit breakers based on age, condition and performance criteria*
- *Continue to improve balance between contractors and employees focusing on core skillsets*
- *Transmission line and substation projects driven by generation expansion plans, interconnection agreements and through the ITO approved Transmission Expansion Plan process driven by NERC planning standards and LKE system planning guidelines to reliably serve firm load*
- *Compliance initiatives including ongoing facility rating verification and CIP v5 implementation*
- *Transmission line extensions to serve new native distribution substations in EDO business plan*
- *Emergency maintenance and asset replacement due to in service failure based on historical trends*

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Major Assumptions

Reliability and Asset Management:

- *The strategy to improve reliability is based on historical performance and addressing line segments on a prioritized basis:*
  - *Segmenting circuits to reduce customer exposure from sustained outages.*
  - *Rebuilding/restoring line segments based on performance for both sustained and momentary outages.*
- *Targeted asset replacement based on risk criteria will maintain system performance over time:*
  - *Control house and protection and control replacements based on performance and age.*
  - *Circuit breaker replacements based on age/condition/maintainability.*
  - *Static wire replacements based on age and lightning performance.*
  - *Structure replacements based on condition.*
    - *Wood poles inspected every 6 years.*
    - *Steel structures every 12 years.*
- *Storm damage costs are based on a 5 year average. It is assumed there will be one transformer failure per year at a cost of $1.5m.*
- *O&M expenses for maintenance costs will be consistent with historical trends.*

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Major Assumptions

Expansion Plan and Native Load:

- *Projects in the Business Plan are based on the 2014 annual Transmission Expansion Plan (TEP). It is assumed that the ITO will approve the TEP without significant revisions.*

- *The TEP includes funding for rating increases to certain transmission lines based on high level estimates. Detailed costs will be developed after surveying and subsequent analyses are completed.*

- *The plan assumes there will be no funding needed to accommodate new long term, firm service requests.*

  - *There are no funds in the plan for future project work that may result from transmission requests from the municipal customers who recently terminated their wholesale agreements.*

  - *Recent transmission requests for the E.W. Brown solar facility and a Bluegrass combustion turbine are not expected to require significant project work prior to approval.*

- *The Plan does not include new projects to mitigate potential reliability constraints in Western Kentucky.*

  - *Given announcements from neighboring utilities, additional studies are underway to determine if reliability constraints will occur for various external scenarios with Green River 3 & 4 retired.*

  - *If constraints and mitigating projects are recommended, extension of the operations of Green River units 3 & 4 may be required to allow time to implement.*

- *A new combined cycle gas turbine (807MW summer/898MW winter) will be in-service at Green River by May 1, 2021. Construction will start in 2018 and it is estimated that $58m is needed during the plan period and a total of $78m needed through 2021 to construct necessary transmission improvements.*

- *Connection costs for native load are coordinated with Distribution planning requirements and are estimated at $20m over the 5 year plan.*

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Major Assumptions

Regulatory and Compliance:

- *FERC issued a NOPR proposing to skip CIP V4 and implement CIP V5 on an accelerated schedule. It is assumed that the implementation timeframe will require compliance by April 2016.*
  - *The plan assumes CIP V5 will change electronic logging of access requirements which will require installation of equipment for medium impact cyber systems. It is assumed that low impact systems will not require material expenditures to address.*
  - *Additional CIP versions beyond 5 will occur outside this 5 year plan.*
- [redacted]
- *Expected revisions to other NERC Reliability standards will not result in material incremental expenditures.*
- *Bulk Electric System Line Ratings:*
  - *All lines 100kV and above will be surveyed every 5 years to confirm line ratings. Ongoing surveying and analysis of the lines is projected to cost $300k in 2015 and 2016 and cost $700k annually thereafter.*
  - *Ongoing surveys will not result in material expenditures.*
- *It is assumed FERC will approve compliance filings related to Order 1000 and resulting processes, once implemented, will not result in material capital or O&M expenditures.*

PPL companies

Major Assumptions

Operational and other:

- *Transerv will be retained as the ITO service provider to LGE/KU at escalated costs based on the existing contract*
- *TVA will be retained as the Reliability Coordinator (RC) with a new five year contract beginning September 1, 2014. The plan is funded to match the costs of the new agreement.*
- *Gross margin expenses related to the MISO Exit Agreement (de-pancaking) will continue and increase in 2019.*
- *Annual internal labor escalation rates: 3.0%*
- *Capital project contingency is 5-10%*

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Financial Review – Prior Plan to Expectation Reconciliation ($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
OPEX (O&M and BTL):					
Prior Plan Amount	31,097	32,923	34,900	36,482	37,338
Adjustments/Transfers:					
Safety Reorganization	(102)	(106)	(108)	(111)	(114)
Control Center Guards	120	122	125	127	130
Pole Inspections	(700)	(714)	(728)	(743)	(433)
Bulk Electric System LiDAR	-	(500)	(510)	(520)	(530)
Back Up Control Center Delay	-	-	(201)	(406)	(414)
EPRI - Lines	(75)	(77)	(78)	(80)	(81)
O/S for GeoMagDist, HumanPer	(256)	(262)	(134)	(158)	(140)
Moving Expense	100	102	104	106	108
Mock Audit Preparation	(102)	50	105	-	-
Substation SPCC Review	45	31			
Storms Updated 5 Year Average	84	86	88	89	92
Other Adjustments	(103)	125	(39)	1	201
Current Expectation	30,108	31,780	33,524	34,787	36,157

	2015 Budget	2016 Plan	2017 Plan	2018 Plan
GMEXP (OCOS):				
Prior Plan Amount	12,081	12,730	13,360	14,247
Adjustments/Transfers:				
	-	-	-	-
Current Expectation	12,081	12,730	13,360	14,247

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PPL companies

Financial Performance - OPEX

2013-2019 O&M and Other Income/Expenses ($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
O&M Expenses Only:							
Labor	11,977	11,832	12,342	12,737	13,106	13,783	14,209
Line Clearing (nonlabor)	6,123	6,836	6,261	6,719	7,723	8,288	8,651
Pole Inspections (nonlabor)	563	290	600	612	624	637	974
Storms (nonlabor)	385	674	380	388	396	403	412
Bulk Electric System LiDAR	240	250	255	700	714	728	743
Other Non-Labor	10,025	9,458	9,160	9,422	9,763	9,831	10,048
Subtotal O&M Expense	29,313	29,340	28,998	30,578	32,326	33,670	35,037
Other Income/Expense*	271	10	110	112	115	117	119
Total OPEX	29,584	29,350	29,108	30,690	32,441	33,787	35,157

* (see OIE slide for detail)

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Financial Performance - OPEX

2013-2019 Other Income/Expenses (incl. BTL)
($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
OIE/BTL Expenses Only:							
Labor	-	-	-	-	-	-	-
Contributions	47	-	-	-	-	-	-
Employee Recognition	-	-	6	6	6	6	6
Meals and Meetings Exp.	8	10	10	10	11	11	11
Penalties	139	-	-	-	-	-	-
Moving Expenses & Other	77	-	94	96	98	100	102
Total OIE / BTL Expense	271	10	110	112	115	117	119

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2015-2019 O&M / Other Expense Reconciliation
($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Expectation	30,108	31,780	33,524	34,787	36,157
Drivers:					
Delay EMS pre-hire & retirement	(105)	(105)	(105)	105	105
Interns	(120)	(124)	(127)	(131)	(135)
Substation Maintenance	(100)	(100)	(100)	(100)	(100)
Final Capital Impact on Labor	(109)	124	(70)	(385)	(6)
Line Clearing 69kV	(416)	(594)	(240)	(328)	(637)
Other non-labor	(150)	(291)	(441)	(161)	(227)
Current Plan	29,108	30,690	32,441	33,787	35,157

PPL companies

Financial Performance

2013-2019 Margin Expenses / Cost of Sales
($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Margin Expenses							
Mechanism Recoverable:							
Total	-	-	-	-	-	-	-
All other Cost of Sales:							
TVA - RC	1,997	2,034	2,391	2,439	2,487	2,537	2,588
Transerv - ITO	2,588	2,620	2,580	2,644	2,710	2,778	2,847
Misc Transmission Expenses	6,485	7,387	6,966	6,889	7,351	7,716	11,025
Total	11,070	12,040	11,936	11,972	12,549	13,031	16,461
Total Margin/Cost of Sales	11,070	12,040	11,936	11,972	12,549	13,031	16,461

PPL companies

2015-2019 Margin/Cost of Sales Reconciliation ($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Mechanism recoverable					
Expectation					
Drivers:					
Current Plan	-	-	-	-	-
Other					
Expectation	12,081	12,730	13,360	14,247	N/A
Drivers					
TVA - RC	200	170	141	108	
Transerv - ITO	(497)	(586)	(628)	(894)	
Miscellaneous Transmission Exp	152	(342)	(324)	(430)	
Current Plan	11,936	11,972	12,549	13,031	16,461

LG&E KU PPL companies

2013-2019 Capital Breakdown (w COR) – Accrual Basis ($000)

Project	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Generation Expansion Plan (GEP)							
Green River	-	35	-	-	-	24,756	33,329
Cane Run CCGT - Transmission	15,276	6,423	2,159	1,200	-	-	-
3rd Combined Cycle (2025)	-	-	-	-	-	-	-
Ongoing Capital							
TEP	11,433	7,370	11,931	500	26,666	22,800	17,576
Reliability	-	-	3,590	4,228	8,854	958	1,775
Customer Requests	3,228	3,837	1,491	102	1,024	101	-
Emergency Replacements	2,408	5,976	6,440	6,215	6,221	6,222	6,495
Native Load	996	79	1,122	2,156	3,975	6,308	8,411
Proactive Replacements	37,302	21,929	31,173	39,114	35,844	34,939	52,741
Special Projects							
Louisville Upgrades	10,462	20,478	2,683	-	-	-	-
Line Clearance NERC Alert	12,558	15,673	-	-	-	-	-
Line Clearance	889	33	-	-	-	-	-
Cyber Security (CIP)	759	771	688	1,191	1,191	1,191	1,003
Other	162	270					
Total Capital and Cost of Removal	95,473	82,875	61,275	54,705	83,776	97,276	121,330

PPL companies

2015-2019 Capital Reconciliation (w COR) –Accrual Basis ($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Prior Plan	64,178	93,146	127,232	72,884	N/A
Changes:					
Generation Expansion Plan (GEP)					
Green River	(10,000)	(20,000)	(40,000)	14,756	
Cane Run CCGT - Transmission	(3,827)	1,200	-	(4,369)	
Ongoing Capital					
TEP	(2,893)	(12,699)	9,819	9,862	
Reliability	3,590	3,146	1,145	958	
Customer Requests	(438)	(183)	739	(168)	
Emergency Replacements	1,851	1,627	1,633	1,633	
Native Load	(964)	(1,358)	(3,997)	941	
Proactive Replacements	7,570	5,486	(9,701)	774	
Special Projects					
Louisville Upgrades	2,683	-	-	-	
Line Clearance	-	(8,173)	-	-	
Back-up Control Center	-	(7,514)	(3,122)	-	
Cyber Security (CIP)	(452)	50	52	51	
Other	(23)	(23)	(23)	(46)	
Current Plan	61,275	54,705	83,776	97,276	121,330

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Financial Performance

2013-2019 Headcount

Department	2013 Year End	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Sr. Managers	6	5	5	5	5	5	5
Lines	30	30	32	33	34	34	34
Protection & Controls	18	23	24	24	24	24	25
Substation Construction	15	16	19	20	22	22	23
System Operations	39	41	41	41	41	41	41
EMS	8	9	9	9	9	11	10
Strategy & Planning	13	14	15	15	15	15	15
Reliability & Perf Stds.	4	4	4	4	4	5	5
Policy & Tariffs	3	3	3	3	3	3	3
Reliability & Compliance	4	3	3	3	3	3	3
Interns	4	8	8	8	8	8	8
TOTAL	144	156	163	165	168	171	172
From 2014 Business Plan		157	162	164			
Variance to 2014 Business Plan		-1	1	1			

Year to Year Increases (Decreases)	2014	2015	2016	2017	2018	2019
1.) Maintenance /Operational	11	7	2	3	3	1
2.) Compliance – NERC, FERC, CIP, etc.	1					
3.) EPA/Environmental						
4.) Administrative/Corporate						
TOTAL	12	7	2	3	3	1
Contractor Offsets By Year: (New hire reducing contractor use)	1	5	2	2		

Note: The 2013 Year End figure and the 2014 Business Plan figures exclude the Safety Position that was moved from Transmission.

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Operational Performance

Key Performance Indicators

KPI	2013 Year End	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Recordable Injury Incident Rate - Employees	0.00	0.00	1.70	1.70	1.70	1.70	1.70
Recordable Injury Incident Rate - Contractors	2.18	1.42	1.85	1.85	1.85	1.85	1.85
SAIDI (minutes)	13.5	11.7	11.6	11.6	11.6	10.6	10.6

Notes:

The forecasted Recordable Injury Incident Rate is calculated using the actual number of injuries through September 9, 2014 and the actual hours worked (year-to-date average hours per month assumed for 12 months).

The forecasted SAIDI is based on actual through July and budget for August through December.

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Plan Risks

- *Estimated costs for regulatory and compliance requirements could be materially higher.*
  - *Final CIP-14 assessments for substation physical security may result in substations coming into scope.*
  - *Requirements for low and medium rated assets under CIP V5 may be significantly greater than anticipated.*
- *Final transmission expansion plan costs may be materially different from the 2015 Business Plan.*
- *Actual costs for work related to equipment failures and storm restoration may exceed projections.*
- *Future third party requests for long term, firm transmission service may result in the need for significant additional infrastructure upgrades.*

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Appendix

2013-2019
Year over Year Walk Forward
OPEX and Other Expense

	$000s
2013 Actual	29,584
EMS and Safety Coordinator Labor moved out of Transmission	(498)
Other Labor Change	320
Non-labor Change	(56)
2014 FC	29,350
Labor Change	532
Line Clearing	157
Inpections	(185)
Storms	(350)
Substations Nonlabor	(434)
Transmission Control Center Guards	120
Other	(82)
2015 Budget	29,108
Labor Change	156
Line Clearing	778
LiDAR	445
Other	203
2016 Plan	30,690
Labor Change	566
Line Clearing	803
Other	382
2017 Plan	32,441
Labor Change	984
Line Clearing	175
Other	187
2018 Plan	33,787
Labor Change	105
Line Clearing	743
Inspections	338
Other	184
2019 Plan	35,157

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2013-2019
Year over Year Walk Forward
GMEXP / Cost of Sales

	$000s
2013 Actual	**11,070**
Tranvserv	32
TVA	37
Misc Transmission Expense	901
2014 FC	**12,040**
Tranvserv	(40)
TVA	357
Misc Transmission Expense	(421)
2015 Budget	**11,936**
Tranvserv	65
TVA	48
Misc Transmission Expense	(77)
2016 Plan	**11,972**
Tranvserv	66
TVA	49
Misc Transmission Expense	462
2017 Plan	**12,549**
Tranvserv	68
TVA	50
Misc Transmission Expense	364
2018 Plan	**13,031**
Tranvserv	69
TVA	51
Misc Transmission Expense	3,310
2019 Plan	**16,461**

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2014-2019
Headcount progression

2014 Headcount (As of July 2014)	152
Backfills	3
Interns	1
2014 Headcount FC - Year End	156
Asset Management	1
Planning Engineer - Pull Forward	1
Inspectors - Replacing Contractors	2
Drafters - Replacing Contractors	2
Relay Technician	1
2015 Headcount Budget	163
Inspector - Replacing Contractors	1
Drafter - Replacing Contractors	1
2016 Headcount Plan	165
Inspectors - Replacing Contractors	2
Capital Project Coordinator	1
2017 Headcount Plan	168
Reliability Performance Engineer or Analyst	1
Energy Manangement System Administrators	2
2018 Headcount Plan	171
Energy Manangement System Administrator - Retirement	-1
Engineers	2
2019 Headcount Plan	172

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Headcount & Employee Expense

2014-2019 Headcount

Business Unit Name	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Total Full Time & Part Time Headcount (without interns)	148	155	157	160	163	164
Employee Related Expenses	2014	2015	2016	2017	2018	2019
1.) Training & Development	$298,897	$368,156	$375,420	$382,944	$347,334	$354,281
2.) Travel	$261,992	$352,236	$359,280	$366,468	$373,797	$381,273
3.) Meals and Expenses	$140,255	$160,204	$163,428	$166,716	$170,050	$173,451
4.) Employee Recognition	$6,859	$6,000	$6,000	$6,000	$6,000	$6,000
5.) Employee Dues and Memberships	$3,503	$3,000	$3,000	$3,000	$3,000	$3,000
TOTAL	**$711,506**	**$889,596**	**$907,128**	**$925,128**	**$900,182**	**$918,005**
Average Employee Expense per number of employees	**$4,807**	**$5,739**	**$5,778**	**$5,782**	**$5,523**	**$5,598**

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2013-2019
Other Balance Sheet Costs
($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Stores Expense							
Labor							
Non labor							
Total							
Local Engineering							
Labor	6,099	5,172	7,848	8,215	8,552	8,927	9,300
Non labor	985	-	-	-	-	-	-
Total	7,084	5,172	7,848	8,215	8,552	8,927	9,300
Other Balance Sheet							
Labor							
Non labor							
Total							
Total Other Costs							

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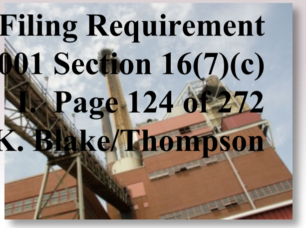

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Power Generation

2015 Business Plan

September 17, 2014

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Plan Highlights

- Additional generation capacity - Cane Run Unit 7 CCGT scheduled for commercial operation May 1, 2015 and a second CCGT planned for May 1, 2021 at Green River
- Planned retirements of coal generating units at Cane Run (April 2015) and Green River (April 2016)
- Major investment and integration of environmental compliance control equipment
- Generation forecast for the planning period assumes continued trend of more gas fired production based on current projections for gas prices
- Required landfill expansion at Ghent, Brown and Trimble stations
- Increased resource needs to meet and maintain compliance with incremental regulatory requirements
- Trimble County Unit 2 resolution of existing issues and warranty claims
- Brown 1 and 2 remain in the generation mix without baghouses (Nalco additive included)

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Major Assumptions

1. Regulatory

1.1 The State of Kentucky remains regulated throughout the plan period and the Environmental Cost Recovery (ECR) and Fuel Adjustment Clause (FAC) remain in place.

1.2 Target Reserve Margin of 16%, within a range of 16% - 21%.
- Given experiences of early 2014 for the industry, the high end of the range is preferred.

1.3 Reserve sharing under the TVA Reserve Sharing Agreement is 258 MW's.

1.4 LG&E and KU remain committed to burning higher sulfur fuels.

1.5 The next ECR Filing is targeted for October 1, 2015.

1.6 Of the twelve municipal utilities served by KU, nine provided termination notices. Combined with the departure of Benham, this will be a reduction of 325 MW by May, 2019.

2. Proposed or Expected New Environmental Regulations for Air and Water

2.1 Final Cross State Air Pollution Rules (CSAPR) were issued in July 2011, with the order being stayed on December 30, 2011, and completely struck down on August 21, 2012.
- Supreme Court agreed to re-hear EPA's defense of CSAPR
- Rehearing occurred 12/10/2013.
- On April 29, 2014 the Supreme Court reversed and remanded the case back to the D.C. Circuit Court's for further proceedings
- Possibilities of future proceedings by the D.C. Circuit Court include:
  - Overturn CSAPR on other grounds not addressed by Supreme Court
  - Uphold CSAPR, but considering the original CSAPR was based on the 1997 NAAQS for Ozone, EPA may decrease the allocations to reflect the latest NAAQS for Ozone (2008)
  - CAIR allocations will remain in place until CSAPR is fully resolved (likely at least through 2015).

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.2 Mercury and Air Toxics Standards (MATS) final rules take effect on April 16, 2015.

- In most cases a delay of up to one year can be applied for, moving the compliance date to April 16, 2016.
- A second, additional, year of delay can be obtained in certain hardship cases, including retirements that could adversely impact transmission reliability. None of the LKE projects are currently counting on that second year of delay, though it is possible that a request will be made for Green River 3-4.

2.3 The final National Ambient Air Quality Standards (NAAQS) rules have been issued, with one hour standards in place for NO_x and SO_2. The final attainment designations for the short term NO_x standard have been delayed for up to three years due to inadequate monitoring. Based on the new short term SO_2 standards, compliance requirements must be in place by October 2018.

- The Mill Creek Wet (WFGD) FGD project is expected to mitigate the area in Jefferson County that has been proposed as non-attainment.

2.4 The EPA issued its revised rule on PM NAAQS on December 14, 2012.

- The current annual Particular Matter standard for $(PM)_{2.5}$ of 15 ug/M^3 was lowered to 12ug/M^3.
  - This puts Jefferson and Bullitt as non-attainment.
  - The recent modifications at Gallagher Station, the shutting down of Cane Run 4, 5, and 6, and the baghouses, scrubbers, and dry sorbent injection systems at Mill Creek should mitigate concerns in Jefferson County.
  - The KyDAQ has recommended to EPA to classify Jefferson and Bullitt Counties "attainment / unclassifiable"
  - In general, on units adding baghouses, LKE should have no trouble with compliance.

PPL companies

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.5 The EPA is scheduled for a 2014 re-evaluation of the 8-hour ozone standard. Due to litigation, they were prepared to issue an early revision that would have been much lower with large impacts industry wide; however, they instead decided to re-instate the 2008 NAAQS Ozone 8-hour standard.

- Non Quality Assured 2012 monitor data indicates Jefferson County as non-attainment with the 1997 and the 2008 standard.
  - Likely Case: Shutdown of Cane Run 4, 5, and 6 mitigates the issue.
  - Worst Case: SCRs are needed at Mill Creek 1 and 2 to mitigate the issue.
  - All of Kentucky except the far eastern side and Warren County currently show non-attainment with the levels of Ozone NAAQS that EPA is planning to propose in 2014.
  - The SIP revision process will target attainment by 2021.

2.6 Cane Run Coal will be retired May 1, 2015.

- Combined cycle replacement available on that date.
- Cane Run 6 will be on lay-up starting October, 2014.
- There are 23 employees expected to retire or take the severance, and 46 will be placed elsewhere.
  - 40 at Mill Creek, 2 at Trimble County, and 4 to be determined.

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Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.7 Green River Coal will be retired April 16, 2016.

- This is based on a one-year extension granted by the State, that as of August, 2014 has not yet been applied for.
- A Transmission Capital Project (Matanzas) has been completed.
  - However, the impact from Big Rivers shutting down the Wilson and Coleman Units has created other issues that need to be addressed from a transmission perspective.
- There are 15 employees expected to retire or take the severance. Of those remaining, eleven will go to meter reading, one to the turbine shop, five will stay at the plant, and nine will be placed elsewhere.
  - Of the five remaining at the plant, two will provide lab support and three will be tied to Green River 5, starting July 1, 2016, on charges to the capital project.

2.8 On March 21, 2011 EPA published a final rule that identified non-hazardous secondary materials that are considered solid wastes when combusted.

- Boiler cleaning disposal by evaporation in the boiler will be prohibited unless we are permitted as a "commercial and industrial solid waste incinerator".
- State of Kentucky has determined they need a SIP revision and have provided an opinion that it will not be in effect until 2018. This has O&M implications.

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Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.9 GHG New Source Performance Standards (NSPS) for new sources.

- EPA announced proposed rule on 09/20/2013 and published the proposal in the Federal Register on 01/08/2014.
  - Clean Air Act requires EPA to take final action on proposed rule within one year of publication, by January 8, 2015.
- Only addresses CO2:
  - Limit of 1,100 lbs/MWh (gross) for new coal-fired generation.
  - Limit of 1,000 lbs/MWh (gross) for new gas-fired generation.
- Affects new units only [Coal-Fired Units, Integrated Gas Combined Cycle (IGCC)].
    - Natural Gas Fired Cane Run 7 and the future Green River 5 are the only units in the LKE fleet currently impacted.
    - Cane Run 7 NGCC emission rate estimated at 800 lbs/MWh (gross) during full load operation.
  - New simple cycle turbines only affected if at least 1/3 of maximum capacity utilized for electric generation provided to grid.

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Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.10 On June 2, 2014, EPA released their proposed regulations for greenhouse gas (carbon) reductions from existing fossil-fueled electric generating units (EGUs).

- Upon publication of the proposed rule in the Federal Register (FR), the EPA will have one year to issue a final rule.
- At that point, the States will have one year to develop and submit their State Implementation Plans for EPA's approval (June 2016). They can seek a one year extension for a single State Plan or a two year extension for a multiple State Plan. The EPA will then have up to one year to approve the plans.
- Interim limits on emissions from units that are in existence or began construction prior to January 8, 2014 will be based on average emissions from 2020 – 2029 with a final limit beginning 2030.
- The limit is rate-based in units of lbs CO2/MW net, however, may be converted to mass-based (tons/year).
- The proposal is unclear on treatment of shutdown generation and new NGCC generation that begins construction after January 8, 2014.
- Absent further information to the contrary, Brown 1 and 2 remain active through the 10-year planning period.

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Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.11 The 2011 ECR compliance plan settlement and CPCN were approved December 16, 2011, and will include the following air quality controls:

- A new Mill Creek 4 WFGD (December 2014).
- A new Mill Creek 3 WFGD (June 2016).
- A new Mill Creek 1 and 2 (combined) WFGD (May 2015).
- Fabric Filters on Ghent 1-4, Mill Creek 1-4, Brown 3, and Trimble County 1.
  - 2014 in-service: GH3 (June), GH4 (December), MC4 (December).
  - 2015 in-service: BR3 (April), GH1 (May), GH2 (December), MC1 (May), MC2 (May), TC1 (October).
    - The existing precipitators on Brown 3 and Ghent 1 and 2 will be removed.
  - 2016 in-service: MC3 (June).
- A PAC system for Mill Creek Unit 3 and Sorbent Injection system for Mill Creek Units 3 and 4.
  - In-service October 2016.
- The Brown 1-2 Fabric Filters were removed from the 2011 ECR plan as part of the settlement. The fabric filters are not included in the 2014 BP. Brown 1 and 2 do remain in the generation mix through the planning period, however.
  - With Nalco additive included. Injection system scheduled for September 30, 2014 completion.
  - Run times may be limited.

PPL companies

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.12 Significant O&M and cost of sales (~$25M - $30M per year) will be incurred as remaining units become operational for MATS Compliance.

- Costs will begin ramping up in 2014 as units are completed.
  - Additional limestone usage at Mill Creek 1 and 2 WFGD.
  - Additional hydrated lime injection to protect bags at all baghouse installations.
- Prior to 180 days after the compliance date of April 16, 2015 (or April 16, 2016 for units that have been granted an extension), all units must have completed a boiler tune-up with specific documentation of improvements and procedures and effects on CO and NO_x.
  - EPA has intent to allow for the boiler tune-up to occur prior to the compliance date.

2.13 EPA issued the Final 316(b) rule by May 19, 2014.

- Only Mill Creek 1 will be impacted.
  - Two years of entrainment monitoring in 2015/2016.
  - State will negotiate with LG&E in 2017, with a 3-5 year implementation.
  - A cooling tower for Unit 1 is a sensitivity.

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Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.14 Effluent water guideline draft proposal was issued April 19, 2013, with the final rule targeted to be issued September, 2015.

- Timing expected to coincide with final rules on coal combustion residuals (CCR's).
- A Five-Year implementation period is expected, however, a mercury discharge limit of 51 ppt for all four remaining coal-fired stations as part of new KPDEs permit requirements will likely require LKE to be ahead of the EPA timeline.
  - Mill Creek will likely be the first plant impacted.
- A four-year compliance period is expected to meet the state requirements.
- The estimated cost is 3X higher than the 2014 BP, largely driven by the inclusion of a limit on selenium.
  - The estimate currently used is the mid-point of a level 1 engineering high and low range of eight different options that includes selenium.

2.15 Ghent negotiated SO_3 (H_2SO_4) permitted emission limits with EPA in 2012.

- The Consent Decree was "Entered" by the Court on 8/21/2013 initiating the start

PPL companies

Major Assumptions

3. Expansion/Capacity

3.1 A combined cycle unit (Cane Run 7) will be added May 1, 2015 at the Cane Run location.

- 2 x 1, 640 MW Summer Net (Ownership is 78% KU, 22% LG&E).
- Replacing Cane Run Coal retired on that date.
- CPCN approval date of September, 2012.
- Expense profile based on a Long-Term Services Agreement being in place.

3.2 A second combined cycle unit (Green River 5) will be added May 1, 2021 at the Green River location.

- Ownership percentage will be 60% KU, and 40% LG&E.
- 2 x 1, 640 MW Summer Net, with other options for a comparable number of MW's being considered (i.e. two 1 X 1's).
- Expense profile based on a Long-Term Services Agreement being in place.
- Timing could move up if the municipal utilities do not end up leaving the KU system.

3.3 A 10 MW Solar Facility will be installed at the Brown Generating Station by December 31, 2016.

- Ownership percentage will be 61% KU and 39% LG&E.
- There is incremental OPEX associated with the facility.

PPL companies

Major Assumptions

3. Expansion/Capacity (Cont,)

3.4 Reserve margin purchases are 165 MW between May 1, 2015 and April 30, 2019.

3.5 Brown 1 and 2 are included through the planning period, but without fabric filters.

- The Nalco product, to keep mercury emissions lower, will be utilized.

3.6 The third combined cycle will not be needed until 2031, as long as Brown 1 and 2 are still active.

3.7 The five Ohio Falls units still to be rehabilitated (the other three are complete) have the following scheduled mechanical completion dates.

- Unit 1 (June 2014).
- Unit 5 with turbine coupling repair (October, 2014).
- Unit 2 (July, 2015).
- Unit 4 (February, 2017).
- Unit 8 (May, 2016).

3.8 Black start additions (for system restoration purposes) will take place in 2017 and 2018.

- Trimble County Site 2017 in-service. Engineering takes place in 2015.
- Cane Run Site 2018 in-service. Engineering takes place in 2016.

3.9 Group 3 retirements will be considered based on a Retire vs. Repair cost analysis if there is a failure.

- Group 3 consists of the older, smaller CT's.
- No Group 3 units are being retired in the plan.
  - Haefling 3 was retired in 2013.

PPL companies

Major Assumptions

4. Coal Combustion Residuals (CCR's)

4.1 EPA issued two proposals for public input for coal combustion residuals (CCR's) in June 2010.

- Final rules are expected on December 19, 2014 and once final rules are issued there will be a five-year implementation period with an additional two years to close existing ponds. Unlined ponds (and possibly even lined ponds) are expected to be eliminated for ash storage.
- EPA is looking to tie the timing of CCR's and effluent water (see 2.14) together.
  - Congress is working on a bi-partisan effort.
  - Expected timeframe of 2018 - 2020 on pond closures and 2017-2018 on construction of new process ponds.
  - CCR materials are used for closing ponds on all active coal facilities.
  - A designation of "Hazardous" vs. "Non-Hazardous" appears to be strongly trending toward "Non-Hazardous".
  - The designation will not change the capital plan but would reduce beneficial re-use opportunities for structural fill and gypsum for wallboard if declared "hazardous".

4.2 Trimble County Landfill and Transport.

- The projected in-service date for the transport and treatment system is September, 2017.
- The projected in-service date for the landfill is April, 2018.
  - Approval of DWM permit is in January, 2015.
  - One year litigation of permits (1/15 – 1/16)
  - Construction period of 2.75 years.

4.3 Brown Ash Pond is being converted to a landfill, with an expected in-service date of second quarter, 2016 for Phase 1.

- KYDWM permit expected third quarter, 2014.
- Construction schedule is approximately 18 months.
- All three phases will be staged concurrently.

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Major Assumptions

4. Coal Combustion Residuals (CCR) (Cont.)

4.4 Ghent Landfill Phase 1 construction went in service in June, 2014.

- Transport portion of the project is trending toward an August or September, 2014 in-service date.

4.5 A new Mill Creek landfill will be in-service by December 31, 2019.

- Landfill location is 1.5 miles from Mill Creek with a 1.5 mile transport pipe conveyor.

4.6 The Cane Run MSE Wall will be completed in 4^{th} Quarter 2014.

4.7 The Cane Run Landfill will be closed in 2016.

4.8 The Cane Run Ash pond Cap & Closure project will be completed in 2017.

4.9 All CCR Capital Projects use an annual escalation rate of 4.0%.

4.10 The pond closure projects assume that existing CCR materials from each plant can be used to fill in each pond, similar to Cane Run. If that is not allowed by rule, the estimated cost of having to instead procure top soil and clay is an additional $450M.

4.11 If CCR materials are allowed for Pond Closure, Phases II and III of the landfill projects will move further out in time relative to what is in the 10-year projections.

Major Assumptions

5. Operational and Other

5.1 Annual escalation rates for internal labor and non-labor are as follows:

- Internal labor: 3.0%.
- Non-labor 2.0%.

5.2 The next turbine overhauls by unit are as follows:

- 2014 : Mill Creek 4, Ghent 4.
- 2015 : Ghent 1, Brown 1.
- 2016 : None scheduled.
- 2017: Brown 2, Trimble 1.
- 2018: Ghent 3, Trimble 2.
- 2019: Ghent 2, Brown 3, Mill Creek 3.

5.3 Significant generator rewind/stator rewind dollars are included in the 2014-2017 timeframe.

- Brown 2 generator (stator and rotor) rewind in 2017 (some dollars also in 2016).
- Spare stator bars ordered and received for Ghent 2-4, Mill Creek 1-4, and TC 1 between 2010 – 2016.
  - The spare sets will be installed on MC4 in 2014, MC3 in 2019, MC2 in 2020, and MC1 in 2021.

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Major Assumptions

5. Operational and Other (Cont.)

5.4 The corrosion fatigue inspection schedule is as follows:

- 2014: Ghent 4.
- 2015: Ghent 1, Mill Creek 1.
- 2016: Brown 1, Mill Creek 2, Mill Creek 4.
- 2017: Brown 2, Mill Creek 1, TC1.
- 2018: Brown 3, Ghent 1, Ghent 3, Mill Creek 4, TC2.
- 2019: Ghent 2, Mill Creek 3.

5.5 The High Energy Piping (HEP) inspection schedule is as follows:

- 2014: Ghent 3, Ghent 4, Mill Creek 4, TC2.
- 2015: Brown 1, Ghent 1, Ghent 2, Mill Creek 3.
- 2016: Brown 3, Mill Creek 2, TC2.
- 2017: Brown 2, Mill Creek 1, TC1.
- 2018: Brown 1, Ghent 1, Ghent 3, Ghent 4, Mill Creek 2, Mill Creek 3.
- 2019: Brown 2, Brown 3, Ghent 2, Mill Creek 1, Mill Creek 2, TC1.

5.6 The fuel procurement plan is pushing toward higher chlorine ILL. Basin fuels, which will drive burner modifications on at least two Mill Creek units and two Ghent units.

- Permit changes may also be needed.

PPL companies

Major Assumptions

5. Operational and Other (Cont.)

5.7 Targets for percentage of coal hedged in the 2015 Business Plan (in the year 2015) are as follows:

	Coal
2015	95%-100%.
2016	80%-90%.
2017	40%-90%.
2018	30%-70%.
2019	10%-50%.
2020	0%-30%.

- Targets for natural gas will follow a similar progression, but will build up slowly over time and will be comparable by the year 2018.

5.8 Based on a range of $4.00 to $6.00 per MMBTU, Can Run 7 natural gas usage can range from usage of 34 million MCF at $4.00 gas, to 16 million MCF at $6.00 gas. This can change coal burn by 1.7 million tons per year.

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Major Assumptions

5. Operational and Other (Cont.)

5.9 Combustion turbine outages in the plan:

- Dollars are split between O&M and capital based on the estimated scope of work that is reconditioning (expense – approximately 10%) vs. new parts (capital – approximately 90%).
- The first set of hot gas path inspections for Trimble CT's are complete as of the Spring, 2013. The cycle starts again with one unit in 2016, two units in 2017, two units in 2018, and one unit in 2019.
- Brown C inspections by unit are as follows:
  - Unit 10 in 2015.
  - Unit 6 in 2017.
  - Unit 7 in 2018.
  - Unit 11 in 2020.
  - Unit 5 in 2021.
  - Unit 8 in 2024.
  - Unit 9 in 2030.
- The expiration date for the Brown 6 and 7 Long-Term Services Agreements (LTSA) is October 1, 2016 based on the 13-year criteria.
- The CT component outages for Cane Run 7 are a Combustion Inspection late 2016, Hot Gas Path Inspection (HGPI) 2019, Combustion Inspection 2021, and a major in 2022 (HGPI and turbine overhaul).
  - Cane Run 7 CT's are covered under a signed LTPC.
  - The turbine/generator overhaul will be every seven years, with the first one in 2022.

5.10 CIP Version 5 will have an effective date of April 1, 2016.

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Major Assumptions

5. Operational and Other (Cont.)

5.11 Complete demolition of Paddy's Run Coal Plant will take place 2015-2016, and complete demolition of Canal Station 2016-2017. Paddy's stacks were removed in 2013.

5.12 Complete demolition of Pineville and Tyrone Power Plants will take place between 2020-2022.

5.13 Expected write-offs to expense include:

- Cane Run M&S $8M (2015).
- Green River M&S $2M (2015).
- Ghent Ash Handling M&S $1M (2014).
- Mill Creek FGD M&S $1.5M (2016).

5.14 The proysm run dated August 22, 2014 is the official generation forecast for the 2015 Business Plan.

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Financial Review – Prior Plan to Plan Expectation Reconciliation ($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
OPEX (O&M and BTL):					
Prior Plan Amount	245,305	234,688	243,051	267,478	286,448
Adjustments/Transfers:					
Safety Reorganization	(1,082)	(1,182)	(1,209)	(1,176)	(1,210)
Move Project Dev to PE	(584)	(595)	(608)	(621)	(635)
MC OPEX to ECR	(688)	(1,221)	(1,329)	(1,356)	(1,383)
Delay GR closing to 2016	11,800	7,000			
Delay GR5 to 2021				(11,037)	(19,328)
BP Efficiency Savings	(3,574)	(5,910)	(5,774)	(5,849)	(3,022)
Current Plan Expectation	251,177	232,780	234,130	247,439	260,869

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
GMEXP (OCOS) ECR:					
Prior Plan Amount	44,800	59,098	66,122	67,220	68,704
Adjustments/Transfers:					
MC OPEX to ECR	688	1,221	1,329	1,356	1,383
Current Plan Expectation	45,488	60,319	67,451	68,576	70,087
GMEXP (OCOS) NON ECR:					
Prior Plan Amount	36,896	35,691	37,532	37,672	38,898
Adjustments/Transfers:					
Current Plan Expectation	36,896	35,691	37,532	37,672	38,898

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PPL companies

Financial Performance - OPEX

2013-2019 O&M and Other Income/Expenses
($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
O&M Expenses Only							
Company Labor	89,405	94,115	97,766	96,428	95,791	98,224	100,123
Resident Contractors	23,335	25,613	23,282	21,187	21,353	21,922	22,525
Maintenance	64,117	65,635	67,457	60,392	59,947	65,726	61,775
Outages	20,264	33,353	36,431	30,258	34,905	34,356	55,404
Operations	21,252	24,394	25,585	23,311	23,156	24,438	24,908
Subtotal O&M Expense	218,373	243,110	250,523	231,578	235,152	244,666	264,734
Other Income/Expense*	932	648	655	665	675	689	702
Total Income Statement items	219,305	243,758	251,177	232,243	235,827	245,355	265,436

* (see OIE slide for detail)

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PPL companies

Financial Performance - OPEX

2013-2019 Other Income/Expenses (incl. BTL)
($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
OIE/BTL Expenses Only:							
Contributions	297	265	296	295	300	306	312
Employee Recognition	178	135	107	111	116	118	120
Meals and Meetings Exp.	142	78	60	64	65	66	68
Safety Awards	12	28	29	29	30	30	31
Other	303	142	163	166	165	168	171
Total OIE / BTL Expense	932	648	655	665	675	689	702

PPL companies

2015-2019 O&M / Other Expense Reconciliation ($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Current Plan Expectation	251,177	232,780	234,130	247,439	260,869
Drivers:					
Ghent outage scope revisions	(3,440)	(3,405)	(1,664)	(5,324)	(780)
Additional TC2 outage scopes	1,500		1,500		
Timing TC2 outage				(2,954)	2,223
CR7 Outage revisions	895	1,787	1,747	968	4,024
Other Outage schedule scope and timing updates	184	(419)	(636)	466	912
Brown Solar		-	225	225	225
True up CR inventory write off	973	-	-	-	-
Labor - true up CR severance	(1,395)	-	-	-	-
Labor	(1,088)	(16)	2,153	1,203	131
Changes in Maintenance and Operations expense	2,371	1,515	(1,628)	3,332	(2,168)
Current Plan	251,177	232,243	235,827	245,355	265,436
Variance - Fav (Unfav)	**0**	**537**	**(1,697)**	**2,085**	**(4,567)**

PPL companies

Financial Performance

2013-2019 Margin Expenses / Cost of Sales/Mechanism ($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Gross Margin Elements							
ECR							
Labor	174	192	1,591	2,066	2,116	2,163	2,257
Resident Contractors (primarily landfill)	1,171	2,054	2,680	3,525	3,545	4,161	4,447
Environmental Maint & Ops	62	128	96	248	103	105	107
ECR Maintenance SDRS	(45)	176	604	1,092	1,185	801	817
ECR Baghouse Maintenance	-	118	2,210	3,921	4,004	4,084	4,166
ECR Activated Carbon	-	850	9,331	16,029	16,905	17,760	17,738
ECR Landfill Operations	-	944	5,383	5,852	6,396	8,793	8,996
ECR Fly Ash Disposal	344	445	540	552	569	586	603
ECR Nox Emission Allowances	1	155	-	-	-	-	-
ECR Nox Reduction Reagent	673	605	465	477	523	590	534
ECR Other Waste Disposal	41	490	1,350	1,350	1,350	1,354	1,358
ECR Sorbent Injection Maintenance	235	474	468	565	580	591	603
ECR Sorbent Injection Operation	48	71	84	88	92	94	96
ECR SO2 Emission Allowances	95	42	30	30	30	30	30
ECR Sorbent Reactant - Reagent Only	12,166	13,173	15,007	16,350	18,404	19,225	19,178
Total ECR	14,964	19,918	39,840	52,144	55,801	60,337	60,928

PPL companies

Financial Performance

2013-2019 Margin Expenses / Cost of Sales/Non Mechanism ($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Gross Margin Elements							
Non-ECR							
Resident Contractors	579	347	648	664	682	695	709
Environmental Maint & Ops	6	311	-	-	-	-	-
Mercury Monitors Operations	166	186	-	-	-	-	-
Activated Carbon	1,241	1,895	2,763	2,808	3,024	2,751	3,089
Other Waste Disposal	2,070	1,896	1,187	922	959	987	1,016
NOx Emission Allowances	284	34	73	25	-	-	-
NOx Reduction Reagent	7,866	8,431	8,691	9,079	9,675	9,177	9,050
Scrubber Reactant Ex	23,485	23,942	18,180	17,749	18,514	19,607	20,236
SO2 Emission Allowances	0	144	85	18	8	9	9
Sorbent Injection Operation	170	(30)	-	-	-	-	-
Sorbent Reactant - Reagent Only	1,556	1,902	5,576	6,839	6,208	5,591	6,189
Total Non-ECR	37,423	39,057	37,202	38,104	39,070	38,816	40,297
Total Gross Margin	52,387	58,974	77,042	90,249	94,871	99,153	101,226

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PPL companies

2015-2019 Margin/Cost of Sales Reconciliation ($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
ECR Current Plan Expectation	45,488	60,319	67,451	68,576	70,087
Drivers:					
Activated Carbon (Brown using Nalco product only)	(2,423)	(6,693)	(7,457)	(6,641)	(7,204)
Change in SAM Mitigation (Sorbent Reagent costs)	(3,266)	(3,457)	(3,139)	(2,680)	(3,246)
ECR Maintenance SDRS (MC)	769	1,219	1,248	894	2,319
Lower Cost estimates for landfills	(1,103)	44	(2,348)	(269)	(172)
Other Small Various Puts and Takes	375	714	45	456	(855)
ECR Current Plan	39,840	52,144	55,801	60,337	60,928
Variance	**5,648**	**8,174**	**11,650**	**8,240**	**9,159**
Non-ECR CurrentPlan Expectation	36,896	35,691	37,532	37,672	38,898
Drivers:					
Scrubber Reactant	1,359	2,106	1,842	3,304	3,474
Lower price of Activated Carbon	(1,858)	(1,566)	(1,855)	(2,531)	(2,299)
NOX Reactant higher cost projections	(1,780)	(1,164)	(732)	(1,316)	(1,934)
Change in SAM Mitigation (Sorbent Reagent costs)	2,976	3,480	2,748	2,154	2,624
Other Small Various Puts and Takes	(391)	(443)	(465)	(466)	(466)
Non-ECR Current Plan	37,202	38,104	39,070	38,816	40,297
Plan To Plan Variance	**(306)**	**(2,413)**	**(1,538)**	**(1,145)**	**(1,400)**
Grand Total Gross Margin Expense	**77,042**	**90,249**	**94,871**	**99,153**	**101,226**

PPL companies

2013-2019 Capital Breakdown (w COR) – Accrual Basis ($000)

		2013	2014 FC	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Environmental Mechanism (ECR)								
140375	BR3 Spare HWRS Pump	394	-	403	-	-	-	-
135123	MC2 PJFF BC 2018	-	-	-	-	1,290	336	-
135122	MC1 PJFF BC 2018	-	-	-	-	-	1,380	300
135102	BR3 PJFF BC 2018	-	-	-	-	-	1,839	-
135124	MC3 PJFF BC 2018	-	-	-	-	-	-	1,936
135245LGE	TC2 PJFF B&C 2017	-	-	-	-	-	2,077	-
135236	TC1 PJFF B&C 2018	-	-	-	-	-	-	2,117
135120	MC4 PJFF BC 2017	-	-	-	-	-	2,253	-
133939	BR3 SCR Catalyst	-	518	1,954	-	-	-	-
144121	MC1 Environmental Spares	-	-	1,375	1,125	-	-	-
144122	MC2 Environmental Spares	-	-	1,375	1,125	-	-	-
144123	MC3 Environmental Spares	-	-	-	2,500	-	-	-
144124	MC4 Environmental Spares	-	-	2,500	-	-	-	-
135281	GH3 PJFF BC 2017	-	-	-	-	-	2,704	-
135283	GH4 PJFF BC 2017	-	-	-	-	2,704	-	-
135279	GH2 PJFF BC 2018	-	-	-	-	-	-	2,758
135277	GH1 PJFF BC 2018	-	-	-	-	-	2,763	-
136640	GS RD Hg Contrl LGE	-	-	-	4,000	-	-	-
		394	518	7,607	8,750	3,994	13,352	7,111
New Generation - CR7 Inventory		642	1,358	4,830	-	-	-	-
Required >$3M								
132921	MC3 Reheater	3,398	(9)	-	-	-	-	-
132804	MC3 BURNERS 2013	3,511	340	-	-	-	-	-
112767	MC Landfill Expansion	133	456	400	1,975	263	263	275
137600	CR Plant Closure	-	-	4,800	3,800	-	-	-
144536	CR7 NGCC CI (2016)	-	-	-	10,333	-	-	-
144542	CR7 NGCC HGP (2019)	-	-	-	-	-	-	27,034
	All other less than $3M	22,231	9,179	6,921	11,575	4,971	7,985	6,600
		29,273	9,966	12,121	27,683	5,234	8,248	33,909

PPL companies

2013-2019 Capital Breakdown (w COR) – Accrual Basis ($000)

	2013	2014 FC	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
High Risk >$3M							
126593LGE TC CT HGPI # 6	3,917						
127642 MC4 Burners	4,254	2,850	100	-			
131116 GH Stacker Track Repl 1/2 East	4,644	43	-	-			
123907 BRCT9 C Inspection 11	6,398	(24)	-	-			
140179 GH1 Air Heater Baskets	-	-	-	-	1,552	1,552	-
133938 BR1 Cooling Tower Rebuild	-	1,309	1,960	-	-	-	-
137024 GH 138kv Switchgear Upgrade	-	-	-	600	2,712	-	-
144722 BR3 HP-IP Blading	-	-	-	-	-	662	2,651
132924 MC4 Reheater	2,246	4,019	-	-	-	-	-
133971 BR2 Cooling Tower Rebuild	-	-	-	-	4,206	-	-
132901 MC4 Cooling Tower Fill	-	4,450	50	-	-	-	-
133741 GH3 Main Condenser Retube	-	-	-	-	3,104	1,583	-
132951 MC3 Condenser 2014	-	-	-	-	500	1,000	3,500
144450 BR3 Economizer Repl	-	-	-	-	-	2,000	3,200
132001 TC CT HGP Insp #2	-	-	-	-	5,218	-	-
132000 TC CT HGP Insp #1	-	-	-	5,218	-	-	-
132002 TC CT HGP Insp #3	-	-	-	-	5,374	-	-
131980 GH3 Primary SH Tube Repl	-	-	-	-	2,483	3,052	-
131975 GH4 Burner Repl	2,451	5,269	302	-	-	-	-
123910 BRCT10 C Inspection 12	-	1,212	6,273	-	-	-	-
131974 GH 3 Burner Repl	-	-	-	100	2,277	6,155	-
131972 BRCT7 C Inspection	-	-	-	-	-	12,400	-
143864 PR Gas Pipe Line	-	250	14,750	-	-	-	-
123906 BRCT6 C Inspection 13	-	-	-	-	19,000	-	-
All other less than $3M	33,329	33,413	29,043	13,388	20,000	16,063	28,983
	57,239	52,790	52,478	19,305	66,426	44,466	38,334

PPL companies

2013-2019 Capital Breakdown (w COR) – Accrual Basis ($000)

	2013	2014 FC	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
All Other >$3M							
139878 MC3 TURB MISC	-	-	-	-	-	-	3,000
142399 MC3 Gen Stator Bar Install	-	-	-	-	-	-	3,200
139722 MC2 Gen Stator Bar Purchase	2,916	305	2,906	-	-	-	-
135638 MC3 Stator Bars	2,840	4		-	-	-	-
135640 MC1 Stator Bars	2,970	308	2,940	-	-	-	-
143636 MC3 Turbine IP Diaph 8-12	-	-	-	-	-	-	3,500
137268 GH2 Retube Main Cond 2019	-	-	-	-	-	1,035	2,793
144311 GH3 Upper Econ Upper Bank	-	-	-	-	807	3,175	-
143637 MC3 Turbine L-0 Buckets	-	-	-	-	-	1,000	3,000
133102 GS GE 345kV Spr LGE	-	-	1,303	3,040	-	-	-
139871 MC3 INT SH PENDANTS	-	-	-	-	-	1,475	3,000
136097 DX Dam Leakage Rem Phase II	-	-	6,000	-	-	-	-
144302 GH2 4kv Switchgear	-	-	-	-	249	4,408	4,174
131986 GH3 Turb Eff Upgr	-	-	-	1,035	3,104	8,276	-
132005 TC CT HGP Insp #6	-	-	-	-	-	-	3,399
132004 TC CT HGP Insp #5	-	-	-	-	-	3,549	-
132003 TC CT HGP Insp #4	-	-	-	-	-	3,549	-
131972 BRCT7 C Inspection	-	-	-	-	-	7,600	-
All Other	15,743	24,765	37,508	25,068	31,876	38,185	36,596
	24,469	25,382	50,657	29,142	36,036	72,250	62,662
Total Capital	**112,017**	**90,014**	**127,692**	**84,880**	**111,691**	**138,316**	**142,017**

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PPL companies

2015-2019
Capital Reconciliation (w COR) –Accrual Basis
($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
2014 Capital BP	**107,606**	**76,973**	**110,822**	**150,926**	**NA**
Increases/(Decreases) from Prior Plan > $3.0m					
131955 BR2 Gen Rewind	-	(2,333)	(4,667)	-	
139825 BR3 HP-IP Repl	-	-	-	(9,975)	
144450 BR3 Economizer Repl	-	-	-	2,000	
144722 BR3 HP-IP Blading	-	-	-	662	
123906 BRCT6 C Inspection 13	-	-	19,000	(19,000)	
131972 BRCT7 C Inspection	-	-	-	20,000	
144536 CR7 NGCC CI (2016)	-	10,333	(10,333)	-	
144542 CR7 NGCC HGP (2019)	-	-	-	-	
136097 DX Dam Leakage Rem Phase II	6,000	-	(2,850)	-	
133402 GH4 Condensate Polisher	-	-	-	-	
135645 GH3 RH Outlet Header Repl	-	-	(1,852)	(4,115)	
137473 GH3 Finishing SH Repl 2018	-	-	(1,465)	(4,089)	
140219 GH2 Generator Refurbishment	-	-	-	-	
144302 GH2 4kv Switchgear	-	-	249	4,408	
144311 GH3 Upper Econ Upper Bank	-	-	807	3,175	
131980 GH3 Primary SH Tube Repl			2,483	583	
134561 PR13 Hot Gas Path Inspection	-	-	-	(6,120)	
143864 PR Gas Pipe Line	14,750	-	-	-	
124088 MC GPP Upgrade	-	-	-	(2,200)	
132961 MC2 DCS 2018	-	-	(700)	(4,350)	
132963 MC3 DCS 2019	-	-	-	-	
132965 MC4 DCS 2018	-	-	(2,000)	(3,050)	
133000 MC3 Circ Water Line	-	-	150	-	
139718 MC4 Inter SH Pendants	-	-	(1,500)	(2,875)	
143636 MC3 Turbine IP Diaph 8-12	-	-	-	-	
143637 MC3 Turbine L-0 Buckets	-	-	-	1,000	
137595LGE TC INSTALL CONVEYOR AND HOPPER	-	-	-	(382)	
140597LGE TC GAS IGNITION FUEL	(3,134)	-	-	-	
136640 GS RD Hg Contrl LGE	(4,000)	4,000			
All Other Changes < ± $3.0m	6,469	(4,093)	3,547	11,719	
2015 Capital BP	**127,692**	**84,880**	**111,691**	**138,316**	

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Financial Performance
2013-2019 Headcount

Department[1]	2013 Year End	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Mill Creek[2]	207	207	245	240	235	227	227
Trimble County/CTs	149	160	160	162	162	169	169
Cane Run/Ohio Falls	113	113	50	52	50	49	48
Ghent	208	214	221	228	226	226	226
Brown/Dix/Tyrone	140	143	144	143	142	141	140
Green River	41	40	40	5	5	5	5
Generation Services	49	53	55	58	59	59	60
Commercial Operations	44	52	45	45	45	45	43
Other Generation Support	10	11	13	18	19	14	14
Stranded Employees		-	4	7	2	1	1
Interns/temps	9	15	13	13	13	13	13
TOTAL	**970**	**1,008**	**990**	**971**	**958**	**949**	**946**
From 2014 Business Plan[3]		1,029	994	954			
Variance to 2014 Business Plan		-21	-4	17			

Year to Year Increases (Decreases)	2014	2015	2016	2017	2018	2019
1.) Plant closures[4]		-23	-26			
2.) Maintenance /Operational	26	3	5	-13	-16	-1
3.) Compliance – NERC, FERC, CIP, etc.						
4.) EPA/Environmental			1		7	
5.) Administrative/Corporate	12	2	1			-2
TOTAL	**38**	**-18**	**-19**	**-13**	**-9**	**-3**

Contractor Offsets By Year: (New hire reducing contractor use)	-	-	-	-	-	-

[1] 2013 restated to reflect Safety reorg and PD move to PE in 2014

[2] Includes CR displaced employees moving to MC beginning in 2015

[3] 2014BP restated for Safety Re-org; PD move to PE; and delay in GR closure

[4] Includes 11 moving to metering in 2016 from GR

PPL companies

Operational Performance

Key Performance Indicators

KPI	2013 Year End	2014 Forecast*	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Generation (Twh)[1]	34.9	35.1	34.6	35.1	35.1	35.4	34.7
EAF (Steam)	81.4%	82.6%	84.1%	85.7%	86.8%	85.4%	84.2%
EFOR (Steam)	7.7%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Controllable Cost ($M)[2]	$271.7	$302.7	$328.2	$322.5	$330.7	$344.5	$366.7
Controllable Cost/mwh[2]	$ 7.33	$ 8.20	$ 8.95	$ 8.68	$ 8.89	$ 9.22	$ 9.98
Recordable Injuries[3]	1.92	2.98	1.70	1.70	1.70	1.70	1.70
Lost Workday Case Rate[4]	0.11	0.37	0.26	0.26	0.26	0.26	0.26

[1] Steam Generation includes 75% of Trimble County 1 and 2.

[2] Controllable Costs include Utility O&M, Other Cost of Sales, and Below-the-Line expenses.

[3] The 2014 forecast for RIIR is the July YTD value (includes hearing loss)

[4] The 2014 forecast for Lost Workday Case Rate is the July YTD value.

**2014 Forecast is from the 7&5 forecast.

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Plan Risks

- *Any subsequent changes to approved or proposed environmental regulations will impact the investment, construction and implementation of new systems in this plan*
- *Generation dispatch for the plan years is based on current view of regulations and assumptions on pricing for gas supply and allowances which is subject to significant changes to unit cost profiles and maintenance schedules if changes occur*
- *Integration of the major investment in new environmental compliance systems is tied to an extremely aggressive schedule that may impact normal operations of existing plants and could require changes to the outage planning schedule for tie in processes*
- *Availability of equipment and construction resources for major environmental compliance investment across the industry could lead to higher prices and impacts to planned schedule of completion*
- *Expansion of generating capacity and other generation changes consistent with approved integrated resource plan must be balanced with efforts to address transmission system load requirements. Additionally, the timing of retired coal and new CCGT availability will be critical*

PPL companies

Appendix

PPL companies

2013-2019
Year over Year Walk Forward
OPEX and Other Expense ($000)

2013 Actual	219,305
Labor	4,710
Resident contractors	2,278
Inventory Write offs Ghent	895
Outages	13,089
Maintenance	623
Other	2,858
2014 FC	243,758
Labor (excl CR)	4,840
CR severance	2,514
MC labor moved to ECR	(769)
MC Scrubber costs moved to ECR from OPEX	(688)
Inventory Write offs (CR)	8,973
CR labor net of CR7 labor	(2,933)
CR Resident Contractors	(2,837)
Inventory Write offs Ghent	(895)
Outages	3,078
Maintenance	(5,567)
Other	1,703
2015 Budget	251,177
Labor (excl CR and GR)	3,505
GR severance	1,700
GR retirement labor	(2,445)
GR retirement non labor	(4,370)
CR severance	(2,514)
CR labor net of CR7 labor	(1,584)
CR Resident Contractors	(1,957)
MC Scrubber costs moved to ECR from OPEX	(533)
Inventory Write offs (GR)	1,600
Inventory Write offs (CR)	(8,973)
Inventory Write offs (MC)	1,455
Outages (excl GR)	(5,173)
Maintenance (excl GR)	199
Other	156
2016 Plan	232,243

2016 Plan	232,243
Labor (excl GR)	2,703
GR severance	(1,700)
GR retirement labor	(1,640)
GR retirement non labor	(2,305)
Inventory Write offs (GR)	(1,600)
Inventory Write offs (MC)	(1,455)
Outages (excl GR)	4,947
Maintenance (excl GR)	3,262
Other	1,373
2017 Plan	235,827
Labor	2,432
Outages	(548)
Maintenance	5,778
Other	1,865
2018 Plan	245,355
Labor	1,899
Outages	21,048
Maintenance	(3,951)
Other	1,086
2019 Plan	265,436

PPL companies

2013-2019
Year over Year Walk Forward
GMEXP / Cost of Sales ($000)

ECR	
2013 Actual	14,964
Landfill Operations (Ghent)	944
Other	4,010
2014 FC	19,918
MC Scrubber costs moved to ECR from OPEX	688
Activated Carbon (MC, Ghent)	8,480
Baghouse Maintenance	2,092
Landfill Operations (Ghent and Brown)	5,065
Other	3,597
2015 Budget	39,840
MC Scrubber costs moved to ECR from OPEX	533
Activated Carbon (MC, Ghent, TC)	6,698
Sorbent reactant (Hydrated Lime)	1,343
Baghouse Maintenance	1,711
Landfill Operations (Ghent and Brown)	1,314
Other	705
2016 Plan	52,144
Activated Carbon (MC, Ghent, TC)	877
Landfill Operations (Ghent, Brown, TC)	561
Baghouse Maintenance	83
Sorbent reactant (Hydrated Lime)	2,054
Other	82
2017 Plan	55,801
Activated Carbon (MC, Ghent, TC)	855
Landfill Operations (Ghent, Brown, TC)	3,013
Sorbent reactant (Hydrated Lime)	821
Other	(153)
2018 Plan	60,337
Sorbent reactant (Hydrated Lime)	(47)
Landfill Operations (Ghent, Brown, TC)	489
Other	150
2019 Plan	60,928

Non Mechanism	
2013 Actual	37,423
Scrubber reactant	457
Activated Carbon	654
Other	522
2014 FC	39,057
Scrubber reactant	(5,762)
Activated Carbon	868
NOX reduction reagant	260
Sorbent reactant	3,674
Other	(895)
2015 Budget	37,202
Scrubber reactant	(431)
Sorbent reactant	1,263
Other	70
2016 Plan	38,104
Scrubber reactant	765
Sorbent reactant	(631)
Other	831
2017 Plan	39,070
Scrubber reactant	1,093
Activated Carbon	(273)
Other	(1,073)
2018 Plan	38,816
Scrubber reactant	629
Activated Carbon	338
Other	514
2019 Plan	40,297

PPL companies

2014-2019 Headcount progression

2014 Headcount 7/31/14 (including interns)	1,012
Interns	(13)
Plant Operations (all plants)	4
Commercial Operations (O&M)	3
Engineering Support	2
2014 Headcount FC	1,008
Interns	(2)
Cane Run Retirement	(23)
Plant Operations (all plants)	6
Commercial Operations (O&M)	(1)
Engineering Support	2
2015 Headcount Budget	990
Green River Retirement	(15)
GR employees move to metering	(11)
Environmental (TC CCR)	1
Plant Operations	2
Engineering Support	3
Administrative Support	1
2016 Headcount Plan	971
Plant Operations	(14)
Engineering Support	1
2017 Headcount Plan	958
Environmental (TC CCR)	7
Plant Operations (retirements)	(16)
2018 Headcount Plan	949
Plant Operations (retirements)	(3)
2019 Headcount Plan	946

PPL companies

Headcount & Employee Expense

Business Unit Name	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Total Full Time & Part Time Headcount (without interns)	993	977	958	945	936	933

Employee Related Expenses ($000)	2014	2015	2016	2017	2018	2019
1.) Training & Development	$ 871	$ 823	$ 865	$ 872	$ 915	$ 927
2.) Travel	359	463	392	360	368	405
3.) Meals and Expenses	206	126	135	137	140	163
4.) Employee Recognition	129	107	111	116	118	120
5.) Employee Dues and Memberships	2	-	-	-	-	-
TOTAL	**$ 1,567**	**$ 1,519**	**$ 1,503**	**$ 1,485**	**$ 1,541**	**$ 1,615**

Average Employee Expense per number of employees	**$1,578**	**$1,555**	**$1,569**	**$1,571**	**$1,646**	**$1,731**

PPL companies

2013-2019
Other Balance Sheet Costs
($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Stores Expense							
Labor	2,821	2,600	3,313	3,244	3,340	3,084	3,039
Non labor	1,052	406	-	-	-	-	-
Total	3,873	3,007	3,313	3,244	3,340	3,084	3,039
Local Engineering							
Labor	39	16	-	-	-	-	-
Non labor	151	27	-	-	-	-	-
Total	190	43	-	-	-	-	-
Total Other Costs	4,063	3,050	3,313	3,244	3,340	3,084	3,039

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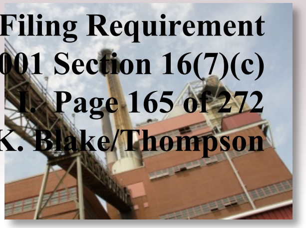
Energy Supply and Analysis

2015 Business Plan

September 17, 2014



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Plan Highlights

Key Objectives

- Optimize the utilization of existing assets to provide reliable, low cost energy.
- Procure coal and gas necessary to cost-effectively operate generating plants.
- Provide high quality analysis to enhance decision-making.
- Implement processes required to meet reliability standards.
- Improve analysis capability and knowledge related to retail customer energy usage to support energy efficiency and resource planning efforts.

PPL companies

Major Assumptions

- Analysis needed to support major company initiatives (KPSC filings) and strategic planning can be met by existing staff levels.
- Potential for Municipal rate case litigation and proposed CO_2 regulations will require significant support in 2015.
- Retirement risk in Fuels department is growing over the planning period so a new position is temporarily planned for that area in early-2015 to allow adequate time for training and development.
- Integrating CR7 into normal fleet dispatch will be accomplished with no major issues.

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Financial Performance

2013-2019 OSS Margin
($000)

	2013	2014	7+5 2014	2014 BP	2015 Business Plan				
	Actual	Budget	Forecast	2015	2015	2016	2017	2018	2019
OSS Margin before Transmission Expense	5,846	2,988	11,459	1,972	3,975	4,234	3,040	2,395	2,910
Transmission Expense (Internal)	1,245	849	1,368	715	1,006	1,157	978	810	975
Total OSS Margin	4,601	2,139	10,091	1,257	2,969	3,077	2,062	1,585	1,935

Off-system Sales Volume-GWh									
On-peak	318	128	260	114	178	201	165	131	151
Off-peak	51	28	46	17	35	41	38	31	34
Weekend	132	115	82	67	97	110	91	79	104
Total	501	271	388	198	310	352	294	241	289

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Financial Review – Prior Plan to Current Expectation Reconciliation ($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
OPEX (O&M and BTL):					
Prior Plan Amount	9,594	9,790	10,140	10,336	10,627
Adjustments/Transfers:					
Software transferred to I.T.	(237)	(242)	(247)	(252)	(257)
BP Efficiency Savings	(457)	(424)	(540)	(496)	(542)
Current Expectation	8,900	9,124	9,353	9,588	9,828

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
GMEXP (OCOS):					
Prior Plan Amount	6,273	6,143	6,778	7,541	9,668
Adjustments/Transfers:					
2019 Expectation based on 2.5% inflation from '18					(1,938)
Current Expectation	6,273	6,146	6,778	7,542	7,730

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PPL companies

Financial Performance - OPEX

2013-2019 O&M and Other Income/Expenses
($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
O&M Expenses Only:							
Labor	7,598	7,538	7,778	7,858	7,984	8,316	8,506
Non labor Regulated Trading	168	212	220	225	229	234	239
Non labor Business Information	5	-	-	-	-	-	-
Non labor Director Energy PF&A	21	18	18	18	19	19	19
Non labor Generation Planning	252	203	18	18	18	19	19
Non labor Economic Analysis	128	96	94	95	97	99	101
Non labor Sales Analysis	88	105	50	50	51	53	54
Non labor VP Energy Supply	21	(25)	17	18	18	18	19
Non labor Allocated Support	1	2	-	-	-	-	-
Non labor Fuel Management	73	42	68	69	70	72	74
Non labor Fuels Admin	242	468	391	396	404	412	420
Non labor Fuels Risk Management	(5)	63	64	66	67	68	69
Non labor Other	56	-	-	-	-	-	-
Subtotal O&M Expense	8,648	8,722	8,718	8,813	8,957	9,310	9,520
Other Income/Expense*	49	138	38	39	40	41	41
* (see OIE slide for detail)							
Total OPEX	8,697	8,860	8,756	8,852	8,997	9,351	9,561

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Financial Performance - OPEX

2013-2019 Other Income/Expenses (incl. BTL) ($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
OIE/BTL Expenses Only:							
Labor	-	-	-	-	-	-	-
Contributions	54	69	36	37	38	39	39
Employee Recognition	-	-	-	-	-	-	-
Meals and Meetings Exp.	4	69	2	2	2	2	2
Other (relocation & lobbying)	(9)	-	-	-	-	-	-
Total OIE / BTL Expense	49	138	38	39	40	41	41

LG&E KU
PPL companies

2015-2019 O&M / Other Expense Reconciliation
($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Expectation	8,900	9,124	9,353	9,588	9,828
Drivers:					
Additional non-labor reductions	(144)	(272)	(356)	(237)	(267)
Current Plan	8,756	8,852	8,997	9,351	9,561

LG&E KU
PPL companies

Financial Performance

2013-2019 Margin Expenses / Cost of Sales
($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Margin Expenses							
Mechanism Recoverable:							
	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-
All other Cost of Sales:							
Industrial Coal Sales	688	831	832	832	832	849	866
EKPC NITS	902	2,137	3,116	2,833	2,897	2,955	3,014
EKPC 25 Intermittent	n/a	475	497	537	580	592	604
OSS RTO	1,008	1,549	807	917	731	554	647
OSS Intercompany XM	1,245	964	1,006	1,157	978	810	975
OSS 3rd Party XM	12	8	-	-	-	-	-
NL RTO	67	177	219	236	284	309	311
NL Intercompany XM	549	1,367	620	516	593	696	764
NL 3rd Party XM	1,473	614	242	199	230	252	264
Total	5,944	8,122	7,340	7,228	7,125	7,017	7,445
Total Margin/Cost of Sales	5,944	8,122	7,340	7,228	7,125	7,017	7,445

PPL companies

2015-2019 Margin/Cost of Sales Reconciliation
($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Mechanism recoverable					
Prior Plan / Expectation	-	-	-	-	-
Drivers					
Current Plan	-	-	-	-	-
Other					
Expectation	6,273	6,146	6,778	7,542	7,730
Drivers:					
EKPC	1,122	787	842	860	876
RTO - OSS	456	626	329	(232)	(817)
Interco Transmission - OSS	292	398	121	(730)	(1,929)
RTO - NL	(186)	(136)	(124)	26	(65)
Interco Transmission - NL	(490)	(477)	(696)	(409)	(229)
3rd Party Transmission - NL	(127)	(116)	(125)	(23)	(42)
Industrial Coal Sales	-	-	-	(17)	(17)
Expectation calc vs. 2014 BP	-	-	-	-	1,938
Current Plan	7,340	7,228	7,125	7,017	7,445

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PPL companies

2013-2019 Capital Breakdown (w COR) – Accrual Basis ($000)

Project	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Other							
CTS	*358*	*208*	-	-	-	-	-
Power Base Software	*40*	-	-	-	-	-	-
Other Analysis Tools	*13*	*20*	*257*	*257*	*257*	*257*	*257*
Total Capital and Cost of Removal	*411*	*228*	*257*	*257*	*257*	*257*	*257*

2015-2019
Capital Reconciliation (w COR) –Accrual Basis
($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Prior Plan	256	256	256	256	256
Changes:					
Burdens	1	1	1	1	1
Current Plan	257	257	257	257	257

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Financial Performance

2013-2019 Headcount

Department	2013 Year End	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Power Supply	22	23	23	23	23	23	23
Director Energy Supply FP &A	2	2	2	2	2	2	2
Economic Analysis	6	6	6	6	6	6	6
Sales Analysis	5	6	6	6	6	6	6
Generation Planning	7	8	8	7	7	7	7
VP Energy Supply	2	2	2	2	2	2	2
Fuels	17	17	17	17	17	17	17
TOTAL	**61**	**64**	**64**	**63**	**63**	**63**	**63**
From 2014 Business Plan		64	64	64			
Variance to 2014 Business Plan		0	0	-1			

Year to Year Increases (Decreases)	2014	2015	2016	2017	2018	2019
1.) Maintenance /Operational						
2.) Compliance – NERC, FERC, CIP, etc.						
3.) EPA/Environmental						
4.) Administrative/Corporate	3	0	-1	0	0	0
TOTAL	**3**	**0**	**-1**	**0**	**0**	**0**
Contractor Offsets By Year: (New hire reducing contractor use)	0	0	0	0	0	0

PPL companies

Plan Risks

- OSS margin impacts of native load variation due to weather, unit availability, and transmission system capacity
- Approval of Green River extension to April 16, 2016
- Trimble County 2 performance post burner replacement
- Cane Run 7 testing, commissioning date, and performance
- Coal unit performance in 2015 post installation of environmental retrofits

[redacted]

- Summer 2016 availability of Mill Creek 3 following baghouse/FGD installation
- Transition of system to fewer, larger units
- Workforce transition due to retirements

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PPL companies

Appendix

PPL companies

2013-2019
Year over Year Walk Forward
OPEX and Other Expense
($000's)

2013 Actual	**8,697**
Change in labor	(59)
Higher estimated non-labor spending	222
2014 FC	**8,860**
Transfer software to I.T.	(237)
Change in labor excluding early hires and retirements	217
Non-labor reductions	(154)
Fuels early hire in January for July retirement in 2015	70
2015 Budget	**8,756**
Change in labor excluding early hires and retirements	221
Early hire in 2015 for 1/2 year not in 2016	(70)
Generation Planning retirement in mid-2016	(70)
Other	15
2016 Plan	**8,852**
Change in labor excluding early hires and retirements	196
Half year effect in 2017 of Gen Planning retirement in mid-2016	(70)
Other	19
2017 Plan	**8,997**
Change in labor excluding early hires and retirements	256
Fuels early hire in January for July retirement in 2018	78
Other	20
2018 Plan	**9,351**
Change in labor excluding early hires and retirements	267
Early hire in 2017 for 1/2 year not in 2019	(78)
Other	21
2019 Plan	**9,561**

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2013-2019 Year over Year Walk Forward GMEXP / Cost of Sales ($000's)

2013 Actual	**5,944**
EKPC	1,235
OSS RTO/Interco XM	673
NL RTO/Interco & 3rd P XM	141
Industrial Coal Sales	130
2014 FC	**8,123**
EKPC	1,477
OSS RTO/Interco XM	(1,093)
NL RTO/Interco & 3rd P XM	(1,148)
2015 Budget	**7,340**
EKPC	(243)
OSS RTO/Interco XM	261
NL RTO/Interco & 3rd P XM	(130)
2016 Plan	**7,228**
EKPC	107
OSS RTO/Interco XM	(365)
NL RTO/Interco & 3rd P XM	155
2017 Plan	**7,125**
EKPC	70
OSS RTO/Interco XM	(345)
NL RTO/Interco & 3rd P XM	151
Industrial Coal Sales	16
2018 Plan	**7,017**
EKPC	71
OSS RTO/Interco XM	258
NL RTO/Interco & 3rd P XM	82
Industrial Coal Sales	17
2019 Plan	**7,445**

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PPL companies

2014-2019
Headcount progression

2014 Headcount (As of July 2014) excludes interns	**63**
Generation Planning backfill	1
2014 Headcount FC - Year End	**64**
Fuels Early Hire (January)	1
Fuels Retirement (July)	-1
2015 Headcount Budget	**64**
Generation Planning retirement	-1
2016 Headcount Plan	**63**
2017 Headcount Plan	**63**
Fuels Early Hire (January)	1
Fuels Retirement (July)	-1
2018 Headcount Plan	**63**
2019 Headcount Plan	**63**

Headcount & Employee Expense

2014-2019 Headcount

Business Unit Name	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Total Full Time & Part Time Headcount (without interns)	64	64	63	63	63	63

Employee Related Expenses	2014	2015	2016	2017	2018	2019
1.) Training & Development	$112,949	$106,089	$106,152	$108,264	$109,028	$110,688
2.) Travel	$119,383	$100,348	$102,360	$104,400	$106,488	$108,618
3.) Meals and Expenses	$164,442	$50,312	$51,284	$52,268	$53,313	$54,379
TOTAL	**$396,774**	**$256,749**	**$259,796**	**$264,932**	**$268,829**	**$273,685**
Average Employee Expense per number of employees	**$6,200**	**$4,012**	**$4,124**	**$4,205**	**$4,267**	**$4,344**

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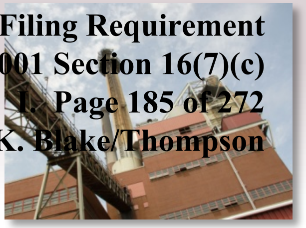




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Project Engineering

2015 Business Plan

September 17, 2014

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Plan Highlights

- **Project Engineering's plan contains a net increase of $383M for 2015-2019, plan over plan.**
- **Reductions include:**
  - **The delay of GR5 from 2018 to 2021 resulted in a $83M reduction.**
  - **CCR Ruling (pond closures) reduced by $127M due to shift to 2020.**
  - **Net decrease of $15M to Environmental Air Compliance projects.**
- **Increases include:**
  - **Effluent Water increased $486M due to new estimates from C2HMHill.**
  - **Trimble County CCR increased $42M due to refining of estimates due to permitting delays and layout changes.**
  - **Addition of Brown Solar $35M.**
  - **Brown CCR, $25M, due to Main Ash Pond Closure addition and Ghent CCR, $15M, due to maintenance costs of Phase IA and delay of Phase IB.**

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Major Assumptions

1. <u>Regulatory</u>

1.1 The State of Kentucky remains regulated throughout the plan period and the Environmental Cost Recovery (ECR) and Fuel Adjustment Clause (FAC) remain in place.

1.2 Target Reserve Margin of 16%, within a range of 16%-21%.

- Given experiences of early 2014 for the industry, the high end of the range is preferred.

1.3 Reserve sharing under the TVA Reserve Sharing Agreement is 258 MW's.

1.4 LG&E and KU remain committed to burning higher sulfur fuels.

1.5 The next ECR Filing is targeted for October 1, 2015.

1.6 Of the twelve municipal utilities served by KU, nine provided termination notices. Combined with the departure of Benham, this will be a reduction of 325 MW by May, 2019.

PPL companies

Major Assumptions

2. <u>Proposed or Expected New Environmental Regulations for Air and Water</u>

2.1 Final Cross State Air Pollution Rules (CSAPR) were issued in July 2011, with the order being stayed on December 30, 2011, and completely struck down on August 21, 2012.

- Supreme Court agreed to re-hear EPA's defense of CSAPR
- Rehearing occurred 12/10/2013.
- On April 29, 2014 the Supreme Court reversed and remanded the case back to the D.C. Circuit Court's for further proceedings
- Possibilities of future proceedings by the D.C. Circuit Court include:
  - Overturn CSAPR on other grounds not addressed by Supreme Court
  - Uphold CSAPR, but considering the original CSAPR was based on the 1997 NAAQS for Ozone, EPA may decrease the allocations to reflect the latest NAAQS for Ozone (2008)
  - CAIR allocations will remain in place until CSAPR is fully resolved (likely at least through 2015).

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.2 Mercury and Air Toxics Standards (MATS) final rules take effect on April 16, 2015.

- In most cases a delay of up to one year can be applied for, moving the compliance date to April 16, 2016.
- A second, additional, year of delay can be obtained in certain hardship cases, including retirements that could adversely impact transmission reliability. None of the LKE projects are currently counting on that second year of delay, though it is possible that a request will be made for Green River 3-4.

2.3 The final National Ambient Air Quality Standards (NAAQS) rules have been issued, with one hour standards in place for NO_x and SO_2. The final attainment designations for the short term NO_x standard have been delayed for up to three years due to inadequate monitoring. Based on the new short term SO_2 standards, compliance requirements must be in place by October 2018.

- The Mill Creek Wet (WFGD) FGD project is expected to mitigate the area in Jefferson County that has been proposed as non-attainment.

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Major Assumptions

2. **Proposed or Expected New Environmental Regulations for Air and Water (Cont.)**

2.4 The EPA issued its revised rule on PM NAAQS on December 14, 2012.

- The current annual Particular Matter standard for $(PM)_{2.5}$ of 15 ug/M^3 was lowered to 12ug/M^3.
  - This puts Jefferson and Bullitt as non-attainment.
  - The recent modifications at Gallagher Station, the shutting down of Cane Run 4, 5, and 6, and the baghouses, scrubbers, and dry sorbent injection systems at Mill Creek should mitigate concerns in Jefferson County.
  - The KyDAQ has recommended to EPA to classify Jefferson and Bullitt Counties "attainment / unclassifiable"
  - In general, on units adding baghouses, LKE should have no trouble with compliance.

2.5 The EPA is scheduled for a 2014 re-evaluation of the 8-hour ozone standard. Due to litigation, they were prepared to issue an early revision that would have been much lower with large impacts industry wide; however, they instead decided to re-instate the 2008 NAAQS Ozone 8-hour standard.

- Non Quality Assured 2012 monitor data indicates Jefferson County as non-attainment with the 1997 and the 2008 standard.

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

- Likely Case: Shutdown of Cane Run 4, 5, and 6 mitigates the issue.
- Worst Case: SCRs are needed at Mill Creek 1 and 2 to mitigate the issue.
- All of Kentucky except the far eastern side and Warren County currently show non-attainment with the levels of Ozone NAAQS that EPA is planning to propose in 2014.
- The SIP revision process will target attainment by 2021.

2.6 Cane Run Coal will be retired May 1, 2015.

- Combined cycle replacement available on that date.
- Cane Run 6 will be on lay-up starting October, 2014.
- There are 23 employees expected to retire or take the severance, and 46 will be placed elsewhere.
    - 40 at Mill Creek, 2 at Trimble County, and 4 to be determined.

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Major Assumptions

2. <u>Proposed or Expected New Environmental Regulations for Air and Water (Cont.)</u>

2.7 Green River Coal will be retired April 16, 2016.

- This is based on a one-year extension granted by the State, that as of August, 2014 has not yet been applied for.
- A Transmission Capital Project (Matanzas) has been completed.
  - However, the impact from Big Rivers shutting down the Wilson and Coleman Units has created other issues that need to be addressed from a transmission perspective.
- There are 15 employees expected to retire or take the severance. Of those remaining, eleven will go to meter reading, one to the turbine shop, five will stay at the plant, and nine will be placed elsewhere.
  - Of the five remaining at the plant, two will provide lab support and three will be tied to Green River 5, starting July 1, 2016, on charges to the capital project.

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.8 On March 21, 2011 EPA published a final rule that identified non-hazardous secondary materials that are considered solid wastes when combusted.

- Boiler cleaning wastewater disposal by evaporation in the boiler will be prohibited unless we are permitted as a "commercial and industrial solid waste incinerator".
- State of Kentucky has determined they need a SIP revision and have provided an opinion that it will not be in effect until 2018.
  - This has O&M implications.

2.9 GHG New Source Performance Standards (NSPS) for new sources.

- EPA announced proposed rule on 09/20/2013 and published the proposal in the Federal Register on 01/08/2014.
  - Clean Air Act requires EPA to take final action on proposed rule within one year of publication, by January 8, 2015.
- Only addresses CO2:
  - Limit of 1,100 lbs/MWh (gross) for new coal-fired generation.
  - Limit of 1,000 lbs/MWh (gross) for new gas-fired generation.

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Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

- Affects new units only [Coal-Fired Units, Integrated Gas Combined Cycle (IGCC)].
  - Natural Gas Fired Cane Run 7 and the future Green River 5 are the only units in the LKE fleet currently impacted.
  - Cane Run 7 NGCC emission rate estimated at 800 lbs/MWh (gross) during full load operation.
  - New simple cycle turbines only affected if at least 1/3 of maximum capacity utilized for electric generation provided to grid.

2.10 On June 2, 2014, EPA released their proposed regulations for greenhouse gas (carbon) reductions from existing fossil-fueled electric generating units (EGUs).

- Upon publication of the proposed rule in the Federal Register (FR), the EPA will have one year to issue a final rule.
- At that point, the States will have one year to develop and submit their State Implementation Plans for EPA's approval (June 2016). They can seek a one year extension for a single State Plan or a two year extension for a multiple State Plan. The EPA will then have up to one year to approve the plans.
- Interim limits on emissions from units that are in existence or began construction prior to January 8, 2014 will be based on average emissions from 2020 – 2029 with a final limit beginning 2030.

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Major Assumptions

2. <u>Proposed or Expected New Environmental Regulations for Air and Water (Cont.)</u>

- The limit is rate-based in units of lbs CO2/MW net, however, may be converted to mass-based (tons/year).
- The proposal is unclear on treatment of shutdown generation and new NGCC generation that begins construction after January 8, 2014.
- Absent further information to the contrary, Brown 1 and 2 remain active through the 10-year planning period.

2.11 The 2011 ECR compliance plan settlement and CPCN were approved December 16, 2011, and will include the following air quality controls:

- A new Mill Creek 4 WFGD (December 2014).
- A new Mill Creek 3 WFGD (June 2016).
- A new Mill Creek 1 and 2 (combined) WFGD (May 2015).
- Fabric Filters on Ghent 1-4, Mill Creek 1-4, Brown 3, and Trimble County 1.
  - 2014 in-service: GH3 (June), GH4 (December), MC4 (December).
  - 2015 in-service: BR3 (April), GH1 (May), GH2 (December), MC1 (May), MC2 (May), TC1 (October).
    - ✓ The existing precipitators on Brown 3 and Ghent 1 and 2 will be removed.
  - 2016 in-service: MC3 (June).

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Major Assumptions

2. <u>Proposed or Expected New Environmental Regulations for Air and Water (Cont.)</u>

2.11 Continued:

- A PAC system for Mill Creek Unit 3 and Sorbent Injection system for Mill Creek Units 3 and 4.
  - In-service October 2016.
- The Brown 1-2 Fabric Filters were removed from the 2011 ECR plan as part of the settlement. The fabric filters are not included in the 2014 BP. Brown 1 and 2 do remain in the generation mix through the planning period, however.
  - With Nalco additive included. Injection system scheduled for September 30, 2014 completion.
  - Run times may be limited.

2.12 Significant O&M and cost of sales (~$25M - $30M per year) will be incurred as remaining units become operational for MATS Compliance.

- Costs will begin ramping up in 2014 as units are completed.
  - Additional limestone usage at Mill Creek 1 and 2 WFGD.
  - Additional hydrated lime injection to protect bags at all baghouse installations.

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Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

- Prior to 180 days after the compliance date of April 16, 2015 (or April 16, 2016 for units that have been granted an extension), all units must have completed a boiler tune-up with specific documentation of improvements and procedures and effects on CO and NO_x.
  - EPA has intent to allow for the boiler tune-up to occur prior to the compliance date.

2.13 EPA issued the Final 316(b) rule by May 19, 2014.

- **Only Mill Creek 1 will be impacted.**
  - **Two years of entrainment monitoring in 2015/2016.**
  - **State will negotiate with LG&E in 2017, with a 3-5 year implementation.**
  - **A cooling tower for Unit 1 is a sensitivity.**

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Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.14 Effluent water guideline draft proposal was issued April 19, 2013, with the final rule targeted to be issued September, 2015.

- Timing expected to coincide with final rules on coal combustion residuals (CCR's).
- A Five-Year implementation period is expected, however, a mercury discharge limit of 51 ppt for our remaining coal-fired stations as part of new KPDEs permit requirements will likely require LKE to be ahead of the EPA timeline.
  - Mill Creek will likely by the first plant impacted.
- A four-year compliance period is expected to meet the state requirements.
- The estimated cost is 3X higher than the 2014 BP, largely driven by the inclusion of a limit on selenium.
  - The estimate currently used is the mid-point of a level 1 engineering high and low range of eight different options that includes selenium.

PPL companies

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.15 Ghent negotiated SO_3 (H_2SO_4) permitted emission limits with EPA in 2012.

- The Consent Decree was "Entered" by the Court on 8/21/2013 initiating the start of requirements accordingly.
- The Compliance Assurance Monitoring Plan was approved by the KyDAQ effective 2/4/2014.
- Additional testing will be necessary and engineering studies may be required for material changes.
- Permit will include operational monitoring of SO_3 control equipment.
- SIC Monitors will be required for each unit.
- Additional emissions testing for correlation per the Compliance Assurance Monitoring (CAM) Plan.

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Major Assumptions

3. <u>Expansion/Capacity</u>

3.1 A combined cycle unit (Cane Run 7) will be added May 1, 2015 at the Cane Run location.

- 2 x 1, 640 MW Summer Net (Ownership is 78% KU, 22% LG&E).
- Replacing Cane Run Coal retired on that date.
- CPCN approval date of September, 2012.
- Expense profile based on a Long-Term Services Agreement being in place.

3.2 A second combined cycle unit (Green River 5) will be added May 1, 2021 at the Green River location.

- Ownership percentage will be 60% KU, and 40% LG&E.
- 2 x 1, 640 MW Summer Net, with other options for a comparable number of MW's being considered (i.e. two 1 X 1's).
- Expense profile based on a Long-Term Services Agreement being in place.
- Timing could move up if the municipal utilities do not end up leaving the KU system.

Major Assumptions

3. Expansion/Capacity (Cont.)

3.3 A 10 MW Solar Facility will be installed at the Brown Generating Station by December 31, 2016.

- Ownership percentage will be 61% KU and 39% LG&E.
- There is incremental OPEX associated with the facility.

3.4 Reserve margin purchases needed are 165 MW between May 1, 2015 and April 30, 2019.

3.5 Brown 1 and 2 are included through the planning period, but without fabric filters.

- The Nalco product, to keep mercury emissions lower, will be utilized.

3.6 The third combined cycle will not be needed until 2031, as long as Brown 1 and 2 are still active.

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Major Assumptions

3. <u>Expansion/Capacity (Cont.)</u>

3.7 The five Ohio Falls units still to be rehabilitated (the other three are complete) have the following scheduled mechanical completion dates.

- Unit 1 (June, 2014).
- Unit 5 with turbine coupling repair (October, 2014).
- Unit 2 (July, 2015).
- Unit 4 (February, 2017).
- Unit 8 (May, 2016).

3.8 Black start additions (for system restoration purposes) will take place in 2017 and 2018.

- Trimble County Site 2017 in-service. Engineering takes place in 2015.
- Can Run Site 2018 in-service. Engineering takes place in 2016.

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Major Assumptions

3. **Expansion/Capacity (Cont.)**

3.9 Group 3 retirements will be considered based on a Retire vs. Repair cost analysis if there is a failure.

- **Group 3 consists of the older, smaller CT's.**
- **No Group 3 units are being retired in the plan.**
  - **Haefling 3 was retired in 2013.**

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Major Assumptions

4. Coal Combustion Residuals (CCR's)

4.1 EPA issued two proposals for public input for coal combustion residuals (CCR's) in June 2010.

- Final rules are expected on December 19, 2014 and once final rules are issued there will be a five-year implementation period with an additional two years to close existing ponds. Unlined ponds (and possibly even lined ponds) are expected to be eliminated for ash storage.

- EPA is looking to tie the timing of CCR's and effluent water (see 2.14) together.
  - Congress is working on a bi-partisan effort.
  - Expected timeframe of 2018 - 2020 on pond closures and 2017-2018 on construction of new process ponds.
  - CCR materials are used for closing ponds on all active coal facilities.
  - A designation of "Hazardous" vs. "Non-Hazardous" appears to be strongly trending toward "Non-Hazardous".
  - The designation will not change the capital plan but would reduce beneficial re-use opportunities for structural fill and gypsum for wallboard if declared "hazardous".

Major Assumptions

4. <u>Coal Combustion Residuals (CCR's)</u>

4.2 Trimble County Landfill and Transport.

- The projected in-service date for the transport and treatment system is September, 2017.
- The projected in-service date for the landfill is April, 2018.
  - Approval of DWM permit is in January, 2015.
  - One year litigation of permits (1/15 – 1/16)
  - Construction period of 2.75 years.

Major Assumptions

4. Coal Combustion Residuals (CCR's) (cont)

4.3 Brown Ash Pond is being converted to a landfill, with an expected in-service date of second quarter, 2016 for Phase

- KYDWM permit expected third quarter, 2014.
- Construction schedule is approximately 18 months.
- All three phases will be staged concurrently.

4.4 Ghent Landfill Phase 1 construction went in service in June, 2014.

- Transport portion of the project is trending toward a September, 2014 in-service date.

4.5 A new Mill Creek landfill will be in-service by December 31, 2019.

- Landfill location is 1.5 miles from Mill Creek with a 1.5 mile transport pipe conveyor.

4.6 The Cane Run MSE Wall will be completed in 4th Quarter 2014.

4.7 The Cane Run Landfill will be closed in 2016.

4.8 The Cane Run Ash pond Cap & Closure project will be completed in 2017.

4.9 All CCR Capital Projects use an annual escalation rate of 4.0%.

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Major Assumptions

4. **Coal Combustion Residuals (CCR's) (cont)**

4.10 The pond closure projects assume that existing CCR materials from each plant can be used to fill in each pond, similar to Cane Run. If that is not allowed by rule, the estimated cost of having to instead procure top soil and clay is an additional $450M.

4.11 If CCR materials are allowed for Pond Closure, Phases II and III of the landfill projects will move further out in time relative to what is in the 10-year projections.

Major Assumptions

5. Operational and Other

5.1 Annual escalation rates for internal labor and non-labor are as follows:

- Internal labor: 3.0%.
- Non-labor 2.0%.

5.2 The next turbine overhauls by unit are as follows:

- 2014 : Mill Creek 4, Ghent 4.
- 2015 : Ghent 1, Brown 1.
- 2016 : None scheduled.
- 2017: Brown 2, Trimble 1.
- 2018: Ghent 3, Trimble 2.
- 2019: Ghent 2, Brown 3, Mill Creek 3.

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Major Assumptions

5. Operational and Other

5.3 Significant generator rewind/stator rewind dollars are included in the 2014-2017 timeframe.

- Brown 2 generator (stator and rotor) rewind in 2017 (some dollars also in 2016).
- Spare stator bars ordered and received for Ghent 2-4, Mill Creek 1-4, and TC 1 between 2010 – 2016.
  - The spare sets will be installed on MC4 in 2014, MC3 in 2019, MC2 in 2020, and MC1 in 2021.

5.4 The corrosion fatigue inspection schedule is as follows:

- 2014: Ghent 4.
- 2015: Ghent 1, Mill Creek 1.
- 2016: Brown 1, Mill Creek 2, Mill Creek 4.
- 2017: Brown 2, Mill Creek 1, TC1.
- 2018: Brown 3, Ghent 1, Ghent 3, Mill Creek 4, TC2.
- 2019: Ghent 2, Mill Creek 3.

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Major Assumptions

5. Operational and Other (cont.)

5.5 The High Energy Piping (HEP) inspection schedule is as follows:

- 2014: Ghent 3, Ghent 4, Mill Creek 4, TC2.
- 2015: Brown 1, Ghent 1, Ghent 2, Mill Creek 3.
- 2016: Brown 3, Mill Creek 2, TC2.
- 2017: Brown 2, Mill Creek 1, TC1.
- 2018: Brown 1, Ghent 1, Ghent 3, Ghent 4, Mill Creek 2, Mill Creek 3.
- 2019: Brown 2, Brown 3, Ghent 2, Mill Creek 1, Mill Creek 2, TC1.

5.6 The fuel procurement plan is pushing toward higher chlorine ILL. Basin fuels, which will drive burner modifications on at least two Mill Creek units and two Ghent units.

- Permit changes may also be needed.

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Major Assumptions

5. Operational and Other (cont.)

5.7 Targets for percentage of coal hedged in the 2015 Business Plan (in the year 2015) are as follows:

Coal

- 2015 95%-100%.
- 2016 80%-90%.
- 2017 40%-90%.
- 2018 30%-70%.
- 2019 10%-50%.
- 2020 0%-30%.

  - Targets for natural gas will follow a similar progression, but will build up slowly over time and will be comparable by the year 2018.

5.8 Based on a range of $4.00 to $6.00 per MMBTU, Can Run 7 natural gas usage can range from usage of 34 million MCF at $4.00 gas, to 16 million MCF at $6.00 gas. This can change coal burn by 1.7 million tons per year.

Major Assumptions

5. Operational and Other (cont.)

5.9 Combustion turbine outages in the plan:

- Dollars are split between O&M and capital based on the estimated scope of work that is reconditioning (expense – approximately 10%) vs. new parts (capital – approximately 90%).
- The first set of hot gas path inspections for Trimble CT's are complete as of the Spring, 2013. The cycle starts again with one unit in 2016, two units in 2017, two units in 2018, and one unit in 2019.
  - Brown C inspections by unit are as follows:
    - ✓ Unit 10 in 2015.
    - ✓ Unit 6 in 2017.
    - ✓ Unit 7 in 2018.
    - ✓ Unit 11 in 2020.
    - ✓ Unit 5 in 2021.
    - ✓ Unit 8 in 2024.
    - ✓ Unit 9 in 2030.
- The expiration date for the Brown 6 and 7 Long-Term Services Agreements (LTSA) is October 1, 2016 based on the 13-year criteria.

Major Assumptions

5. Operational and Other (cont.)

- The CT component outages for Cane Run 7 are a Combustion Inspection late 2016, Hot Gas Path Inspection (HGPI) 2019, Combustion Inspection 2021, and a major in 2022 (HGPI and turbine overhaul).
  - Cane Run 7 CT's are covered under a signed LTPC.
  - The turbine/generator overhaul will be every seven years, with the first one in 2022.

5.10 CIP Version 5 will have an effective date of April 1, 2016.

5.12 Complete demolition of Paddy's Run Coal Plant will take place 2015-2016, and complete demolition of Canal Station 2016-2017. Paddy's stacks were removed in 2013.

5.13 Complete demolition of Pineville and Tyrone Power Plants will take place between 2020-2022.

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Major Assumptions

5. Operational and Other (Cont.)

5.14 Expected write-offs to expense include:

- Cane Run M&S $8M (2015).
- Green River M&S $2M (2015).
- Ghent Ash Handling M&S $1M (2014).
- Mill Creek FGD M&S $1.5M (2016).

5.15 The proysm run dated August 22, 2014 is the official generation forecast for the 2015 Business Plan.

Financial Review – Prior Plan to Expectation Reconciliation ($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
OPEX (O&M and BTL):					
Prior Plan Amount	$ 700	$ 700	$ 819	$ 838	$ 858
Adjustments/Transfers:					
2015 BP Efficiency Savings	$ (48)	$ (75)	$ (176)	$ (147)	$ (150)
Current Expectation	$ 652	$ 625	$ 643	$ 691	$ 709

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Financial Performance - OPEX

2013-2019 O&M and Other Income/Expenses
($000)

Item	2013 Actual	2014 Forecast*	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
O&M Expenses Only:							
Labor	$157	$398	$207	$209	$214	$220	$225
Non labor	$653	$394	$445	$416	$429	$471	$483
Subtotal O&M Expense	$810	$793	$652	$625	$643	$691	$709
Other Income/Expense* * (see OIE slide for detail)							
Total OPEX	$810	$793	$652	$625	$643	$691	$709

** 2014 Forecast includes the Jan - July costs of Project Development*

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Financial Performance - OPEX

2013-2019 Other Income/Expenses (incl. BTL) ($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
OIE/BTL Expenses Only:							
Labor	$ 11						
Contributions	$ -						
Employee Recognition	$ 5	$ 1					
Meals and Meetings Exp.	$ 22						
Other	$ -						
Non labor (Emp Reloc)	$ 38						
Total OIE / BTL Expense	$ 77	$ 1	$ -	$ -	$ -	$ -	$ -

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2013-2019 Capital Breakdown (w COR) – Accrual Basis ($M)

Project	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Environmental							
Brown CCR	$13	$42	$48	$21	$3	$13	$0
Cane Run CCR	$0	$0	$0	$0	$0	$0	$0
Ghent CCR	$89	$24	$18	$0	$0	$0	$1
TC CCR (Net)	$4	$4	$25	$124	$81	$65	$1
MC CCR	$0	$0	$7	$1	$39	$61	$16
Brown 3 SCR	$3	($0)	$0	$0	$0	$0	$0
Env. Air - Brown	$13	$41	$33	$0	$0	$0	$0
Env. Air - Ghent	$238	$231	$111	$4	$0	$0	$0
Env. Air - Mill Creek	$237	$329	$252	$69	$3	$0	$0
Env. Air - TC (Net)	$10	$38	$60	$2	$0	$0	$0
Env. Compliance - CCR Ruling	$0	$0	$4	$106	$77	$86	$121
Env. Compliance - Effluent Water *	$0	$1	$4	$50	$147	$264	$225
Env. Compliance - Water Intake	$0	$0	$0	$0	$6	$6	$0
New Generation Capacity							
TC2 (Net)	$1	$1	$3	$0	$0	$0	$0
Ohio Falls	$14	$11	$15	$16	$4	$0	$0
NGCC 2015 - CR7	$339	$124	$30	$0	$0	$0	$0
NGCC 2021 - GR5 *	$4	($3)	$0	$0	$3	$97	$496
Brown Solar *	$0	($0)	$10	$25	$0	$0	$0
Other							
CR & TC Black Start	$0	$0	$4	$18	$30	$18	$0
CR MSE Wall, Ash Pond & Landfill Closure	$7	$5	$5	$3	$0	$0	$0
Other	$3	$5	$7	$16	$7	$0	$0
Total Capital and Cost of Removal	$973	$852	$636	$455	$400	$609	$860

* *2014 Charges are in Preliminary Survey and are not shown in Capital in the 2015 BP RAC version*

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2015-2019
Capital Reconciliation (w COR) –Accrual Basis
($M)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Prior Plan	$668	$757	$511	$434	$206
Changes:					
Brown CCR	($14)	($11)	$0	$0	$0
Cane Run CCR Closure	($2)	$0	$1	$0	$0
Ghent CCR	($15)	$0	$0	$0	$0
TC CCR (Net)	$23	($10)	($7)	($57)	$9
MC CCR	($6)	$6	($32)	($4)	$37
Ohio Falls	$1	($6)	($4)	$0	$0
NGCC 2015 - CR7	$6	$0	$0	$0	$0
NGCC 2021 - GR5 *	$85	$394	$152	($52)	($496)
Brown Solar	($10)	($25)	$0	$0	$0
Paddys Demolition	$2	($2)	$0	$0	$0
Canal Demolition	$0	($7)	$0	$6	$0
Env. Air - Brown	$10	$4	$0	$0	$0
Env. Air - Ghent	($19)	$0	$0	$0	$0
Env. Air - Mill Creek	($30)	$48	($0)	$0	$0
Env. Air - TC (Net)	($1)	$3	$0	$0	$0
Env. Compliance - CCR Ruling	$1	($56)	$56	$104	$21
Effluent Water	($3)	($43)	($49)	($167)	($225)
Water Intake	$6	$5	($6)	($6)	$0
Other	($0)	$0	$0	$0	($0)
Current Plan	$636	$455	$400	$609	$860

** Green River 5 was moved to a 2021 in-service date in 2015 BP*

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Financial Performance

2013-2019 Headcount

Department	2013 Year End	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Project Engineering	55	61	61	61	61	61	61
PE Coop/Intern Students	20	10	10	10	10	10	10
VP Transmission/Gen Serv	2	2	2	2	2	2	2
Business Development	2	0	0	0	0	0	0
TOTAL	79	73	73	73	73	73	73
From 2014 Business Plan		68	68	68			
Variance to 2014 Business Plan		5	5	5			

Year to Year Increases (Decreases)	2014	2015	2016	2017	2018	2019
Mechanical Engineer	1					
Electrical Engineer	1					
PE Coop/Intern Students	2					
TOTAL	-6	0	0	0	0	0

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Plan Risks

- **Acceleration of compliance dates by EPA from assumed dates in 2014BP.**
- **Available craft labor resources.**
- **Execution of "no float" schedule on Mill Creek 3 WFGD & PJFF.**
- **Receiving permits on the landfill at Trimble County is within assumed timeframe.**
- **Performance of EPC contractors.**
- **Performance of equipment during commissioning, startup, and initial operation periods**

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Appendix

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Capital Review – Brown CCR

Accrual Basis, $Millions

Authority/ECR Comparison

	Total Projection	Current Authority	ECR Filing	Variance to Authority	Variance to ECR Filing
Aux Pond Phase II	$58	$73	$73	$15	$15
Landfill Phase I	$40	$25	$25	($15)	($15)
Main AP Closure Plan	$19			($19)	($19)
Ash & Gypsum Transport	$69	$57	$59	($12)	($10)
Landfill Phase II & III	$28	$0	$0	($28)	($28)
Total	$214	$155	$157	($40)	($38)

Business Plan Comparison

	Pre-2014	2014	2015	2016	2017	2018	2019	Post 2019	Total
2014 BP									
Aux Pond Phase II	$58	$0	$0	$0	$0	$0	$0	$0	$58
Landfill Phase I	$24	$10	$3	$0	$0	$0	$0	$0	$37
Main AP Closure Plan	$0	$0	$0	$0	$0	$0	$0	$0	$0
Ash & Gypsum Transport	$11	$33	$29	$0	$0	$0	$0	$0	$72
Landfill Phase II & III	$0	$0	$2	$10	$3	$13	$0	$0	$28
Total 2014 BP	$92.5	$42.9	$33.8	$9.6	$3.2	$13.1	$0.0	$0.0	$195.1
2015 BP									
Aux Pond Phase II	$58	$0	$0	$0	$0	$0	$0	$0	$58
Landfill Phase I	$28	$5	$7	$0	$0	$0	$0	$0	$40
Main AP Closure Plan	$0	$1	$6	$11	$0	$0	$0	$0	$19
Ash & Gypsum Transport	$1	$36	$32	$0	$0	$0	$0	$0	$69
Landfill Phase II & III	$0	$0	$2	$10	$3	$13	$0	$0	$28
Total 2015 BP	$87	$42	$48	$21	$3	$13	$0	$0	$214
Variance to 2014 BP									
Aux Pond Phase II	($0)	$0	$0	$0	$0	$0	$0	$0	($0)
Landfill Phase I	($4)	$6	($4)	$0	$0	$0	$0	$0	($3)
Main AP Closure Plan	$0	($1)	($6)	($11)	$0	$0	$0	$0	($19)
Ash & Gypsum Transport	$10	($3)	($4)	($0)	$0	$0	$0	$0	$3
Landfill Phase II & III	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Variance to 2014 BP	$6	$1	($14)	($11)	$0	$0	$0	$0	($19)

Key Messages

- The ECR Filing for Phase I of the Landfill and the Transport system was made in June 2011.
- Phase II has been accelerated 3 years and will start contruction upon completion of Phase I.

Phase II and Phase III will be constructed consecutively as Phase II which was necessary to obtain KYDWM permit.

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Capital Review – Cane Run CCR

Accrual Basis, $Millions

Authority Comparison

	Total Projection	Current Authority	Variance to Authority
Cane Run MSE Wall	$5	$5	$0
Cane Run Ash Pond and Landfill Closure	$17	$15	$2
Total	$22	$20	$2

Business Plan Comparison

	Pre-2014	2014	2015	2016	2017	2018	2019	Post 2019	Total
2014 BP									
Cane Run MSE Wall	$4	$1	$0	$0	$0	$0	$0	$0	$5
Cane Run Ash Pond and Landfill Closur	$4	$3	$3	$3	$1	$0	$0	$0	$15
Total 2014 BP	$8	$4	$3	$3	$1	$0	$0	$0	$20
2015 BP									
Cane Run MSE Wall	$3	$2	$0	$0	$0	$0	$0	$0	$5
Cane Run Ash Pond and Landfill Closur	$6	$3	$5	$3	$0	$0	$0	$0	$17
Total 2015 BP	$9	$5	$5	$3	$0	$0	$0	$0	$22
Variance to 2014 BP									
Cane Run MSE Wall	$1	($1)	$0	$0	$0	$0	$0	$0	($0)
Cane Run Ash Pond and Landfill Closur	($2)	$0	($2)	$0	$1	$0	$0	$0	($2)
Total Variance to 2014 BP	($1)	($1)	($2)	$0	$1	$0	$0	$0	($2)

Key Messages

- Change in scope from New Landfill to an MSE Wall was made in 2012.

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Capital Review – Ghent CCR

Accrual Basis, $Millions

Authority/ECR Comparison

	Total Projection	Current Authority	ECR Filing	Variance to Authority	Variance to ECR Filing
Landfill Phase I/Fines & Transport	$341	$341	$205	$0	($137)
Landfill Phase II, III, Close & Cap	$135	$0	$0	($135)	($135)
Total	$476	$341	$205	($135)	($272)

Business Plan Comparison

	Pre-2014	2014	2015	2016	2017	2018	2019	Post 2019	Total
2014 BP									
Landfill Phase I	$54	$8	$2	$0	$0	$0	$1	$3	$68
Fines & Transport	$234	$20	$0	$0	$0	$0	$0	$0	$255
Landfill Phase II, III, Close & Cap	$0	$0	$0	$0	$0	$0	$0	$135	$135
Total 2014 BP	$288	$28	$2	$0	$0	$0	$1	$138	$457
2015 BP									
Landfill Phase I	$45	$3	$8	$0	$0	$0	$1	$3	$59
Fines & Transport	$251	$21	$10	$0	$0	$0	$0	$0	$282
Landfill Phase II, III, Close & Cap	$0	$0	$0	$0	$0	$0	$0	$135	$135
Total 2015 BP	$296	$24	$18	$0	$0	$0	$1	$138	$476
Variance to 2014 BP									
Landfill Phase I	$9	$5	($5)	$0	$0	$0	($0)	$0	$9
Fines & Transport	($17)	($1)	($10)	$0	$0	$0	$0	$0	($27)
Landfill Phase II, III, Close & Cap	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Variance to 2014 BP	($8)	$5	($15)	$0	$0	$0	($0)	$0	($19)

Key Messages

- The increase over the ECR Filing is due to the Transport System going from Preliminary to Level I engineering, unexpected underground interferences, excusable events with EPC, and final permit design conditions against design.

PPL companies

Capital Review – Mill Creek CCR

Accrual Basis, $Millions

Authority/ECR Comparison

	Total Projection	Current Authority	ECR Filing	Variance to Authority	Variance to ECR Filing
Mill Creek Landfill Expansion	$92	$0	$0	($92)	($92)
Mill Creek CCRT - Transport	$80	$0	$0	($80)	($80)
Total	$172	$0	$0	($172)	($172)

Business Plan Comparison

	Pre-2014	2014	2015	2016	2017	2018	2019	Post 2019	Total
2014 BP									
Mill Creek Landfill Expansion	$0	$0	$1	$7	$2	$14	$19	$46	$88
Mill Creek CCRT - Transport	$0	$0	$0	$0	$5	$43	$34	$0	$82
Total 2014 BP	$0	$0	$1	$7	$7	$57	$53	$46	$171
2015 BP									
Mill Creek Landfill Expansion	$0	$0	$7	$1	$9	$19	$7	$48	$92
Mill Creek CCRT - Transport	$0	$0	$0	$0	$30	$41	$9	$0	$80
Total 2015 BP	$0	$0	$7	$1	$39	$61	$16	$48	$172
Variance to 2014 BP									
Mill Creek Landfill Expansion	$0	($0)	($6)	$6	($7)	($6)	$12	($3)	($3)
Mill Creek CCRT - Transport	$0	$0	$0	$0	($25)	$2	$25	$0	$2
Total Variance to 2014 BP	$0	($0)	($6)	$6	($32)	($4)	$37	($3)	($1)

Key Messages

- Plan includes purchase of new land, 1.5 mile pipe conveyor, new remote SFC, and utilization of existing FA and Gypsum systems.

PPL companies

Capital Review – Trimble County CCR

Accrual Basis, $Millions

Authority/ECR Comparison

	Total Projection	Current Authority	ECR Filing	Variance to Authority	Variance to ECR Filing
BAP/GSP	$28	$30	$25	$2	($3)
Landfill Phase I/Treatment & Transpor	$322	$76	$73	($246)	($249)
Landfill Phase II, III, & IV	$180	$0	$0	($180)	($180)
Holcim	$9	$9	$8	$0	($1)
Total	$539	$115	$106	($424)	($433)

Business Plan Comparison

	Pre-2014	2014	2015	2016	2017	2018	2019	Post 2019	Total
2014 BP									
BAP/GSP	$29	$0	$0	$0	$0	$0	$0	$0	$29
Landfill Phase I	$10	$2	$19	$28	$32	$8	$10	$2	$112
Treatment & Transport	$8	$1	$29	$86	$42	$0	$0	$0	$165
Landfill Phase II, III, Close & Cap	$0	$0	$0	$0	$0	$0	$0	$148	$148
Holcim	$9	$0	$0	$0	$0	$0	$0	$0	$9
Total 2014 BP	$57	$3	$48	$113	$74	$9	$10	$150	$463
2015 BP									
BAP/GSP	$28	$0	$0	$0	$0	$0	$0	$0	$28
Landfill Phase I	$12	$3	$5	$44	$38	$42	$1	$3	$148
Treatment & Transport	$7	$0	$20	$80	$44	$23	$0	$0	$174
Landfill Phase II, III, Close & Cap	$0	$0	$0	$0	$0	$0	$0	$180	$180
Holcim	$9	$0	$0	$0	$0	$0	$0	$0	$9
Total 2015 BP	$57	$3	$25	$124	$81	$65	$1	$183	$539
Variance to 2014 BP									
BAP/GSP	$0	$0	$0	$0	$0	$0	$0	$0	$0
Landfill Phase I	($2)	($1)	$14	($16)	($5)	($34)	$9	($1)	($36)
Treatment & Transport	$1	$1	$9	$6	($2)	($23)	$0	$0	($9)
Landfill Phase II, III, Close & Cap	$0	$0	$0	$0	$0	$0	$0	($31)	($31)
Holcim	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Variance to 2014 BP	($0)	($0)	$23	($10)	($7)	($57)	$9	($32)	($75)

Key Messages

- All numbers are net of IMPA/IMEA reimbursement.
- The increase over the ECR Filing is due to refined engineering on the Transport System, permit delays, new landfill layout, and project contingencies added.
- Permitting issues have delayed Phase I at least 2 years.

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PPL companies

Capital Review – Ohio Falls

Accrual Basis, $Millions

Authority Comparison

	Total Projection	Current Authority	Variance
Ohio Falls	$139	$130	($8)

Business Plan Comparison

	Pre-2014	2014	2015	2016	2017	2018	2019	Post 2019	Total
2014 BP	$95	$17	$16	$10	$0	$0	$0	$0	$138
2015 BP	$93	$11	$15	$16	$4	$0	$0	$0	$139
Variance to 2014 BP	$2	$6	$1	($6)	($4)	$0	$0	$0	($1)

Key Messages

- Above figures include removal costs of $9.7M.
- 74% of this project has been negotiated into a lump sum contract with Voith.
- Variance driven by need to rewind all generators not originally included in scope.

PPL companies

Capital Review – Cane Run 7

Accrual Basis, $Millions

Authority Comparison

	Total Projection	Current Authority	Variance
CCGT 2015 Cane Run	$563	$579	$16

Business Plan Comparison

	Pre-2014	2014	2015	2016	2017	2018	2019	Post 2019	Total
2014 BP	$387	$125	$36	$0	$0	$0	$0	$0	$549
2015 BP	$408	$124	$30	$0	$0	$0	$0	$0	$563
Variance to 2014 BP	($20)	$1	$6	$0	$0	$0	$0	$0	($14)

- The CCGT 2015 modeled on a 2 x 1, 640MW (summer, net) and assumes a 2nd quarter 2015 in-service date.
- Additional cost includes $6M for Weather Claim, $5M for Contingency, and $2.5M for Switchyard changes.

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Capital Review – Green River 5

Accrual Basis, $Millions

Authority Comparison

	Total Projection	Current Authority	Variance
CCGT 2018	$816	$8	($809)

Business Plan Comparison

	Pre-2014	2014	2015	2016	2017	2018	2019	Post 2019	Total
2014 BP	$2	$1	$85	$394	$155	$45	$0	$0	$683
2015 BP	$4	$2	$0	$0	$3	$97	$496	$214	$816
Variance to 2014 BP	($1)	($1)	$85	$394	$152	($52)	($496)	($214)	($134)

- The CCGT 2018 is modeled after CR7 with 10% added plus 4% annual escalation

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Capital Review – Brown Solar

Accrual Basis, $Millions

Authority Comparison

	Total Projection	Current Authority	Variance
Brown Solar	$35	$3	$240

Business Plan Comparison

	Pre-2014	2014	2015	2016	2017	2018	2019	Post 2019	Total
2014 BP	$0	$0	$0	$0	$0	$0	$0	$0	$0
2015 BP	$0	$0	$10	$25	$0	$0	$0	$0	$35
Variance to 2014 BP	($0)	($0)	($10)	($25)	$0	$0	$0	$0	($35)

Key Messages

- **Brown Solar was not included in the 2014 BP**
- **Costs are based on HDR's Initial Siting Study in 2014 dollars and were cash flowed into 2014 - 2016 4% based on 2014 dollars.**

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Capital Review – Black Starts

Accrual Basis, $Millions

Authority Comparison

	Total Projection	Current Authority	Variance
Blackstart - Trimble County	$34	$0	($34)
Black Start - Cane Run	$35	$0	($35)
Total	$70	$0	($70)

Business Plan Comparison

	Pre-2014	2014	2015	2016	2017	2018	2019	Post 2019	Total
2014 BP									
Black Start - Trimble County	$0	$0	$4	$14	$16	$0	$0	$0	$34
Black Start - Cane Run	$0	$0	$0	$4	$14	$18	$0	$0	$35
Total 2014 BP	$0	$0	$4	$18	$30	$18	$0	$0	$70
2015 BP									
Black Start - Trimble County	$0	$0	$4	$14	$16	$0	$0	$0	$34
Black Start - Cane Run	$0	$0	$0	$4	$14	$18	$0	$0	$35
Total 2015 BP	$0	$0	$4	$18	$30	$18	$0	$0	$70
Variance to 2014 BP									
Black Start - Trimble County	$0	$0	$0	$0	$0	$0	$0	$0	$0
Black Start - Cane Run	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Variance to 2014 BP	$0	$0	$0	$0	$0	$0	$0	$0	$0

Key Messages

- Project Engineering took the Gen Services budget and added 5% for non-PE Labor expenses and 5% contingency.

PPL companies

Capital Review – Paddys Run & Canal Demolition

Accrual Basis, $Millions

Authority Comparison

	Total Projection	Current Authority	Variance
Paddy's Run Demolition	$17	$2	($15)
Canal Demolition	$14	$0	($14)
Total	$31	$3	($29)

Business Plan Comparison

	Pre-2014	2014	2015	2016	2017	2018	2019	Post 2019	Total
2014 BP									
Paddy's Run Demolition	$1	$1	$8	$7	$0	$0	$0	$0	$17
Canal Demolition	$0	$1	$0	$0	$7	$6	$0	$0	$13
Total 2014 BP	$1	$1	$8	$7	$7	$6	$0	$0	$30
2015 BP									
Paddy's Run Demolition	$1	$0	$7	$9	$0	$0	$0	$0	$17
Canal Demolition	$0	$0	$0	$7	$7	$0	$0	$0	$14
Total 2015 BP	$1	$1	$7	$16	$7	$0	$0	$0	$31
Variance to 2014 BP									
Paddy's Run Demolition	$0	$0	$2	($2)	$0	$0	$0	$0	($0)
Canal Demolition	$0	$0	$0	($7)	$0	$6	$0	$0	($1)
Total Variance to 2014 BP	$0	$1	$2	($9)	$0	$6	$0	$0	($1)

Key Messages

- $1.1M was spent in 2012 for the stack demolition on Paddy's Run. The remaining amounts were shifted out to 2015 through 2018.

PPL companies

Capital Review – Brown Air Compliance

Accrual Basis, $Millions

Authority Comparison

	Total Projection	Current Authority	Variance
Brown 3	$92	$92	$0

Business Plan Comparison

	Pre-2014	2014	2015	2016	2017	2018	2019	Post 2019	Total
2014 BP	$18	$36	$38	$0	$0	$0	$0	$0	$92
2015 BP	$18	$41	$33	$0	$0	$0	$0	$0	$92
Variance to 2014 BP	$0	($5)	$6	$0	$0	$0	$0	$0	$1

- The ECR Filing excluded removal costs of $2M.
- BR 1 & 2 Fabric Filter removed from 2014BP.

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Capital Review – Ghent Air Compliance

Accrual Basis, $Millions

Authority/ECR Comparison	Total Projection	Current Authority	ECR Filing	Variance to Authority	Variance to ECR Filing
Ghent 1	$180	$173	$164	($6)	($16)
Ghent 2	$146	$140	$165	($6)	$19
Ghent 3	$173	$179	$198	$6	$25
Ghent 4	$152	$158	$185	$6	$33
Total	$651	$651	$712	$0	$61

Business Plan Comparison	Pre-2014	2014	2015	2016	2017	2018	2019	Post 2019	Total
2014 BP									
Ghent 1	$60	$60	$27	$0	$0	$0	$0	$0	$146
Ghent 2	$41	$35	$58	$4	$0	$0	$0	$0	$137
Ghent 3	$120	$50	$1	$0	$0	$0	$0	$0	$170
Ghent 4	$80	$58	$7	$0	$0	$0	$0	$0	$145
Total 2014 BP	$301	$202	$92	$4	$0	$0	$0	$0	$599
2015 BP									
Ghent 1	$60	$83	$37	$0	$0	$0	$0	$0	$180
Ghent 2	$39	$39	$64	$4	$0	$0	$0	$0	$146
Ghent 3	$121	$51	$1	$0	$0	$0	$0	$0	$173
Ghent 4	$85	$58	$9	$0	$0	$0	$0	$0	$152
Total 2015 BP	$305	$231	$111	$4	$0	$0	$0	$0	$651
Variance to 2014 BP									
Ghent 1	($0)	($23)	($10)	$0	$0	$0	$0	$0	($33)
Ghent 2	$2	($4)	($7)	($0)	$0	$0	$0	$0	($9)
Ghent 3	($1)	($1)	$0	$0	$0	$0	$0	$0	($2)
Ghent 4	($4)	($1)	($2)	$0	$0	$0	$0	$0	($7)
Total Variance to 2014 BP	($4)	($29)	($19)	($0)	$0	$0	$0	$0	($52)

Key Messages

- 2015 BP based on IC request and approval in May 2014.
- SCR Turn-Downs were removed in the amounts for units 1, 3 & 4.
- SAM Mitigation is not included in the amounts for all Ghent units.
- The ECR filing does not include Removal costs of $1.3M.

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Capital Review – Mill Creek Air Compliance

Accrual Basis, $Millions

Authority/ECR Comparison	Total Projection	Current Authority	ECR Filing	Variance to Authority	Variance to ECR Filing
Mill Creek 1	$167	$195	$331	$28	$165
Mill Creek 2	$177	$190	$328	$13	$151
Mill Creek 3	$291	$287	$223	($4)	($68)
Mill Creek 4	$314	$270	$386	($44)	$72
Total	$948	$942	$1,268	($7)	$320

Business Plan Comparison	Pre-2014	2014	2015	2016	2017	2018	2019	Post 2019	Total
2014 BP									
Mill Creek 1	$69	$60	$32	$13	$0	$0	$0	$0	$175
Mill Creek 2	$65	$54	$36	$14	$0	$0	$0	$0	$168
Mill Creek 3	$46	$35	$130	$73	$3	$0	$0	$0	$287
Mill Creek 4	$133	$98	$25	$17	$0	$0	$0	$0	$275
Total 2014 BP	$314	$248	$223	$117	$3	$0	$0	$0	$905
2015 BP									
Mill Creek 1	$66	$61	$34	$5	$0	$0	$0	$0	$167
Mill Creek 2	$47	$91	$32	$7	$0	$0	$0	$0	$177
Mill Creek 3	$48	$27	$165	$49	$1	$0	$0	$0	$291
Mill Creek 4	$141	$142	$21	$7	$1	$0	$0	$0	$314
Total 2015 BP	$302	$322	$252	$69	$3	$0	$0	$0	$948
Variance to 2014 BP									
Mill Creek 1	$3	($1)	($2)	$8	($0)	$0	$0	$0	$8
Mill Creek 2	$18	($37)	$4	$7	($0)	$0	$0	$0	($9)
Mill Creek 3	($1)	$8	($36)	$24	$2	$0	$0	$0	($4)
Mill Creek 4	($8)	($44)	$4	$10	($1)	$0	$0	$0	($39)
Total Variance to 2014 BP	$12	($74)	($30)	$48	($0)	$0	$0	$0	($44)

Key Messages

- $13M related to the MC 3 and 4 SAM are not included in the ECR filing as it was part of an earlier filing The ECR filing does not include removal costs of $8M.
- Variance is due to actual Target Price based EPC, FGD,Equipment, and Fabric Filter EPA contracts being less than the Level I Engineering Study performed by Black & Veatch. The ECR Filing was based on that Level I Study.
- Distribution Drive included in Unit 1

PPL companies

Capital Review – Trimble County Air Compliance

Accrual Basis, $Millions

Authority/ECR Comparison

	Total Projection	Current Authority	ECR Filing	Variance to Authority	Variance to ECR Filing
Trimble 1	$114	$115	$124	$0	$9

Business Plan Comparison

	Pre-2014	2014	2015	2016	2017	2018	2019	Post 2019	Total
2014 BP	$15	$39	$59	$5	$0	$0	$0	$0	$118
2015 BP	$14	$38	$60	$2	$0	$0	$0	$0	$114
Variance to 2014 BP	$1	$1	($1)	$3	$0	$0	$0	$0	$4

Key Messages

- All numbers are net of IMPA/IMEA reimbursement.

PPL companies

Capital Review – CCR Ruling

Accrual Basis, $Millions

Authority Comparison

There is no ECR Filing or Approved Authority Amount associated with the CCR Ruling Projects.

Business Plan Comparison

	Pre-2014	2014	2015	2016	2017	2018	2019	Post 2019	Total
2014 BP	$0	$2	$5	$50	$133	$190	$142	$0	$522
2015 BP	$0	$0	$4	$106	$77	$86	$121	$130	$523
Variance to 2014 BP	$0	$2	$1	($56)	$56	$104	$21	($130)	($1)

Key Messages

- **Majority of projects remained in 2015 through 2019 in the 2014 BP due to timing and uncertainty of ruling. Costs in 2014 in the 2014 BP are mainly engineering and development of construction packages.**

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Capital Review – Effluent Water

Accrual Basis, $Millions

Authority Comparison

There is no ECR Filing or Approved Authority Amount associated with the Effluent Water Projects.

Business Plan Comparison

	Pre-2014	2014	2015	2016	2017	2018	2019	Post 2019	Total
2014 BP	$0	$0	$1	$8	$97	$98	$0	$0	$203
2015 BP	$0	$0	$4	$50	$147	$264	$225	$285	$974
Variance to 2014 BP	$0	$0	($3)	($43)	($49)	($167)	($225)	($285)	($771)

Key Messages

- Pre 2015 numbers are Preliminary Survey (~$3M).
- Amounts represent the mid-points of CH2MHill estimates.
- Contingency was not added to Consultant's estimates, but they are adjusted for inflation.
- The KPDES cost components of the ELG estimates are based on one third of the total ELG estimate plus $26M.

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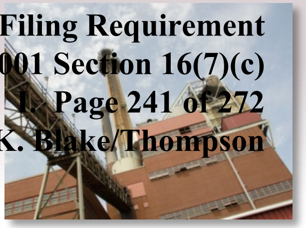

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Customer Services

2015 Business Plan

September 5, 2014

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Plan Highlights

Customer focus is a core value at LG&E and KU. Customer Services strives to provide safe, reliable, and reasonable cost service to our customers, improving the quality of life in the areas we serve. Additionally, we are committed to enhancing our relationship with our customers by delivering positive experiences that create value and build trust.

- Funding levels within the proposed plan are established with the following priorities in mind:
  - Employee and public safety including compliance with industry regulatory requirements
  - Continuing Energy Efficiency programs and services for our customers
  - Maintaining operational performance levels
  - Investing in technology to enhance customer experience
  - Facility improvements based on Master Facility Plan
  - Managing "best in class" bad debt expense

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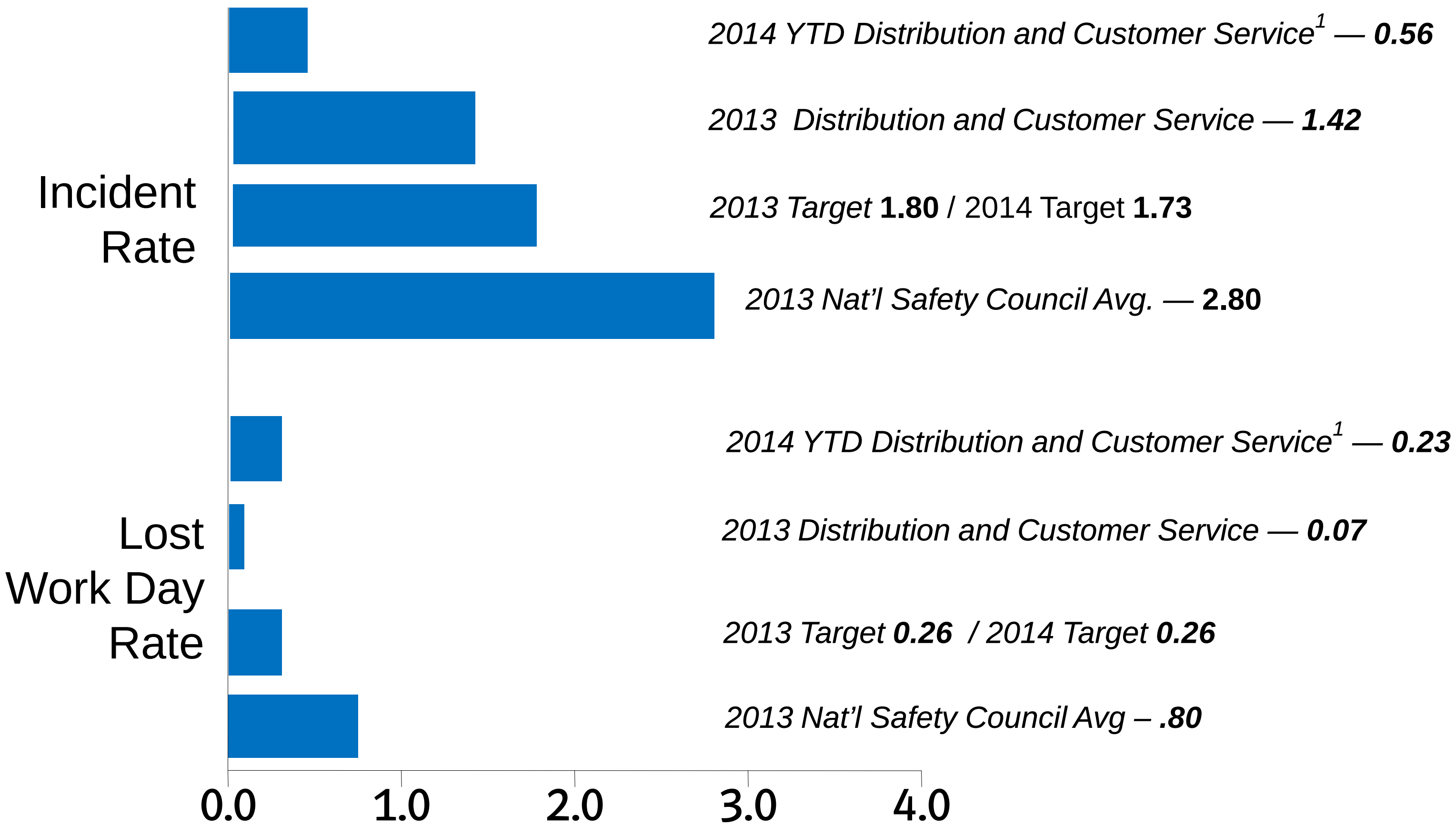
Plan Highlights

Safety Performance



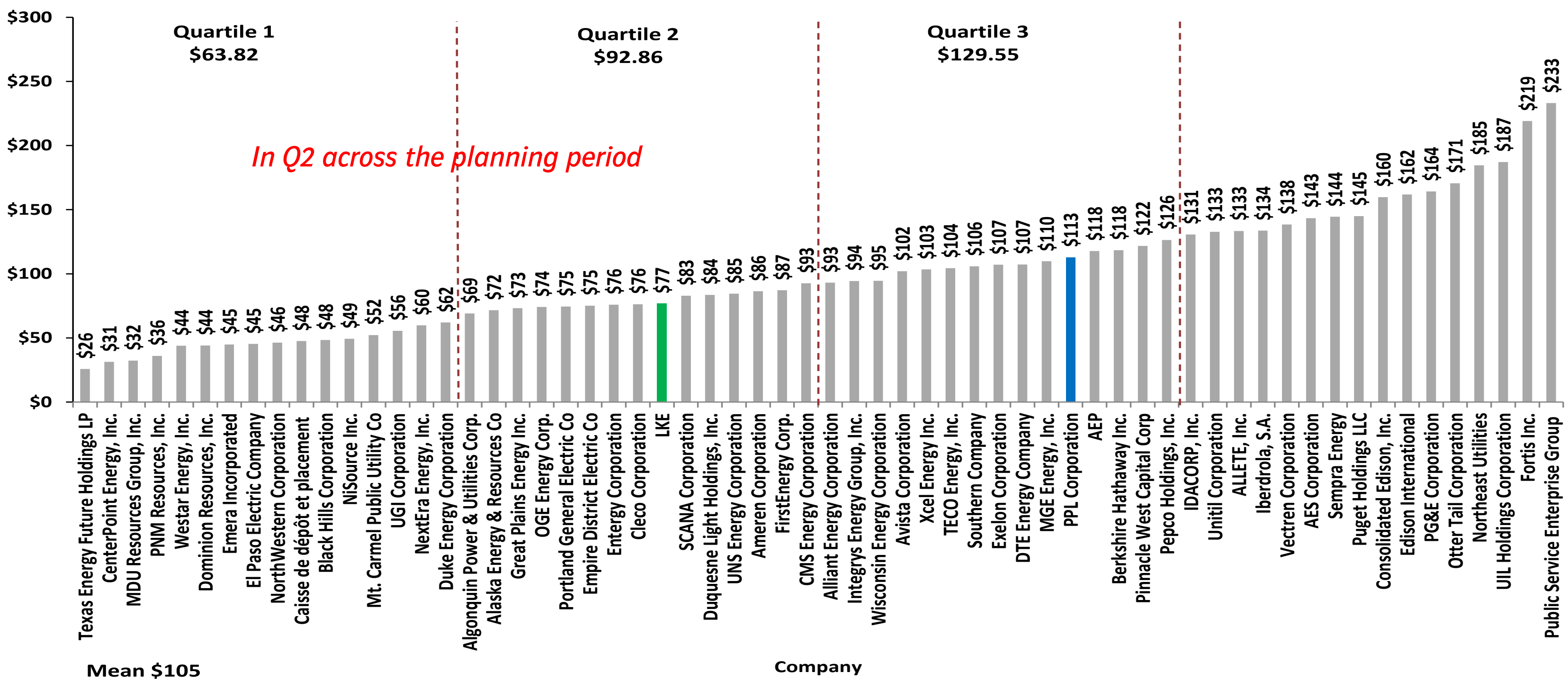
[1]As of July YTD 2014

PPL companies

Plan Highlights

Total Retail Electric O&M Cost per Customer Performance

Overall Retail Electric O&M Expenditures per Customer
FERC Utility Cost Benchmarking - 2013 Data (Electric Only)

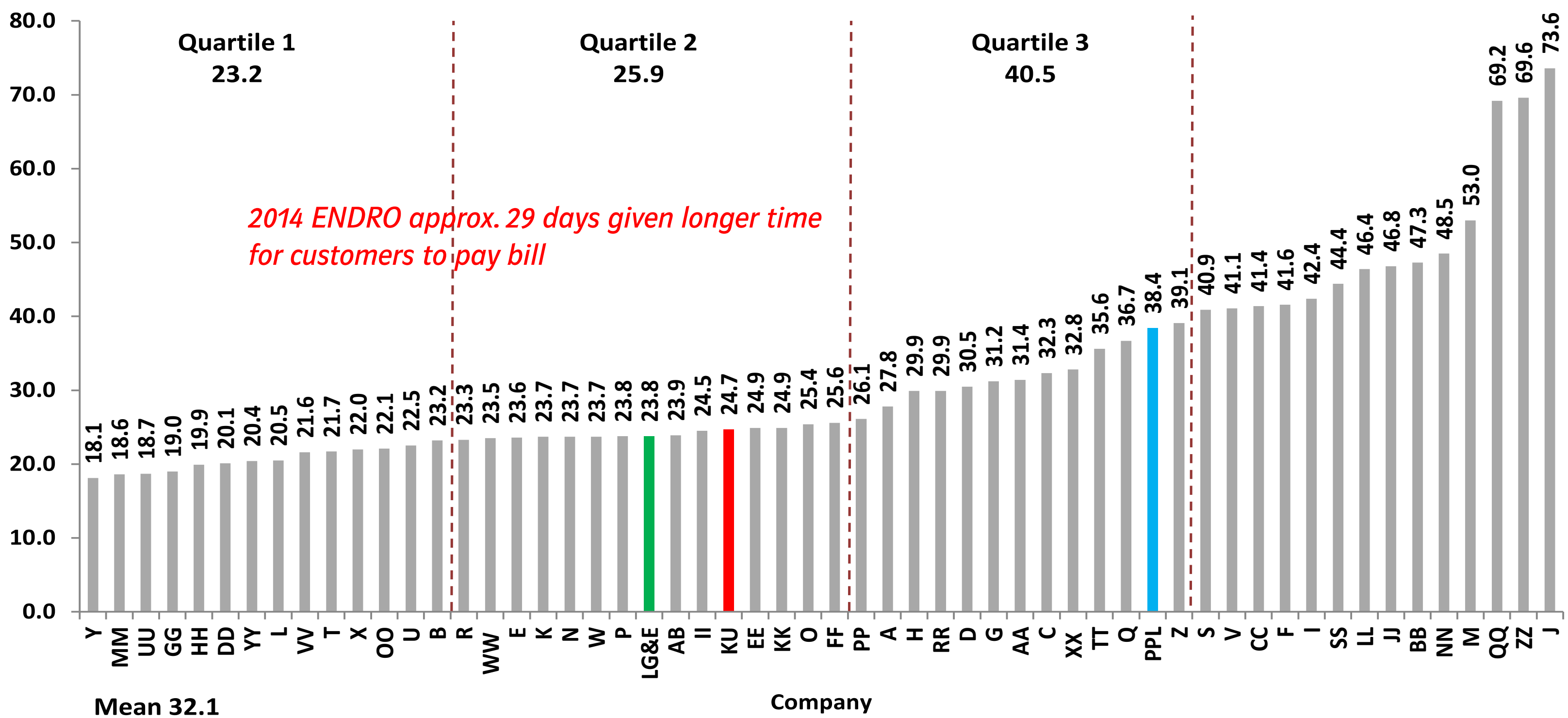


PPL companies

Plan Highlights

Estimated Number of Days of Revenue Outstanding (ENDRO)

ENDRO
AGA EEI DataSource - 2013 Data



Note: January 2013 Rate Case granted customers more time to pay (minimum 22 calendar days vs. 12 calendar days).

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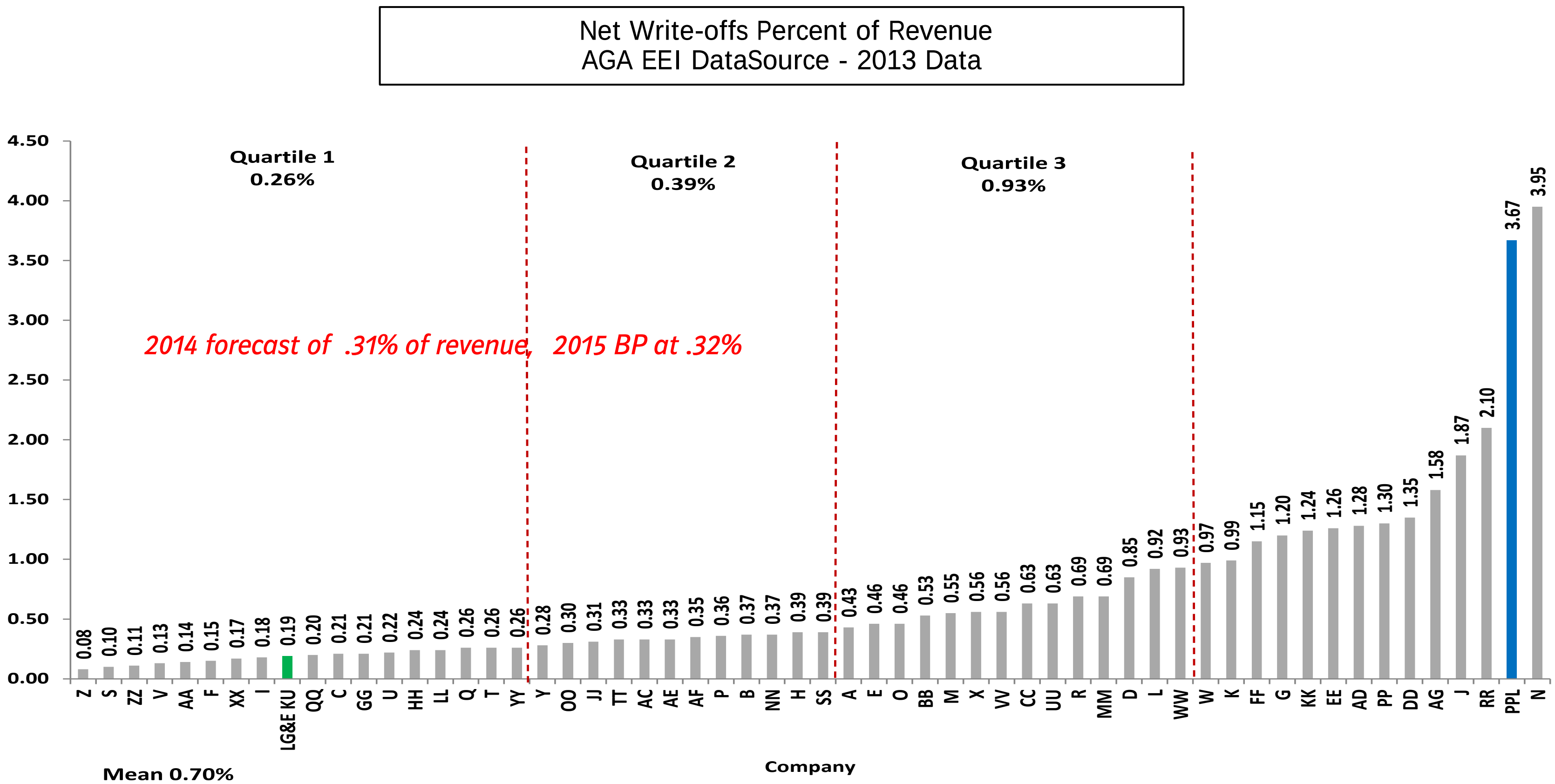
Plan Highlights

Net Write-Offs as a Percent of Revenues to Ultimate Customers



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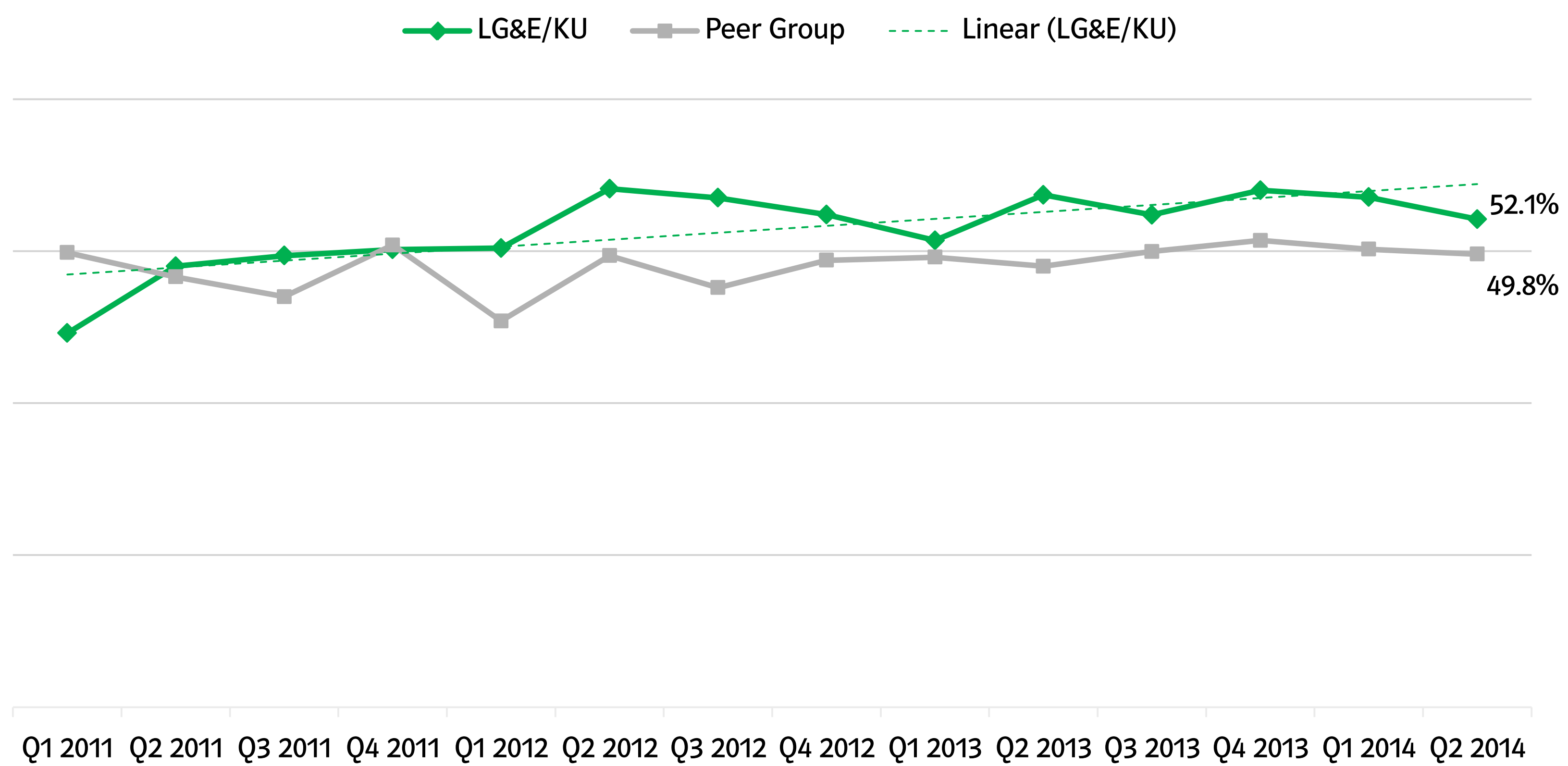
Plan Highlights

Residential Customers – Satisfaction Survey

Measured as “Top Two Box” (score of 9 or 10 on 10-point scale)



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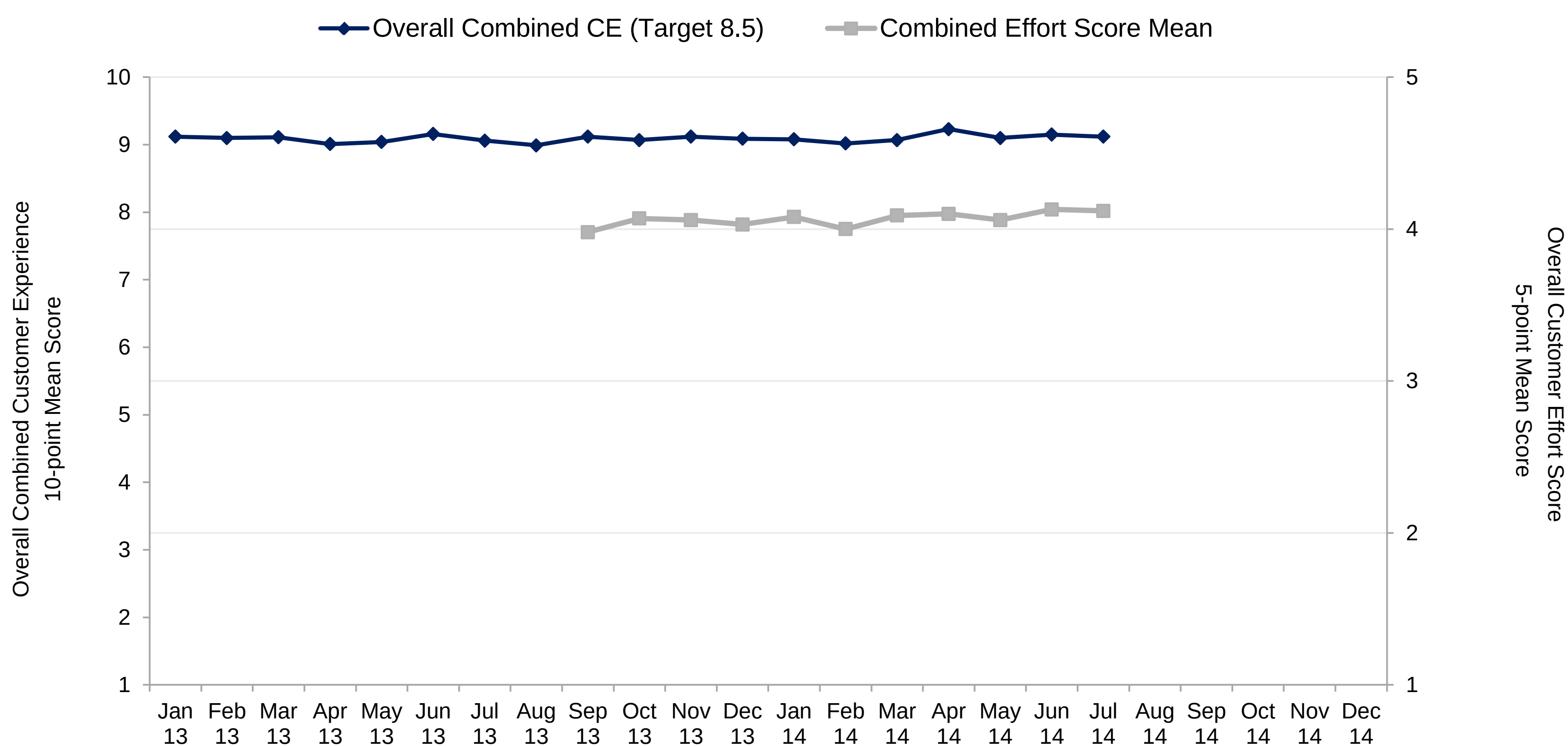
Plan Highlights

All Customer Contact Channels

Combined “Customer Experience” vs “Combined Effort” Score



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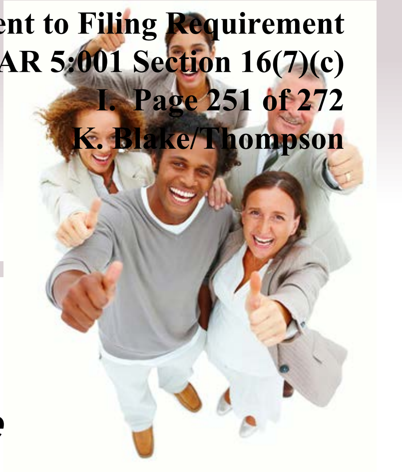
Plan Highlights

- Safety and Wellness
  - *Maintain industry leading performance*
  - *Enhance operational effectiveness within the COO organization*
  - *Support the transfer of safety knowledge from seasoned to new employees*
  - *Ensure a comprehensive safety/technical training plan is in place for all employees*
  - *Continue to improve workforce, business partners and public safety*
  - *Continue to improve motor vehicle safety*
  - *Identify, share and capitalize on industry best practices*
  - *Promote wellness as an aspect of safety*

Plan Highlights



- Customer Experience
  - *Advance corporate-wide "Customer Experience" strategy/initiative*
  - *Continue tracking new Customer Satisfaction Index in parallel to Top Two Box score on Company's residential satisfaction study*
  - *Continue investments in enhanced customer contact channels and the migration to a Corporate "Unified Communications" platform*
  - *Enhance our "Customer Advocacy" role through partnerships with customer focus groups*
  - *Continue commitment to corporate citizenship and community involvement*
  - *Continue to deliver the current portfolio of customer energy efficiency programs, including customer education on the need for energy efficiency*
  - *Advance our understanding of customer behavior while gaining insight into customer needs*

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Plan Highlights

- OPEX
  - *On target in 2014 to achieve 7&5 approved forecast.*
  - *Compounded Annual Growth Rate (CAGR) from 2014-2019 is 2.2% in total and 2.5% without bad debt.*
  - *Major Initiatives:*
    - Customer Experience Strategy
    - Rate Case Filings
    - Right of Way Document Preservation Program
    - SAP CRM7.X Upgrade
  - *Major Financial Risks:*
    - Customer Hardship and Uncollectible Accounts
    - Industry Regulatory Uncertainty

PPL companies

Plan Highlights

- Cost of Sales
  - *On target in 2014 to achieve 7&5 approved forecast.*
  - *Compounded Annual Growth Rate (CAGR) from 2014-2019 is (5.7%).*
  - *Major Initiatives:*
    - Energy Efficiency Continuance
- Capital
  - *On target in 2014 to achieve 7&5 approved forecast.*
  - *Compounded Annual Growth Rate (CAGR) from 2014-2019 is (6.0%) in total and (12.1%) without DSM.*
  - *Major Capital Initiatives:*
    - Energy Efficiency Programs and Services
    - Master Facility Plan Implementation
    - Gas and Electric Meters

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Major Assumptions

- The “Customer Experience” will continue to be a significant focus across the Company.
- Customer expectations regarding levels of service and availability of information will continue to increase.
- Rate case filings during the planning period will impact customers and internal workloads.
- Bad debt expense is based on .32% of projected revenues through the planning period.
- Incremental capital costs are included for facility improvements based on the Master Facility Plan.
- With the CCS SAP CRM7.x system replacement, 25 additional positions will be needed for approximately 2-3 years. The $2.8m estimate of incremental OPEX is included in the Business Plan.

LG&E KU
PPL companies

Major Assumptions

- Energy Efficiency projects and education will continue to be an area of focus.
- 2014 Energy Efficiency Filing for program changes starting in 2015 is successful.
- Energy Efficiency contains dollars in 2019 associated with the continuation of WeCare, DLC, Customer Education, and Admin. KPSC approval for these expenditures will be sought in 2018.
- No regulatory and legislative action to mandate smart meter / smart grid occurs during the planning period.

PPL companies

Financial Review – Prior Plan to Plan Expectation Reconciliation ($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
OPEX (O&M and BTL):					
Prior Plan Amount	84,750	87,292	90,931	95,353	95,411
Adjustments/Transfers:					
Security : Transfer from EDO	3,148	3,235	3,300	3,374	3,442
Safety & Tech Training : Transfer to COO	(146)	(150)	(155)	(160)	(164)
Meter Readers : Delay to Apr 2016	(328)	(84)	-	-	-
HVAC Costs (Offset in Clearing)	225	225	225	225	225
Business Offices : Transfer to CFO	(55)	(56)	(57)	(58)	(59)
Plan Adjustment	(2,137)	(2,400)	(2,625)	(2,698)	(2,698)
Current Plan Expectation	85,457	88,062	91,619	96,036	96,157
GM EXP (OCOS):					
Prior Plan Amount	37,245	38,629	40,411	42,260	42,260
Adjustments/Transfers:					
Current Plan Expectation	37,245	38,629	40,411	42,260	42,260

LG&E KU
PPL companies

Financial Performance - OPEX

2013-2019 O&M and Other Income/Expenses ($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
O&M Expenses Only:							
Labor	**36,343**	**38,722**	**39,978**	**41,869**	**43,282**	**44,581**	**45,918**
Non-Labor							
Bad Debt Expense	5,243	12,000	10,100	10,500	11,200	11,700	12,100
Outside Services	23,851	24,342	24,825	24,953	26,909	25,585	26,075
Materials	2,322	2,095	2,372	2,457	2,532	2,582	2,634
Transportation	1,807	1,841	1,513	1,705	1,742	1,777	1,812
Postage	5,030	5,221	5,353	5,679	5,898	6,016	6,136
Other Non-Labor [1]	7,058	2,993	2,577	2,620	2,621	2,720	2,895
Total Non-Labor	**45,311**	**48,492**	**46,740**	**47,914**	**50,902**	**50,380**	**51,652**
Subtotal O&M Expense	**81,654**	**87,214**	**86,718**	**89,783**	**94,184**	**94,961**	**97,570**
Other Income/Expense*	2,752	2,772	2,404	2,465	2,523	2,573	2,624
* (see OIE slide for detail)							
Total OPEX	**84,406**	**89,986**	**89,122**	**92,248**	**96,707**	**97,534**	**100,194**

[1] 2013 includes costs for the LG&E Center, KU General Office, Simpsonville & Morganfield, which were transferred to clearing in 2014.

LG&E KU
PPL companies

Financial Performance - OPEX

2013-2019 Other Income/Expenses (incl. BTL) ($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
OIE / BTL Expenses Only :							
Labor	51	100	123	127	130	134	138
Contributions	2,078	2,273	1,817	1,867	1,902	1,940	1,979
Employee Recognition	343	363	374	384	390	396	402
Meals and Meetings Exp.	149	16	2	2	2	2	2
Other	131	20	88	85	99	101	103
Total OIE / BTL Expense	2,752	2,772	2,404	2,465	2,523	2,573	2,624

LG&E KU
PPL companies

2015-2019 O&M / Other Expense Reconciliation
($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Plan Expectation	85,457	88,062	91,619	96,036	96,157
Drivers:					
Bad Debt Expense	2,397	2,418	2,153	301	2,950
CCS	-	774	2,073	-	-
Gas Meter Reclass from Capital	554	569	580	592	605
Work-Force Plan Impacts	(217)	153	203	216	226
Contract Administration : Xerox	40	198	245	296	337
Revenue Assurance Services	120	85	119	122	124
Customer Communication & Notifications	187	187	164	167	171
Transmission System Impact Studies	99	104	96	81	83
Budget Stretch	-	(395)	(370)	-	-
Other	485	93	(175)	(277)	(459)
Current Plan	89,122	92,248	96,707	97,534	100,194

Increases / (Decreases)

LG&E KU
PPL companies

Financial Performance

2013-2019 Margin Expenses / Cost of Sales
($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Margin Expenses							
Mechanism Recoverable:							
DSM Costs	34,348	35,875	36,665	38,410	40,390	42,355	26,906
Bad Debt Related to GSC	155	244	-	-	-	-	-
Total Margin/Cost of Sales	34,503	36,119	36,665	38,410	40,390	42,355	26,906

PPL companies

2015-2019 Margin/Cost of Sales Reconciliation ($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Mechanism recoverable					
Prior Plan / Plan Expectation	37,245	38,629	40,411	42,260	42,260
Drivers					
Customer Engagement & Programs	(580)	(219)	(21)	95	(15,354)
Current Plan	36,665	38,410	40,390	42,355	26,906

LG&E KU
PPL companies

2013-2019 Capital Breakdown (w COR) – Accrual Basis ($000)

Project	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Retail							
DSM	3,339	2,418	3,093	3,580	5,620	3,659	5,269
Other	99	1,332	375	375	385	385	385
Total Retail	3,438	3,750	3,468	3,955	6,005	4,044	5,654
Metering							
Meter Purchases	4,490	4,960	4,778	4,920	5,068	5,221	5,377
Other	183	557	547	335	335	335	335
Total Metering	4,673	5,517	5,325	5,255	5,403	5,556	5,712
Operating Services							
Tenant Improvements (LG&E Center)	2,957	1,840	1,845	1,845	-	-	-
Furniture & Equipment (LG&E Center)	533	1,097	1,074	1,020	1,025	-	-
Regional Operating Facilities Consolidations	-	-	500	5,386	500	5,529	500
Facility Improvements	1,580	4,400	3,636	330	2,375	347	1,151
Other	1,298	2,326	1,628	1,259	882	895	908
Total Operating Services	6,368	9,663	8,683	9,840	4,782	6,771	2,559
Total Capital and Cost of Removal	14,479	18,930	17,476	19,050	16,190	16,371	13,925

PPL companies

2015-2019
Capital Reconciliation (w COR) – Accrual Basis
($000)

	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Prior Plan	**23,610**	**13,178**	**16,050**	**9,644**	**N / A**
Changes:					
DSM : Demand Load Control	971	1,776	1,821	1,887	
DSM : Smart-Grid Technology	(2,188)	-	2,000	-	
Regional Operating Facilities Consolidations	(5,386)	5,386	(5,529)	5,529	
Property for Facilities Consolidations	500		500		
Facility Improvements	157	(362)	1,681	(347)	
Wellness Center	32	(706)	-	-	
Other	(220)	(222)	(333)	(342)	
Total Changes : Incr / (Decr)	**(6,134)**	**5,872**	**140**	**6,727**	
Current Plan	**17,476**	**19,050**	**16,190**	**16,371**	**13,925**

LG&E KU
PPL companies

Financial Performance

2013-2019 Headcount

Department	2013 Year End	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
VP, Customer Services	2	2	2	2	2	2	2
Operating Services & Business Process Management	37	39	43	48	48	48	48
Revenue Collection & Metering [1]	207	214	215	226	226	226	226
Customer Service & Marketing	369	389	394	394	394	394	394
Energy Efficiency	22	20	25	25	25	25	25
Corporate Security & Business Continuity	8	9	10	10	10	10	10
Interns	1	4	1	1	1	1	1
TOTAL	**646**	**677**	**690**	**706**	**706**	**706**	**706**
From 2014 Business Plan		688	710	712			
Variance to 2014 Business Plan		-11	-20	-6			

Year to Year Increases (Decreases)	2014	2015	2016	2017	2018	2019
1.) Maintenance / Operational	27	16	16			
2.) Compliance – NERC, FERC, CIP, etc.	1					
3.) EPA / Environmental						
4.) Administrative / Corporate	3	-3				
TOTAL	**31**	**13**	**16**	**0**	**0**	**0**
Contractor Offsets By Year: (New hire reducing contractor use)	1	2	13	0	0	0

[1] 2016 includes 11 meter readers from Green River

LG&E KU
PPL companies

Operational Performance

Key Performance Indicators

KPI	2013 Year End	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Overall Customer Experience	9.08	8.50	8.50	8.50	8.50	8.50	8.50
Overall Customer Satisfaction (TIA Points)	21.00	18.00	18.00	18.00	18.00	18.00	18.00
Safety - Employees Incident Rate	1.42	1.73	1.70	1.70	1.70	1.70	1.70
Safety - Contractors Incident Rate	1.11	2.00	1.90	1.90	1.90	1.90	1.90
O&M Cost Per Customer - Retail Electric	76.88	85.90	85.99	88.36	91.83	94.76	81.62

PPL companies

Plan Risks

- Increased Capital and O&M Costs due to Industry Regulatory Actions
- Customer Hardship and Uncollectible Accounts
- Fuel Prices
- Future Energy Efficiency Regulatory Approvals
- Customer Satisfaction Impacts Due to Ongoing Rate Case Filings
- Future Regulatory or Legislative Smart Meter/Grid Requirements

PPL companies

Appendix

2013-2019
Year over Year Walk Forward
OPEX and Other Expense

2013 Actual	**84,406**
Labor Changes	2,428
Bad Debt Expense	6,757
Contributions	194
Operating Services Clearing	(6,997)
Field Services & Meter Reading Outside Services	889
Gas Meters Reclass from Capital	342
Settlement	500
Other Non-Labor (Incl. 2% Inflation)	1,467
2014 FC	**89,986**
Labor Changes	1,279
Bad Debt Expense	(1,900)
Contributions	(456)
Settlement	(500)
Other Non-Labor	713
2015 Budget	**89,122**
Labor Changes	1,895
Bad Debt Expense	400
CCS Project	774
Budget Stretch	(395)
Other Non-Labor	452
2016 Plan	**92,248**

2016 Plan	**92,248**
Labor Changes	1,416
Bad Debt Expense	700
CCS Project	1,299
Budget Stretch	25
Other Non-Labor	1,019
2017 Plan	**96,707**
Labor Changes	1,302
Bad Debt Expense	500
CCS Project	(2,073)
Budget Stretch	370
Other Non-Labor	728
2018 Plan	**97,534**
Labor Changes	1,341
Bad Debt Expense	400
Other Non-Labor	919
2019 Plan	**100,194**

Increases / (Decreases)

LG&E KU PPL companies

2013-2019
Year over Year Walk Forward
GMEXP / Cost of Sales

2013 Actual	34,503
Additional Programs & Greater Customer Engagement	1,616
2014 FC	36,119
Additional Programs & Greater Customer Engagement	546
2015 Budget	36,665
Additional Programs & Greater Customer Engagement	1,745
2016 Plan	38,410
Additional Programs & Greater Customer Engagement	1,980
2017 Plan	40,390
Additional Programs & Greater Customer Engagement	1,965
2018 Plan	42,355
End of various programs in 2018.	(15,449)
2019 Plan	26,906

Increases / (Decreases)

LG&E KU
PPL companies

2014-2019
Headcount Progression

July 2014 Headcount	**665**
Revenue Collection & Metering	3
Customer Services & Marketing	8
Corporate Security & Business Continuity	1
2014 Headcount FC	**677**
Operating Services & Business Process Mgmt	4
Revenue Collection & Metering	1
Customer Services & Marketing	5
Energy Efficiency	5
Corporate Security & Business Continuity	1
Interns	-3
2015 Headcount Budget	**690**

2015 Headcount Budget	**690**
Operating Services & Business Process Mgmt	5
Revenue Collection & Metering [1]	11
2016 Headcount Plan	**706**
2017 Headcount Plan	**706**
2018 Headcount Plan	**706**
2019 Headcount Plan	**706**

(Decreases) / Increases

[1] Meter Readers from Green River

LG&E KU
PPL companies

Headcount & Employee Expense

2014-2019 Headcount

Business Unit Name	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Total Full Time & Part Time Headcount (without interns)	673	689	705	705	705	705

Employee Related Expenses ($000s)	2014	2015	2016	2017	2018	2019
1.) Training & Development	$290	$281	$288	$316	$322	$329
2.) Travel	$267	$246	$291	$299	$305	$312
3.) Meals and Expenses	$547	$578	$554	$567	$579	$590
4.) Employee Recognition	$363	$374	$384	$390	$396	$402
5.) Employee Dues & Memberships	$3	$5	$6	$3	$3	$3
TOTAL	**$1,470**	**$1,484**	**$1,523**	**$1,575**	**$1,605**	**$1,636**
Average Employee Expense per Number of Employees	**$2**	**$2**	**$2**	**$2**	**$2**	**$2**

LG&E KU
PPL companies

2013-2019
Other Balance Sheet Costs
($000)

Item	2013 Actual	2014 Forecast	2015 Budget	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Operating Services Clearing							
Labor	11						
Non labor	3,206	10,234	10,016	9,950	10,086	10,232	10,398
Total	**3,217**	**10,234**	**10,016**	**9,950**	**10,086**	**10,232**	**10,398**
Total Other Costs	**3,217**	**10,234**	**10,016**	**9,950**	**10,086**	**10,232**	**10,398**

2013 costs for the LG&E Center, KU General Office, Simpsonville & Morganfield were in O&M and were transferred to clearing in 2014.

PPL companies

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(d)
Sponsoring Witness: Kent W. Blake

Description of Filing Requirement:

The utility's annual and monthly budget for the twelve (12) months preceding the filing date, the base period, and forecasted period.

Response:

See attached. Note that the attached does not reflect any increase in rates sought in this case.

2013 Budget - Kentucky Utilities Company

Total Company

	January	February	March	April	May	June	July	August	September	October	November	December	Year Total
INCOME STATEMENT													
Operating Revenues													
Electric Operating Revenues	157,284,454	140,634,695	135,954,846	120,682,825	124,974,114	142,533,137	160,152,399	162,445,743	139,184,320	126,178,963	127,676,996	150,492,631	1,688,195,124
Total Operating Revenues	157,284,454	140,634,695	135,954,846	120,682,825	124,974,114	142,533,137	160,152,399	162,445,743	139,184,320	126,178,963	127,676,996	150,492,631	1,688,195,124
Operating Expenses													
Fuel for Electric Generation	49,136,441	43,682,847	44,118,313	37,061,502	39,874,823	46,374,599	54,660,913	54,267,879	41,017,837	41,062,909	36,738,145	46,135,343	534,131,551
Power Purchased	11,942,367	10,486,001	8,159,937	8,675,607	8,113,215	9,163,779	9,353,679	10,211,835	9,066,427	6,598,531	11,014,192	10,654,947	113,440,515
Other Operation Expenses	24,257,082	21,359,192	24,025,538	23,241,603	23,506,438	23,969,092	24,820,736	26,229,043	26,458,095	25,282,392	23,135,709	24,738,712	291,023,632
Maintenance	7,581,016	7,950,775	8,713,765	11,821,319	11,720,882	9,280,222	8,989,244	9,550,770	10,558,559	9,656,318	11,205,671	8,504,885	115,533,426
Depreciation & Amortization Expense	15,745,865	15,766,472	15,787,118	15,806,774	15,822,297	16,152,083	16,484,773	16,530,776	16,575,276	16,598,254	16,638,382	16,825,747	194,733,818
Current Income Taxes	15,514,361	12,434,003	9,987,529	5,916,685	6,582,644	11,822,948	14,385,596	14,302,879	10,359,267	7,057,229	7,487,184	13,202,541	129,052,867
Property and Other Taxes	2,780,336	2,780,336	2,780,336	2,780,336	2,780,336	2,780,336	2,784,392	2,784,392	2,784,392	2,784,392	2,784,392	2,784,392	33,388,368
Total Operating Expenses	126,957,467	114,459,626	113,572,536	105,303,826	108,400,635	119,543,059	131,479,333	133,877,574	116,819,853	109,040,026	109,003,675	122,846,567	1,411,304,176
Net Operating Income	30,326,987	26,175,068	22,382,310	15,378,999	16,573,479	22,990,077	28,673,066	28,568,170	22,364,467	17,138,938	18,673,322	27,646,064	276,890,947
Other Income less deductions	(192,394)	(155,088)	(144,902)	(163,981)	(171,459)	(212,596)	(184,036)	(218,682)	(210,706)	(202,110)	(223,284)	(120,964)	(2,200,203)
Income before Interest Charges	30,519,381	26,330,156	22,527,212	15,542,980	16,744,938	23,202,674	28,857,102	28,786,852	22,575,173	17,341,048	18,896,606	27,767,028	279,091,150
Interest Charges	5,730,780	5,745,234	5,745,160	5,743,882	5,762,167	5,781,249	5,786,954	5,793,116	5,794,484	5,798,780	6,653,578	6,614,243	70,949,626
Net Income	24,788,601	20,584,922	16,782,052	9,799,098	10,982,772	17,421,425	23,070,149	22,993,736	16,780,689	11,542,268	12,243,028	21,152,785	208,141,524

2013 Budget - Kentucky Jurisdiction

Total Kentucky Jurisdiction

	January	February	March	April	May	June	July	August	September	October	November	December	Year Total
INCOME STATEMENT													
Operating Revenues													
Electric Operating Revenues	137,892,214	123,702,342	119,456,434	106,683,248	109,790,991	125,879,488	141,741,967	144,020,979	124,132,185	111,350,761	111,762,291	132,332,971	1,488,745,870
Total Operating Revenues	137,892,214	123,702,342	119,456,434	106,683,248	109,790,991	125,879,488	141,741,967	144,020,979	124,132,185	111,350,761	111,762,291	132,332,971	1,488,745,870
Operating Expenses													
Fuel for Electric Generation	43,048,348	38,270,464	38,651,975	32,469,516	34,934,261	40,628,704	47,888,328	47,543,991	35,935,654	35,975,141	32,186,223	40,419,092	467,951,696
Power Purchased	10,457,729	9,182,414	7,145,519	7,597,082	7,104,605	8,024,566	8,190,859	8,942,332	7,939,317	5,778,222	9,644,942	9,330,357	99,337,944
Other Operation Expenses	21,163,771	18,635,425	20,961,754	20,277,788	20,508,850	20,912,506	21,655,547	22,884,263	23,084,106	22,058,331	20,185,398	21,583,982	253,911,722
Maintenance	6,812,030	7,144,283	7,829,878	10,622,215	10,531,966	8,338,876	8,077,414	8,581,981	9,487,544	8,676,823	10,069,016	7,642,186	103,814,213
Depreciation & Amortization Expense	13,839,704	13,857,816	13,875,963	13,893,239	13,906,883	14,196,746	14,489,161	14,529,595	14,568,708	14,588,905	14,624,174	14,788,857	171,159,751
Current Income Taxes	14,170,236	11,356,753	9,122,235	5,404,079	6,012,341	10,798,638	13,139,264	13,063,714	9,461,767	6,445,809	6,838,514	12,058,706	117,872,054
Property and Other Taxes	2,482,049	2,482,049	2,482,049	2,482,049	2,482,049	2,482,049	2,485,670	2,485,670	2,485,670	2,485,670	2,485,670	2,485,670	29,806,310
Total Operating Expenses	111,973,866	100,929,204	100,069,372	92,745,968	95,480,955	105,382,084	115,926,243	118,031,546	102,962,765	96,008,900	96,033,936	108,308,850	1,243,853,690
Net Operating Income	25,918,348	22,773,138	19,387,061	13,937,280	14,310,036	20,497,404	25,815,724	25,989,433	21,169,420	15,341,861	15,728,355	24,024,120	244,892,180
Other Income less deductions	-	-	-	-	-	-	-	-	-	-	-	-	-
Income before Interest Charges	25,918,348	22,773,138	19,387,061	13,937,280	14,310,036	20,497,404	25,815,724	25,989,433	21,169,420	15,341,861	15,728,355	24,024,120	244,892,180
Interest Charges	5,050,522	5,063,260	5,063,195	5,062,068	5,078,183	5,094,999	5,100,027	5,105,458	5,106,664	5,110,450	5,863,781	5,829,115	62,527,722
Net Income	20,867,827	17,709,878	14,323,867	8,875,211	9,231,853	15,402,405	20,715,697	20,883,975	16,062,756	10,231,411	9,864,574	18,195,005	182,364,458

2014 Budget - Kentucky Utilities Company

Total Company

	January	February	March	April	May	June	July	August	September	October	November	December	Year Total
INCOME STATEMENT													
Operating Revenues													
Electric Operating Revenues	159,648,080	149,012,889	145,931,711	130,333,447	132,260,597	152,607,015	166,371,643	168,874,884	145,754,285	134,707,055	139,096,503	159,139,304	1,783,737,413
Total Operating Revenues	159,648,080	149,012,889	145,931,711	130,333,447	132,260,597	152,607,015	166,371,643	168,874,884	145,754,285	134,707,055	139,096,503	159,139,304	1,783,737,413
Operating Expenses													
Fuel for Electric Generation	48,526,949	40,773,964	41,090,151	38,379,292	39,755,045	48,335,757	56,501,113	56,173,412	43,611,949	42,386,103	42,314,312	50,093,638	547,941,685
Power Purchased	13,398,178	16,874,209	16,641,903	12,360,928	11,130,150	9,842,142	10,356,792	11,326,781	10,440,563	10,453,662	11,205,474	12,011,262	146,042,043
Other Operation Expenses	23,400,542	21,844,670	22,846,096	22,432,560	23,615,042	25,491,797	24,494,290	24,833,565	24,528,070	26,122,873	21,989,154	23,774,768	285,373,427
Maintenance	7,129,779	9,211,736	17,644,099	13,937,047	8,825,307	9,395,189	8,379,867	8,803,442	13,412,856	13,906,293	9,506,708	9,025,154	129,177,477
Depreciation & Amortization Expense	16,069,956	16,107,897	16,119,818	16,258,277	16,403,588	16,700,896	17,008,231	17,039,676	17,058,015	16,847,066	17,004,338	17,433,317	200,051,074
Current Income Taxes	15,881,472	13,191,321	8,217,487	6,478,634	8,638,238	12,576,365	15,282,300	15,700,216	10,192,874	5,702,740	10,398,427	14,113,565	136,373,638
Property and Other Taxes	3,351,320	3,354,851	3,353,559	3,353,818	3,353,042	3,354,724	3,356,651	3,357,307	3,356,853	3,355,079	3,360,588	3,359,040	40,266,832
Total Operating Expenses	127,758,195	121,358,649	125,913,113	113,200,555	111,720,411	125,696,869	135,379,243	137,234,399	122,601,180	118,773,817	115,779,001	129,810,744	1,485,226,177
Net Operating Income	31,889,885	27,654,241	20,018,597	17,132,892	20,540,186	26,910,146	30,992,400	31,640,485	23,153,105	15,933,238	23,317,502	29,328,560	298,511,236
AFUDC - Equity	(60,787)	(63,614)	(65,945)	(68,511)	(70,840)	(73,008)	(74,433)	(75,891)	(77,426)	(79,037)	(80,349)	(81,612)	(871,453)
Other Income less deductions	53,025	(73,184)	(29,130)	(54,532)	(113,436)	(122,943)	(125,951)	(98,985)	(153,902)	(119,369)	(172,243)	(139,727)	(1,150,376)
Income before Interest Charges	31,897,647	27,791,039	20,113,672	17,255,935	20,724,462	27,106,097	31,192,784	31,815,361	23,384,433	16,131,644	23,570,094	29,549,899	300,533,065
Interest Charges	6,673,971	6,663,731	6,672,207	6,685,960	6,701,177	6,717,293	6,717,602	6,709,268	6,703,986	6,704,998	6,713,773	6,721,235	80,385,200
Net Income	25,223,676	21,127,308	13,441,465	10,569,975	14,023,285	20,388,804	24,475,182	25,106,094	16,680,447	9,426,646	16,856,321	22,828,663	220,147,865

2014 Budget - Kentucky Jurisdiction

Total Kentucky Jurisdiction

	January	February	March	April	May	June	July	August	September	October	November	December	Year Total
INCOME STATEMENT													
Operating Revenues													
Electric Operating Revenues	139,682,945	130,586,200	128,044,919	114,531,165	116,644,827	135,837,258	148,072,729	150,338,591	129,756,430	119,449,974	123,143,220	140,481,144	1,576,569,403
Total Operating Revenues	139,682,945	130,586,200	128,044,919	114,531,165	116,644,827	135,837,258	148,072,729	150,338,591	129,756,430	119,449,974	123,143,220	140,481,144	1,576,569,403
Depreciation & Amortization Expense													
Operating Expenses													
Fuel for Electric Generation	42,514,373	35,721,997	35,999,008	33,624,029	34,829,324	42,346,870	49,500,524	49,213,425	38,208,350	37,134,389	37,071,493	43,886,947	480,050,730
Power Purchased	11,732,558	14,776,460	14,573,033	10,824,256	9,746,484	8,618,598	9,069,268	9,918,671	9,142,625	9,154,095	9,812,444	10,518,059	127,886,552
Other Operation Expenses	20,416,459	19,058,994	19,932,717	19,571,915	20,603,605	22,241,033	21,370,730	21,666,740	21,400,202	22,791,632	19,185,053	20,742,962	248,982,042
Maintenance	6,406,565	8,277,337	15,854,358	12,523,333	7,930,106	8,442,181	7,529,849	7,910,459	12,052,314	12,495,699	8,542,388	8,109,681	116,074,270
Depreciation & Amortization Expense	14,124,559	14,157,907	14,168,385	14,290,082	14,417,802	14,679,119	14,949,248	14,976,887	14,993,006	14,807,594	14,945,827	15,322,874	175,833,288
Current Income Taxes	14,505,542	12,048,458	7,505,545	5,917,341	7,889,843	11,486,780	13,958,280	14,339,989	9,309,789	5,208,669	9,497,534	12,890,801	124,558,572
Property and Other Taxes	2,991,775	2,994,927	2,993,774	2,994,005	2,993,312	2,994,814	2,996,534	2,997,120	2,996,714	2,995,131	3,000,049	2,998,667	35,946,821
Total Operating Expenses	112,691,830	107,036,081	111,026,819	99,744,962	98,410,476	110,809,394	119,374,433	121,023,291	108,103,000	104,587,209	102,054,789	114,469,992	1,309,332,275
Net Operating Income	26,991,115	23,550,119	17,018,100	14,786,203	18,234,351	25,027,864	28,698,296	29,315,301	21,653,430	14,862,765	21,088,431	26,011,152	267,237,127
AFUDC - Equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Income less deductions	-	-	-	-	-	-	-	-	-	-	-	-	-
Income before Interest Charges	26,991,115	23,550,119	17,018,100	14,786,203	18,234,351	25,027,864	28,698,296	29,315,301	21,653,430	14,862,765	21,088,431	26,011,152	267,237,127
Interest Charges	5,881,753	5,872,729	5,880,199	5,892,319	5,905,730	5,919,933	5,920,205	5,912,860	5,908,206	5,909,097	5,916,831	5,923,407	70,843,269
Net Income	21,109,362	17,677,390	11,137,901	8,893,884	12,328,622	19,107,931	22,778,091	23,402,441	15,745,224	8,953,667	15,171,601	20,087,745	196,393,858

2015 Budget - Kentucky Utilities Company

Total Company	January	February	March	April	May	June	July	August	September	October	November	December	Year Total	Budgeted Base Period[1] 2/28/2015
INCOME STATEMENT														
Operating Revenues														
Electric Operating Revenues	169,796,361	155,945,851	144,014,683	129,722,865	135,693,128	150,342,315	165,247,274	168,751,818	144,948,457	136,037,368	140,487,743	162,758,150	1,803,746,013	1,800,818,655
Total Operating Revenues	169,796,361	155,945,851	144,014,683	129,722,865	135,693,128	150,342,315	165,247,274	168,751,818	144,948,457	136,037,368	140,487,743	162,758,150	1,803,746,014	1,800,818,655
Operating Expenses														
Fuel for Electric Generation	56,328,658	54,685,604	48,391,038	43,731,378	48,720,336	55,892,831	61,408,106	62,497,587	48,857,350	42,826,021	45,533,405	55,882,391	624,754,704	569,655,033
Power Purchased	10,769,802	7,353,969	8,206,739	7,754,963	3,315,960	3,287,968	3,612,862	4,084,907	3,920,829	9,166,452	9,310,024	8,209,382	78,993,857	133,893,427
Other Operation Expenses	26,185,623	24,352,358	25,924,860	24,614,672	26,551,808	28,311,705	27,758,437	27,743,282	28,148,098	27,017,051	24,774,792	26,846,306	318,411,032	290,666,196
Maintenance	7,986,563	8,533,367	17,582,324	17,426,322	10,988,491	10,459,268	9,627,799	9,587,376	10,627,408	14,681,628	12,664,735	9,035,577	139,018,819	129,355,893
Depreciation & Amortization Expense	17,771,428	17,795,616	17,825,737	18,052,400	18,770,772	19,315,261	19,360,584	19,382,423	19,426,282	19,475,402	19,680,832	20,166,402	227,023,139	203,440,265
Current Income Taxes	15,846,366	12,928,288	5,477,552	3,148,491	6,709,292	8,168,443	12,980,008	13,752,982	8,522,326	4,326,302	6,693,796	11,405,319	109,959,166	136,075,500
Property and Other Taxes	3,320,512	3,323,180	3,320,143	3,322,161	3,322,337	3,321,486	3,325,253	3,325,998	3,325,221	3,324,676	3,328,170	3,328,178	39,887,315	40,204,353
Total Operating Expenses	138,208,952	128,972,382	126,728,392	118,050,388	118,378,996	128,756,962	138,073,049	140,374,555	122,827,514	120,817,531	121,985,754	134,873,555	1,538,048,031	1,503,290,667
Net Operating Income	31,587,409	26,973,469	17,286,291	11,672,477	17,314,132	21,585,353	27,174,225	28,377,263	22,120,943	15,219,837	18,501,989	27,884,595	265,697,982	297,527,988
AFUDC - Equity	(98,983)	(100,126)	(101,225)	(102,056)	(51,303)	-	-	-	-	-	-	-	(453,693)	(946,161)
Other Income less deductions	35,640	(163,244)	(76,157)	(80,329)	(162,143)	(131,753)	(171,365)	(150,703)	(119,117)	(147,108)	(195,416)	(125,830)	(1,487,525)	(1,257,821)
Income before Interest Charges	31,650,752	27,236,839	17,463,674	11,854,862	17,527,579	21,717,106	27,345,590	28,527,966	22,240,060	15,366,945	18,697,405	28,010,424	267,639,201	297,839,647
Interest Charges	6,632,796	6,602,263	6,651,600	6,662,340	6,711,067	6,724,094	6,721,783	6,710,716	6,703,841	8,359,720	7,923,263	7,939,193	84,342,678	80,282,558
Net Income	25,017,956	20,634,576	10,812,074	5,192,522	10,816,512	14,993,012	20,623,807	21,817,250	15,536,219	7,007,224	10,774,141	20,071,231	183,296,524	217,557,089

Budgeted Base Period[1] = The sum of March 2014 through December 2014 totals per the 2014 Budget plus January 2015 through February 2015 totals per the 2015 Budget.

2015 Budget - Kentucky Jurisdiction

Total Kentucky Jurisdiction	January	February	March	April	May	June	July	August	September	October	November	December	Year Total	Budgeted Base Period[1] 2/28/2015
INCOME STATEMENT														
Operating Revenues														
Electric Operating Revenues	151,412,354	140,575,857	129,141,008	116,381,439	120,429,953	134,204,915	148,025,956	150,734,004	128,732,307	118,878,923	123,714,317	145,432,593	1,607,663,626	1,598,288,469
Total Operating Revenues	151,412,354	140,575,857	129,141,008	116,381,439	120,429,953	134,204,915	148,025,956	150,734,004	128,732,307	118,878,923	123,714,317	145,432,593	1,607,663,626	1,598,288,469
Operating Expenses														
Fuel for Electric Generation	49,447,549	48,005,210	42,479,589	38,389,153	42,768,660	49,064,963	53,906,492	54,862,881	42,888,936	37,594,394	39,971,044	49,055,798	548,434,669	499,267,119
Power Purchased	9,451,114	6,453,525	7,201,880	6,805,421	2,909,943	2,885,379	3,170,491	3,584,738	3,440,750	8,044,082	8,170,075	7,204,199	69,321,599	117,282,173
Other Operation Expenses	23,531,046	21,720,043	23,133,131	21,958,396	23,699,154	25,280,641	24,783,460	24,769,842	25,136,653	24,120,266	22,105,316	23,969,343	284,207,290	254,757,678
Maintenance	7,176,922	7,831,880	15,963,494	15,820,677	10,035,483	9,559,910	8,812,732	8,776,407	9,707,972	13,351,194	11,538,765	8,275,000	126,850,435	116,399,170
Depreciation & Amortization Expense	15,774,074	15,795,544	15,822,279	16,023,468	16,661,101	17,144,394	17,184,623	17,204,008	17,242,937	17,286,537	17,468,878	17,899,875	201,507,718	179,120,441
Current Income Taxes	14,693,894	11,988,037	5,079,170	2,919,487	6,221,325	7,574,363	12,035,996	12,752,754	7,902,510	4,011,640	6,206,955	10,575,834	101,961,968	124,686,504
Property and Other Taxes	2,988,247	2,990,649	2,987,915	2,989,731	2,989,890	2,989,124	2,992,514	2,993,185	2,992,485	2,991,995	2,995,139	2,995,146	35,896,021	35,939,015
Total Operating Expenses	123,062,847	114,784,888	112,667,460	104,906,333	105,285,555	114,498,774	122,886,309	124,943,815	109,312,244	107,400,108	108,456,173	119,975,196	1,368,179,701	1,327,452,099
Net Operating Income	28,349,507	25,790,969	16,473,548	11,475,106	15,144,397	19,706,141	25,139,648	25,790,189	19,420,063	11,478,816	15,258,144	25,457,397	239,483,925	270,836,370
AFUDC - Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Income less deductions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income before Interest Charges	28,349,507	25,790,969	16,473,548	11,475,106	15,144,397	19,706,141	25,139,648	25,790,189	19,420,063	11,478,816	15,258,144	25,457,397	239,483,925	270,836,370
Interest Charges	5,914,933	5,887,705	5,931,702	5,941,280	5,984,733	5,996,350	5,994,289	5,984,419	5,978,289	7,454,953	7,065,734	7,079,940	75,376,138	70,891,425
Net Income	22,434,574	19,903,264	10,541,846	5,533,826	9,159,664	13,709,791	19,145,359	19,805,770	13,441,774	4,023,862	8,192,410	18,377,457	164,107,787	199,944,945

Budgeted Base Period[1] = The sum of March 2014 through December 2014 totals per the 2014 Budget plus January 2015 through February 2015 totals per the 2015 Budget.

2016 Budget - Kentucky Utilities Company

Total Company	January	February	March	April	May	June	July	August	September	October	November	December	Year Total	Test Year 6/30/2016
INCOME STATEMENT														
Operating Revenues														
Electric Operating Revenues	175,548,811	163,019,043	150,284,306	134,981,903	140,664,804	155,695,207	167,905,350	172,360,070	148,418,421	137,895,053	141,052,233	163,602,153	1,851,427,354	1,838,424,884
Total Operating Revenues	175,548,811	163,019,043	150,284,306	134,981,903	140,664,804	155,695,207	167,905,350	172,360,070	148,418,421	137,895,053	141,052,233	163,602,153	1,851,427,354	1,838,424,884
Operating Expenses														
Fuel for Electric Generation	60,736,132	56,864,317	52,100,697	43,113,371	50,930,609	57,359,282	61,511,980	63,293,093	48,756,251	44,562,268	45,824,122	54,849,597	639,901,720	638,109,266
Power Purchased	9,185,424	9,327,753	6,513,828	9,166,438	2,278,992	3,182,281	4,088,545	4,490,922	5,672,256	6,822,193	7,784,736	8,374,054	76,887,422	77,959,172
Other Operation Expenses	27,323,818	26,410,887	27,716,300	25,725,555	29,774,410	28,789,252	27,607,954	29,227,627	28,914,716	27,245,302	26,096,745	27,440,711	332,273,277	328,028,187
Maintenance	7,917,356	8,182,893	11,077,190	23,005,788	11,304,085	10,082,038	9,557,618	9,897,494	10,105,874	14,764,857	8,894,317	8,658,968	133,448,480	137,793,875
Depreciation & Amortization Expense	20,471,872	20,489,322	20,508,579	20,396,865	20,290,418	20,322,087	20,348,424	20,368,743	20,387,266	20,421,661	20,468,522	20,719,723	245,193,480	239,971,068
Current Income Taxes	14,821,971	11,668,518	7,823,738	691,911	5,542,178	9,185,203	12,825,621	12,948,762	8,663,723	4,762,293	7,831,277	12,128,015	108,893,207	107,414,251
Property and Other Taxes	3,463,990	3,463,946	3,460,614	3,465,203	3,462,853	3,463,287	3,469,825	3,465,449	3,467,395	3,468,133	3,469,216	3,472,008	41,591,919	40,737,389
Total Operating Expenses	143,920,563	136,407,637	129,200,946	125,565,131	123,583,545	132,383,429	139,409,967	143,692,090	125,967,481	122,046,707	120,368,936	135,643,075	1,578,189,505	1,570,013,209
														-
Net Operating Income	31,628,248	26,611,407	21,083,360	9,416,772	17,081,259	23,311,777	28,495,383	28,667,980	22,450,940	15,848,346	20,683,297	27,959,078	273,237,849	268,411,675
AFUDC - Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Income less deductions	27,781	(157,673)	(62,839)	(79,572)	(156,375)	(126,172)	(171,410)	(143,757)	(113,406)	(139,086)	(163,429)	(124,774)	(1,410,712)	(1,464,389)
														-
Income before Interest Charges	31,600,467	26,769,080	21,146,199	9,496,344	17,237,634	23,437,950	28,666,793	28,811,737	22,564,345	15,987,432	20,846,726	28,083,852	274,648,561	269,876,064
														-
Interest Charges	8,282,646	8,218,915	8,221,943	8,265,172	8,311,373	8,311,915	8,285,436	8,264,617	8,270,162	8,303,422	8,317,937	8,336,959	99,390,497	93,970,481
														-
Net Income	23,317,821	18,550,165	12,924,256	1,231,172	8,926,261	15,126,035	20,381,357	20,547,121	14,294,183	7,684,010	12,528,790	19,746,893	175,258,064	175,905,583

2016 Budget - Kentucky Jurisdiction

Total Kentucky Jurisdiction	January	February	March	April	May	June	July	August	September	October	November	December	Year Total	Test Year 6/30/2016
INCOME STATEMENT														
Operating Revenues														
Electric Operating Revenues	157,178,148	147,567,701	135,461,299	121,635,551	125,445,552	139,570,241	150,635,796	154,218,892	132,132,391	120,883,283	124,665,209	146,437,342	1,655,831,407	1,642,376,592
Total Operating Revenues	157,178,148	147,567,701	135,461,299	121,635,551	125,445,552	139,570,241	150,635,796	154,218,892	132,132,391	120,883,283	124,665,209	146,437,342	1,655,831,407	1,642,376,592
Operating Expenses														
Fuel for Electric Generation	53,318,858	49,917,772	45,736,076	37,846,641	44,708,926	50,352,272	53,997,676	55,561,209	42,800,188	39,118,542	40,226,247	48,146,919	561,731,326	560,160,090
Power Purchased	8,060,732	8,185,634	5,716,255	8,044,070	1,999,945	2,792,632	3,587,930	3,941,039	4,977,727	5,986,862	6,831,548	7,348,708	67,473,083	68,413,605
Other Operation Expenses	24,553,855	23,571,056	24,744,132	22,957,866	26,596,266	25,710,979	24,649,436	26,104,914	25,826,357	24,326,180	23,294,059	24,504,454	296,839,555	293,019,035
Maintenance	7,114,731	7,515,767	10,116,653	20,833,319	10,317,880	9,219,719	8,748,462	9,053,883	9,238,506	13,425,183	8,149,772	7,935,606	121,669,482	125,580,139
Depreciation & Amortization Expense	18,171,012	18,186,501	18,203,593	18,104,435	18,009,952	18,038,061	18,061,438	18,079,473	18,095,915	18,126,444	18,168,038	18,391,006	217,635,871	213,000,412
Current Income Taxes	13,744,000	10,819,885	7,254,714	641,565	5,139,090	8,517,165	11,892,837	12,007,022	8,033,611	4,415,923	7,261,712	11,245,958	100,973,481	99,602,110
Property and Other Taxes	3,117,368	3,117,329	3,114,330	3,118,460	3,116,345	3,116,736	3,122,620	3,118,681	3,120,433	3,121,097	3,122,072	3,124,584	37,430,055	36,661,033
Total Operating Expenses	128,080,556	121,313,943	114,885,754	111,546,356	109,888,406	117,747,565	124,060,400	127,866,222	112,092,736	108,520,231	107,053,448	120,697,235	1,403,752,853	1,396,436,424
Net Operating Income	29,097,592	26,253,757	20,575,545	10,089,195	15,557,147	21,822,676	26,575,396	26,352,670	20,039,655	12,363,052	17,611,761	25,740,107	252,078,554	245,940,169
AFUDC - Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Income less deductions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income before Interest Charges	29,097,592	26,253,757	20,575,545	10,089,195	15,557,147	21,822,676	26,575,396	26,352,670	20,039,655	12,363,052	17,611,761	25,740,107	252,078,554	245,940,169
Interest Charges	7,386,221	7,329,388	7,332,087	7,370,638	7,411,839	7,412,322	7,388,709	7,370,143	7,375,088	7,404,748	7,417,692	7,434,656	88,633,530	83,800,119
Net Income	21,711,371	18,924,369	13,243,458	2,718,557	8,145,308	14,410,355	19,186,687	18,982,527	12,664,567	4,958,304	10,194,069	18,305,452	163,445,024	162,140,050

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(e)
Sponsoring Witness: Victor S. Staffieri

Description of Filing Requirement:

A statement of attestation signed by the utility's chief officer in charge of Kentucky operations, which shall provide:

1. *That the forecast is reasonable, reliable, made in good faith, and that all basic assumptions used in the forecast have been identified and justified;*
2. *That the forecast contains the same assumptions and methodologies as used in the forecast prepared for use by management, or an identification and explanation for differences that exist, if applicable; and*
3. *That productivity and efficiency gains are included in the forecast.*

Response:

See attached.

STATEMENT OF ATTESTATION SIGNED BY THE UTILITY'S CHIEF OFFICER IN CHARGE OF KENTUCKY OPERATIONS

1. The forecast presented in this rate application is reasonable, reliable, made in good faith, and all basic assumptions used in the forecast have been identified and justified;

2. The forecast contains the same assumptions and methodologies as used in the forecast prepared for use by management, except for the differences that have been identified and explained in the filing requirements and schedules thereto; and

3. Productivity and efficiency gains are included in the forecast.

Victor A. Staffieri

VICTOR A. STAFFIERI
Chairman of the Board, Chief Executive Officer and President of Louisville Gas and Electric Company and Kentucky Utilities Company

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20th day of November 2014.

____________________(SEAL)
Notary Public

My Commission Expires:
March 29, 2018

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(f)
Sponsoring Witness: Russel A. Hudson

Description of Filing Requirement:

For each major construction project that constitutes five (5) percent or more of the annual construction budget within the three (3) year forecast, the following information shall be filed:

1. *The date the project was started or estimated starting date;*
2. *The estimated completion date;*
3. *The total estimated cost of construction by year exclusive and inclusive of allowance for funds used during construction ("AFUDC") or interest during construction credit; and*
4. *The most recent available total costs incurred exclusive and inclusive of AFUDC or interest during construction credit.*

Response:

See attached.

Kentucky Utilities Company
Case No. 2014-00371
Fully Forecasted Test Period
Summary of Capital Construction Forecast which Constitute More than five (5%) of the Total and all other Projects

Year 2014

Plant	Project Description	Unit	Project Amount Without AFUDC	AFUDC	Project Amount With AFUDC	Inception-to-Date 8/31/14 Without AFUDC	AFUDC	Inception-to-Date 8/31/14 With AFUDC	Expected Start Date	Expected Completion Date
Cane Run	CANE RUN 7 - KU	7	$ 96,521,593	$ 1,830,888	$ 98,352,481	$ 375,673,655	$ 1,855,720	$ 377,529,375	Aug-10	May-15
Brown	BR3 FABRIC FILTER	3	$ 41,048,742	$ -	$ 41,048,742	$ 39,756,918	$ -	$ 39,756,918	Nov-11	Nov-15
Ghent	GH1 FABRIC FILTER	1	$ 94,469,975	$ -	$ 94,469,975	$ 114,905,488	$ -	$ 114,905,488	Nov-11	Jun-15
Ghent	GH2 FABRIC FILTER	2	$ 37,486,010	$ -	$ 37,486,010	$ 45,194,301	$ -	$ 45,194,301	Nov-11	Dec-15
Ghent	GH3 FABRIC FILTER	3	$ 42,938,797	$ -	$ 42,938,797	$ 162,561,075	$ -	$ 162,561,075	Nov-11	Jun-14
Ghent	GH4 FABRIC FILTER	4	$ 55,910,784	$ -	$ 55,910,784	$ 112,425,367	$ -	$ 112,425,367	Nov-11	Dec-14
Brown	Brown Landfill PH I	N/A	$ 40,088,037	$ -	$ 40,088,037	$ 40,215,661	$ -	$ 40,215,661	Dec-10	Oct-15
	All Other Projects < 5%		$ 216,636,472	$ -	$ 216,636,472	$ 1,639,009,088	$ -	$ 1,639,009,088		

Year 2015

Plant	Project Description	Unit	Project Amount Without AFUDC	AFUDC	Project Amount With AFUDC	Inception-to-Date 8/31/14 Without AFUDC	AFUDC	Inception-to-Date 8/31/14 With AFUDC	Expected Start Date	Expected Completion Date
Brown	BR3 FABRIC FILTER	3	$ 32,543,024	$ -	$ 32,543,024	$ 39,756,918	$ -	$ 39,756,918	Nov-11	Nov-15
Ghent	GH1 FABRIC FILTER	1	$ 37,057,630	$ -	$ 37,057,630	$ 114,905,488	$ -	$ 114,905,488	Nov-11	Jun-15
Ghent	GH2 FABRIC FILTER	2	$ 64,316,056	$ -	$ 64,316,056	$ 45,194,301	$ -	$ 45,194,301	Nov-11	Dec-15
Brown	Brown Landfill PH I	N/A	$ 39,584,438	$ -	$ 39,584,438	$ 40,215,661	$ -	$ 40,215,661	Dec-10	Oct-15
	All Other Projects < 5%		$ 317,221,036	$ 892,950	$ 318,113,986	$ 1,591,954,939	$ 1,855,720	$ 1,593,810,659		

Year 2016

Plant	Project Description	Unit	Project Amount Without AFUDC	AFUDC	Project Amount With AFUDC	Inception-to-Date 8/31/14 Without AFUDC	AFUDC	Inception-to-Date 8/31/14 With AFUDC	Expected Start Date	Expected Completion Date
Ghent	CCR Ruling - Ghent	N/A	$ 70,587,059	$ -	$ 70,587,059	$ -	$ -	$ -	Oct-14	Dec-20
Trimble County	TC CCR Treatment KU (Net)	N/A	$ 32,697,000	$ -	$ 32,697,000	$ -	$ -	$ -	Jul-15	Dec-17
	All Other Projects < 5%		$ 324,002,708	$ -	$ 324,002,708	$ 197,780,932	$ -	$ 197,780,932		

Year 2017

Plant	Project Description	Unit	Project Amount Without AFUDC	AFUDC	Project Amount With AFUDC	Inception-to-Date 8/31/14 Without AFUDC	AFUDC	Inception-to-Date 8/31/14 With AFUDC	Expected Start Date	Expected Completion Date
Ghent	CCR Ruling - Ghent	N/A	$ 37,278,000	$ -	$ 37,278,000	$ -	$ -	$ -	Oct-14	Dec-20
Brown	Effluent Water - Brown	N/A	$ 25,000,000	$ -	$ 25,000,000	$ -	$ -	$ -	Jul-15	Dec-18
Ghent	Effluent Water - Ghent	N/A	$ 25,000,000	$ -	$ 25,000,000	$ -	$ -	$ -	Jul-15	Dec-18
Trimble County	Effluent Water - Trimble Co KU (Net)	N/A	$ 24,000,000	$ -	$ 24,000,000	$ -	$ -	$ -	Jul-15	Dec-18
	All Other Projects < 5%		$ 344,294,828	$ -	$ 344,294,828	$ 30,292,359	$ -	$ 30,292,359		

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7)(f)
Page 1 of 1
K. Blake

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(g)
Sponsoring Witness: Russel A. Hudson

Description of Filing Requirement:

For all construction projects that constitute less than five (5) percent of the annual construction budget within the three (3) year forecast, the utility shall file an aggregate of the information requested in paragraph (f)3 and 4 of this subsection.

Response:

See KU's response to Filing Requirement 807 KAR 5:001 Section 16(7)(f)[Tab No. 19].

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(h)
Sponsoring Witnesses: Kent W. Blake

Description of Filing Requirement:

A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:

Response:

See KU's responses to Tab Nos. 22-38.

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(h)(1)
Sponsoring Witnesses: Kent W. Blake

Description of Filing Requirement:

A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:

1. *Operating income statement (exclusive of dividends per share or earnings per share);*

Response:

See attached. Note that the attached does not reflect any increase in rates sought in this case.

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Income Statements 2014 - 2017
Base Period: Twelve Months Ended February 28, 2015
Forecasted Test Period: Twelve Months Ended June 30, 2016

Kentucky Utilities Company - Total Company

	Income Statements			
	2014	**2015**	**2016**	**2017**
	$	**$**	**$**	**$**
INCOME STATEMENT				
Operating Revenues				
Electric Operating Revenues	1,762,801,796	1,803,746,014	1,851,427,354	1,901,284,228
Total Operating Revenues	1,762,801,796	1,803,746,014	1,851,427,354	1,901,284,228
Operating Expenses				
Fuel for Electric Generation	575,813,605	624,754,704	639,901,720	665,867,227
Power Purchased	115,056,340	78,993,857	76,887,422	79,818,059
Other Operation Expenses	269,080,943	318,411,032	332,454,017	340,587,666
Maintenance	132,547,952	139,018,819	133,267,740	132,054,768
Depreciation & Amortization Expense	197,147,471	227,023,139	245,193,480	253,493,535
Current Income Taxes	139,179,394	109,959,166	108,893,207	107,803,092
Property and Other Taxes	36,044,003	39,887,315	41,591,920	43,191,379
Loss(Gain) from Disposition of Allowances	(546)			
Total Operating Expenses	1,464,869,162	1,538,048,031	1,578,189,506	1,622,815,726
Net Operating Income	297,932,634	265,697,982	273,237,848	278,468,502
AFUDC - Equity	(1,260,338)	(453,693)	-	-
Other Income less deductions	(1,543,793)	(1,487,525)	(1,410,712)	(1,396,599)
Income before Interest Charges	300,736,765	267,639,201	274,648,560	279,865,101
Interest Charges	77,291,584	84,342,678	99,390,497	104,195,898
Net Income	223,445,181	183,296,524	175,258,063	175,669,203

Kentucky Utilities Company - Total Kentucky Jurisdiction

	Income Statements			
	2014	**2015**	**2016**	**2017**
	$	**$**	**$**	**$**
INCOME STATEMENT				
Operating Revenues				
Electric Operating Revenues	1,556,597,191	1,607,663,626	1,655,831,407	1,699,574,517
Total Operating Revenues	1,556,597,191	1,607,663,626	1,655,831,407	1,699,574,517
Operating Expenses				
Fuel for Electric Generation	504,469,270	548,434,669	561,731,326	584,524,886
Power Purchased	100,752,894	69,321,599	67,473,083	70,044,884
Other Operation Expenses	234,767,207	284,207,290	296,839,555	306,060,462
Maintenance	119,102,859	126,850,435	121,669,482	118,667,666
Depreciation & Amortization Expense	173,267,574	201,507,718	217,635,871	225,003,072
Current Income Taxes	127,121,244	101,961,968	100,973,481	99,962,672
Property and Other Taxes	32,177,037	35,896,021	37,430,055	38,869,467
Loss(Gain) from Disposition of Allowances	(546)			
Total Operating Expenses	1,291,657,539	1,368,179,701	1,403,752,853	1,443,133,109
Net Operating Income	264,939,652	239,483,925	252,078,554	256,441,408
AFUDC - Equity		-	-	-
Other Income less deductions		-	-	-
Income before Interest Charges	264,939,652	239,483,925	252,078,554	256,441,408
Interest Charges	68,116,873	75,376,138	88,633,530	92,918,846
Net Income	196,822,780	164,107,787	163,445,024	163,522,562

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(h)(2)
Sponsoring Witnesses: Kent W. Blake

Description of Filing Requirement:

A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:

2. Balance sheet;

Response:

See attached. Note that the attached does not reflect any increase in rates sought in this case.

Kentucky Utilities Company
Case No. 2014-00371
Balance Sheet - Total Company
Calendar Years 2014 - 2017

	2014	2015	2016	2017
Kentucky Utilities Company - Total	$	$	$	$
ASSETS AND OTHER DEBITS				
UTILITY PLANT				
Gross Utility Plant	8,690,730,464	9,143,758,899	9,411,567,213	9,791,445,738
Accumulated Provision for Depreciation and Amortization	(2,795,746,181)	(2,999,803,479)	(3,101,774,506)	(3,295,829,738)
Total Utility Net Plant	**5,894,984,282**	**6,143,955,420**	**6,309,792,707**	**6,495,616,000**
INVESTMENTS				
Investment in Subsidiary Companies	250,000	250,000	250,000	250,000
Net Nonutility property	971,720	971,720	971,720	971,720
Total other Property and Investments	**1,221,720**	**1,221,720**	**1,221,720**	**1,221,720**
CURRENT AND ACCRUED ASSETS				
Cash	5,000,000	5,000,000	5,000,000	5,000,000
Special Deposits and Temporary Cash Investments	-	-	1	8
Accounts Receivable - Less Reserves	222,129,612	222,298,948	222,623,606	223,608,823
Accounts Receivable from Associated Companies	1,764,336	7,545,958	15,357,984	22,794,419
Inventories	154,990,717	147,403,561	145,769,217	150,382,617
Prepayments	6,111,506	7,515,079	7,098,255	6,506,409
Other Current and Accrued Assets	23,618	23,618	23,618	23,618
Total Current and Accrued Assets	**390,019,789**	**389,787,164**	**395,872,680**	**408,315,894**
DEFERRED DEBITS AND OTHER				
Unamortized Debt Expenses	27,916,600	25,239,715	22,924,442	21,003,141
Accumulated Deferred Income Tax Asset	185,954,014	185,954,014	185,954,014	185,954,014
Regulatory Assets	244,286,013	265,053,499	283,354,764	302,564,689
Miscellaneous Deferred Debits	47,390,724	58,071,800	55,979,007	62,513,557
Total Deferred Debits & Other	**505,547,351**	**534,319,028**	**548,212,227**	**572,035,400**
TOTAL ASSETS	**6,791,773,142**	**7,069,283,332**	**7,255,099,334**	**7,477,189,013**

Kentucky Utilities Company
Case No. 2014-00371
Balance Sheet - Total Company
Calendar Years 2014 - 2017

	2014	2015	2016	2017
Kentucky Utilities Company - Total	$	$	$	$
LIABILITIES AND OTHER CREDITS				
PROPRIETARY CAPITAL				
Common and Preferred Stock Issued	308,139,978	308,139,978	308,139,978	308,139,978
Common Stock Expense	(321,289)	(321,289)	(321,289)	(321,289)
Paid-in-capital	610,168,839	664,268,162	649,326,382	660,400,714
Retained Earnings	1,729,929,430	1,788,488,600	1,851,198,534	1,913,419,933
Other Comprehensive Income	(1,190,493)	(1,190,493)	(1,190,493)	(1,190,493)
Total Proprietary Capital	**2,646,726,464**	**2,759,384,957**	**2,807,153,112**	**2,880,448,842**
Total Long-Term Debt	**2,090,767,133**	**2,341,439,444**	**2,341,960,615**	**2,342,480,363**
TOTAL CAPITALIZATION	**4,737,493,597**	**5,100,824,401**	**5,149,113,727**	**5,222,929,205**
CURRENT AND ACCRUED LIABILITIES				
Notes Payable	258,114,672	107,716,492	146,785,039	215,018,315
Accounts Payable	163,467,930	163,249,426	163,276,464	161,150,291
Accounts Payable to Associated Companies	35,136,832	34,840,484	36,342,732	38,470,558
Customer Deposits	26,702,517	26,702,517	26,702,517	26,702,517
Taxes Accrued	306,358	386,851	428,342	465,139
Interest Accrued	11,512,896	16,348,209	14,644,170	14,659,399
Dividends Payable Affiliate	-	-	-	-
Miscellaneous Current Liabilities	26,188,449	27,130,674	27,830,027	27,745,603
Total Current and Accrued Liabilities	**521,429,654**	**376,374,653**	**416,009,292**	**484,211,823**
DEFERRED CREDITS				
Accumulated Deferred Income Tax Liability	999,207,121	1,068,953,139	1,176,051,337	1,264,055,710
Investment Tax Credits	94,865,144	92,993,888	91,122,632	89,251,376
Regulatory Liabilities	140,744,804	138,538,669	136,271,377	134,014,165
Customer Advances for Construction	2,472,128	2,472,128	2,472,128	2,472,128
Asset Retirement Obligations	211,136,563	221,514,512	232,412,096	242,755,603
Other Deferred Credits	40,153,748	40,153,748	40,153,748	40,153,748
Miscellaneous Long Term Liabilities	-	-	-	-
Accumulated Provision for Post Retirement Benefits	44,270,384	27,458,193	11,492,997	(2,654,745)
Balancing Adjustment	-	-	-	-
Total Deferred Credits	**1,532,849,892**	**1,592,084,278**	**1,689,976,315**	**1,770,047,985**
	-	-	-	-
TOTAL LIABILITIES AND STOCKHOLDER EQUITY	**6,791,773,142**	**7,069,283,332**	**7,255,099,334**	**7,477,189,013**

Kentucky Utilities Company
Case No. 2014-00371
Balance Sheet - Kentucky Jurisdiction
Calendar Years 2014 - 2017

	2014	2015	2016	2017
Kentucky Utilities Company - Jurisdictional	$	$	$	$
ASSETS AND OTHER DEBITS				
UTILITY PLANT				
Gross Utility Plant	7,696,991,385	8,109,771,310	8,342,195,121	8,677,893,733
Accumulated Provision for Depreciation and Amortization	(2,465,748,461)	(2,645,719,722)	(2,736,524,141)	(2,907,728,343)
Total Utility Net Plant	**5,231,242,924**	**5,464,051,588**	**5,605,670,980**	**5,770,165,390**
INVESTMENTS				
Investment in Subsidiary Companies	-	-	-	-
Net Nonutility property	-	-	-	-
Total other Property and Investments	**-**	**-**	**-**	**-**
CURRENT AND ACCRUED ASSETS				
Cash	4,440,436	4,440,436	4,446,503	4,446,503
Special Deposits and Temporary Cash Investments	-	-	1	7
Accounts Receivable - Less Reserves	191,523,140	191,672,213	191,965,982	192,833,310
Accounts Receivable from Associated Companies	1,591,304	6,805,911	13,837,065	20,537,061
Inventories	136,315,549	129,654,058	128,249,768	132,298,922
Prepayments	5,818,469	7,154,743	6,737,723	6,175,939
Other Current and Accrued Assets	20,975	20,975	21,003	21,003
Total Current and Accrued Assets	**339,709,873**	**339,748,336**	**345,258,045**	**356,312,745**
DEFERRED DEBITS AND OTHER				
Unamortized Debt Expenses	24,792,373	22,415,066	20,386,721	18,678,106
Accumulated Deferred Income Tax Asset	165,958,543	165,958,543	165,818,072	165,818,072
Regulatory Assets	217,013,333	235,462,286	251,720,354	268,785,636
Miscellaneous Deferred Debits	41,578,276	50,926,236	49,100,165	54,819,131
Total Deferred Debits & Other	**449,342,525**	**474,762,131**	**487,025,312**	**508,100,945**
TOTAL ASSETS	**6,020,295,322**	**6,278,562,055**	**6,437,954,337**	**6,634,579,080**

Kentucky Utilities Company
Case No. 2014-00371
Balance Sheet - Kentucky Jurisdiction
Calendar Years 2014 - 2017

Kentucky Utilities Company - Jurisdictional	2014 $	2015 $	2016 $	2017 $
LIABILITIES AND OTHER CREDITS				
PROPRIETARY CAPITAL				
Common and Preferred Stock Issued	273,655,148	273,655,148	274,029,075	274,029,075
Common Stock Expense	(285,333)	(285,333)	(285,722)	(285,722)
Paid-in-capital	541,883,093	589,928,005	577,446,358	587,294,768
Retained Earnings	1,536,328,062	1,588,333,707	1,646,272,016	1,701,605,545
Other Comprehensive Income	-	-	-	-
Total Proprietary Capital	**2,351,580,970**	**2,451,631,527**	**2,497,461,727**	**2,562,643,666**
Total Long-Term Debt	**1,856,783,382**	**2,079,402,235**	**2,082,707,042**	**2,083,169,254**
TOTAL CAPITALIZATION	**4,208,364,352**	**4,531,033,762**	**4,580,168,769**	**4,645,812,920**
CURRENT AND ACCRUED LIABILITIES				
Notes Payable	229,228,319	95,661,631	130,536,027	191,215,922
Accounts Payable	147,436,295	147,239,221	147,107,004	145,191,388
Accounts Payable to Associated Companies	-	-	-	-
Customer Deposits	25,801,817	25,801,817	25,801,817	25,801,817
Taxes Accrued	272,072	343,558	380,925	413,649
Interest Accrued	10,224,454	14,518,634	13,023,070	13,036,613
Dividends Payable Affiliate	-	-	-	-
Miscellaneous Current Liabilities	24,188,306	25,064,187	25,714,298	25,635,818
Total Current and Accrued Liabilities	**437,151,263**	**308,629,048**	**342,563,141**	**401,295,207**
DEFERRED CREDITS				
Accumulated Deferred Income Tax Liability	891,763,264	954,009,555	1,048,703,181	1,127,178,042
Investment Tax Credits	82,350,967	80,726,559	79,153,211	77,527,754
Regulatory Liabilities	124,903,224	122,945,402	120,933,305	118,930,155
Customer Advances for Construction	2,445,372	2,445,372	2,445,372	2,445,372
Asset Retirement Obligations	184,759,299	193,840,732	203,376,882	212,428,176
Other Deferred Credits	35,193,088	35,193,088	35,193,088	35,193,088
Miscellaneous Long Term Liabilities	-	-	-	-
Accumulated Provision for Post Retirement Benefits	39,928,697	24,765,312	10,354,832	(2,391,842)
Balancing Adjustment	13,435,796	24,973,225	15,062,556	16,160,208
Total Deferred Credits	**1,374,779,707**	**1,438,899,245**	**1,515,222,427**	**1,587,470,953**
TOTAL LIABILITIES AND STOCKHOLDER EQUITY	**6,020,295,322**	**6,278,562,055**	**6,437,954,337**	**6,634,579,080**

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(h)(3)
Sponsoring Witnesses: Kent W. Blake

Description of Filing Requirement:

A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:

3. Statement of cash flows;

Response:

See attached. Note that the attached does not reflect any increase in rates sought in this case.

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Cash Flow Statements 2014 - 2017
Base Period: Twelve Months Ended February 28, 2015
Forecasted Test Period: Twelve Months Ended June 30, 2016

Kentucky Utilities Company Cash Flow Statements	**2014**	**2015**	**2016**	**2017**
Cash Flows from Operating Activities				
Net Income	$ 217,418,894	$ 183,296,524	$ 175,258,064	$ 175,669,203
Items not requiring (providing) cash currently:				
Depreciation	197,081,294	227,023,139	245,193,480	253,493,535
Amortization	8,592,065	3,349,195	2,836,444	2,441,049
Deferred Income Taxes and Investment Tax Credits	160,746,077	67,039,641	104,506,356	85,457,431
Change in current assets and current liabilities:				
Change in Customer A/R	1,155,675	(5,950,957)	(8,136,684)	(8,421,652)
Change in Inventories	(30,721,550)	7,587,156	1,634,344	(4,613,400)
Change in Other Current Assets	(4,294,073)	(12,084,650)	2,509,618	(5,942,705)
Change in Regulatory Assets	(7,696,250)	(6,346,680)	(1,390,724)	(1,864,616)
Change in Accounts Payable	20,003,986	(514,851)	1,529,287	1,653
Change in Taxes Accrued	(35,036,414)	80,493	41,491	36,799
Change in Interest Accrued	(60,693)	4,835,313	(1,704,039)	15,229
Change in Other Current Liabilities	5,131,777	18,051,357	14,722,453	12,020,410
Other operating activities:				
Pension Cash Payments	(8,939,690)	(23,079,193)	(21,291,960)	(18,579,905)
Other	15,134,682			
Net Cash from Operating Activities	538,515,780	463,286,487	515,708,131	489,713,030
Cash Flows from Investing Activities				
Capital Expenditures for Property, Plant and Equipment	(624,372,836)	(492,250,277)	(427,286,767)	(455,572,828)
Other	(7,750)			
Net Cash from Investing Activities	(624,380,586)	(492,250,277)	(427,286,767)	(455,572,828)
Cash Flows from Financing Activities				
Issuance of Long-Term Debt		500,000,000	-	-
Net (Decrease) Increase in Short-Term Debt	94,305,637	(150,398,180)	39,068,546	68,233,270
Capital Contribution Received from Parent	125,211,407	54,099,323	(14,941,780)	11,074,332
Dividends on common stock	(148,131,589)	(124,737,353)	(112,548,129)	(113,447,804)
Retirement of Long-Term Debt	-	(250,000,000)	-	-
Cost of Issuing or Retiring Debt	(1,168,080)			
Net Cash from Financing Activities	70,217,375	28,963,790	(88,421,364)	(34,140,203)
Net Increase in Cash & Cash Equivalents	(15,647,432)	-	-	-
Cash & Cash Equivalents - Beginning of Period	20,687,962	5,040,530	5,040,530	5,040,530
Cash & Cash Equivalents - End of Period	$ 5,040,530	$ 5,040,530	$ 5,040,530	$ 5,040,530

Note - The cash flow statements presented are at the Company level and not at a jurisdictional level.

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(h)(4)
Sponsoring Witnesses: Kent W. Blake

Description of Filing Requirement:

A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:

4. Revenue requirements necessary to support the forecasted rate of return;

Response:

See attached. Note that the attached does not reflect any increase in rates sought in this case.

KENTUCKY UTILITIES COMPANY
CASE NO. 2014-00371
OVERALL FINANCIAL SUMMARY
FORECAST PERIOD FOR THE 12 MONTHS ENDED DECEMBER 31,

		FORECASTED			
		2014	2015	2016	2017
LINE NO.	DESCRIPTION	JURISDICTIONAL REVENUE REQUIREMENT	JURISDICTIONAL REVENUE REQUIREMENT	JURISDICTIONAL REVENUE REQUIREMENT	JURISDICTIONAL REVENUE REQUIREMENT
		$	$	$	$
1	CAPITALIZATION ALLOCATED TO KENTUCKY JURISDICTION (a)	3,453,169,093	3,567,081,224	3,599,894,698	3,714,500,310
2	ADJUSTED OPERATING INCOME	203,044,043	172,842,742	171,383,820	169,728,972
3	EARNED RATE OF RETURN (2 / 1)	5.88%	4.85%	4.76%	4.57%
4	REQUIRED RATE OF RETURN	7.23%	7.24%	7.51%	7.56%
5	REQUIRED OPERATING INCOME (1 x 4)	249,634,549	258,127,830	270,367,442	280,647,369
6	OPERATING INCOME DEFICIENCY (5 - 2)	46,590,506	85,285,089	98,983,622	110,918,397
7	GROSS REVENUE CONVERSION FACTOR	1.591828	1.591828	1.591828	1.591828
8	REVENUE DEFICIENCY (6 x 7)	74,164,073	135,759,194	157,564,902	176,563,011
9	ADJUSTED OPERATING REVENUES	1,025,758,912	967,569,210	967,439,160	975,301,894
10	REVENUE REQUIREMENTS (8 + 9)	1,099,922,984	1,103,328,404	1,125,004,062	1,151,864,905

(a) 13 months average

Filing Requirement
807 KAR 5:001 Section 16(7)(h)(5)
Sponsoring Witnesses: David S. Sinclair

Description of Filing Requirement:

A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:

5. Load forecast including energy and demand (electric);

Response:

KU Energy (GWh)

Rate	2015	2016	2017
AES	151	152	153
FLS	561	561	561
GS	1,888	1,920	1,939
Lighting	119	119	119
LTOD-Pri	3,008	3,048	3,075
PS-Pri	236	240	243
PS-Sec	2,156	2,095	2,125
RS	6,183	6,211	6,213
RTS	1,599	1,613	1,629
TOD-Pri	1,260	1,276	1,286
TOD-Sec	1,566	1,624	1,666
Total	18,728	18,859	19,008

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(h)(5)
Sponsoring Witnesses: David S. Sinclair

KU Demand (Sum of Monthly Billing Demands)

Rate	SubRate	Unit	2015	2016	2017
FLS	Base	MVA	2,222	2,222	2,222
	Intermediate	MVA	2,222	2,222	2,222
	Peak	MVA	1,217	1,217	1,217
LTOD-Pri	Base	MVA	6,296	6,381	6,436
	Intermediate	MVA	6,028	6,109	6,161
	Peak	MVA	5,945	6,026	6,077
PS-Pri	Base	MW	677	688	695
PS-Sec	Base	MW	7,126	6,927	7,026
RTS	Base	MVA	3,636	3,668	3,704
	Intermediate	MVA	3,492	3,523	3,557
	Peak	MVA	3,413	3,443	3,476
TOD-Pri	Base	MVA	3,253	3,295	3,322
	Intermediate	MVA	3,115	3,155	3,181
	Peak	MVA	3,047	3,086	3,112
TOD-Sec	Base	MW	3,861	4,002	4,106
	Intermediate	MW	3,556	3,686	3,781
	Peak	MW	3,481	3,608	3,702

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(h)(6)
Sponsoring Witnesses: Edwin R. Staton

Description of Filing Requirement:

A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:

6. Access line forecast (telephone);

Response:

Not applicable to KU's Application.

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(h)(7)
Sponsoring Witnesses: David S. Sinclair

Description of Filing Requirement:

A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:

7. Mix of generation (electric);

Response:

See attached.

GWh	**2015**	**2016**	**2017**
Coal			
Brown 1	168	261	273
Brown 2	521	525	493
Brown 3	1,080	1,049	1,089
Cane Run 4	NA	NA	NA
Cane Run 5	NA	NA	NA
Cane Run 6	NA	NA	NA
Ghent 1	2,746	3,096	3,050
Ghent 2	2,623	2,841	2,875
Ghent 3	3,186	3,189	3,148
Ghent 4	3,458	3,139	3,203
Green River 3	276	62	0
Green River 4	631	143	0
Mill Creek 1	NA	NA	NA
Mill Creek 2	NA	NA	NA
Mill Creek 3	NA	NA	NA
Mill Creek 4	NA	NA	NA
OVEC	269	239	264
Trimble County 1	NA	NA	NA
Trimble County 2	3,174	3,087	3,232
SCCT			
Brown 5	2	2	3
Brown 6	26	40	24
Brown 7	54	57	51
Brown 8	6	20	7
Brown 9	3	3	4
Brown 10	3	3	3
Brown 11	3	7	6
Cane Run 11	NA	NA	NA
Haefling	0	0	0
LS Power PPA	NA	NA	NA
Paddys Run 11	NA	NA	NA
Paddys Run 12	NA	NA	NA
Paddys Run 13	32	75	68
Trimble County 5	209	167	155
Trimble County 6	177	115	143
Trimble County 7	124	104	108
Trimble County 8	27	24	21
Trimble County 9	99	78	84
Trimble County 10	18	16	22
Zorn	NA	NA	NA
NGCC			
Cane Run 7	2,417	3,174	3,303
Hydro			
Dix Dam	75	74	74
Ohio Falls	NA	NA	NA
Total Coal	18,132	17,631	17,627
Total SCCT	783	711	698
Total NGCC	2,417	3,174	3,303
Total Hydro	75	74	74
Grand Total	21,407	21,589	21,702

Note: The generation volumes above are from KU's ownership share of the unit. "NA" is shown for units with no KU ownership share.

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(h)(8)
Sponsoring Witnesses: Edwin R. Staton

Description of Filing Requirement:

A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:

8. Mix of gas supply (gas);

Response:

Not applicable to KU's Application.

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(h)(9)
Sponsoring Witnesses: Kent W. Blake

Description of Filing Requirement:

A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:

9. Employee level;

Response:

See attached.

Kentucky Utilities Company
Case No. 2014-00371
Employee Level
Years 2014-2017

	Estimated Number of Full-Time Employees at 12/31
2014	1794
2015	1824
2016	1826
2017	1818

	Estimated Number of Total Employees at 12/31
2014	1841
2015	1874
2016	1876
2017	1868

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(h)(10)
Sponsoring Witnesses: Kent W. Blake

Description of Filing Requirement:

A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:

10. Labor cost changes;

Response:

See attached.

Kentucky Utilities Company
Case No. 2014-00371
Labor Cost
Years 2014-2017

Forecast Year	Total Wages	Amount Over Previous Year	Percentage Over Previous Year
2014	$ 173,014,604		
2015	$ 179,826,542	$ 6,811,938	3.94%
2016	$ 187,418,586	$ 7,592,044	4.22%
2017	$ 189,110,321	$ 1,691,735	0.90%

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(h)(11)
Sponsoring Witnesses: Kent W. Blake

Description of Filing Requirement:

A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:

11. Capital structure requirements;

Response:

See attached.

KENTUCKY UTILITIES COMPANY
CASE NO. 2014-00371
CAPITAL STRUCTURE REQUIREMENT
AS OF DECEMBER 31

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7)(h)(11)
K. Blake

		FORECASTED							
		2014		2015		2016		2017	
LINE NO.	CLASS OF CAPITAL	JURISDICTIONAL ADJUSTED CAPITAL	PERCENT OF TOTAL	JURISDICTIONAL ADJUSTED CAPITAL	PERCENT OF TOTAL	JURISDICTIONAL ADJUSTED CAPITAL	PERCENT OF TOTAL	JURISDICTIONAL ADJUSTED CAPITAL	PERCENT OF TOTAL
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
		$		$		$		$	
1	SHORT-TERM DEBT	184,217,077	5.20%	74,598,922	2.08%	101,938,380	2.78%	151,341,623	3.97%
2	LONG-TERM DEBT	1,472,261,505	41.52%	1,604,081,226	44.68%	1,610,510,115	43.97%	1,633,982,342	42.85%
3	COMMON EQUITY	1,889,465,443	53.29%	1,911,483,953	53.24%	1,949,971,269	53.24%	2,027,899,648	53.18%
4	TOTAL CAPITAL	3,545,944,025	100.00%	3,590,164,100	100.00%	3,662,419,764	100.00%	3,813,223,612	100.00%

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(h)(12)
Sponsoring Witnesses: Kent W. Blake

Description of Filing Requirement:

A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:

12. Rate base;

Response:

See attached.

KENTUCKY UTILITIES COMPANY

Net Original Cost Kentucky Jurisdictional Rate Base as of December 31,

	Title of Account (1)	FORECASTED 2014 Kentucky Jurisdictional Pro Forma Base Rate Base (2)	FORECASTED 2015 Kentucky Jurisdictional Pro Forma Base Rate Base (3)	FORECASTED 2016 Kentucky Jurisdictional Pro Forma Base Rate Base (4)	FORECASTED 2017 Kentucky Jurisdictional Pro Forma Base Rate Base (5)
1.	Utility Plant at Original Cost	$ 6,568,620,044	$ 6,779,580,895	$ 6,949,825,701	$ 7,250,208,509
2.	Deduct:				
3.	Reserve for Depreciation	2,429,583,998	2,577,055,040	2,629,923,382	2,762,305,287
4.	Net Utility Plant	4,139,036,046	4,202,525,855	4,319,902,319	4,487,903,222
5.	Deduct:				
6.	Customer Advances for Construction	2,445,372	2,445,372	2,445,372	2,445,372
7.	Accumulated Deferred Income Taxes	634,442,173	669,679,769	727,511,731	770,641,331
8.	Investment Tax Credit	82,080,233	80,726,559	79,153,211	77,527,754
9.	Total Deductions	718,967,777	752,851,700	809,110,314	850,614,457
10.	Net Plant Deductions	3,420,068,268	3,449,674,155	3,510,792,005	3,637,288,765
11.	Add:				
12.	Materials and Supplies	112,725,022	127,286,142	128,414,935	130,939,367
13.	Prepayments	5,983,779	5,826,329	7,250,704	6,844,956
14.	Emission Allowances	828	375	202	-
15.	Cash Working Capital (page 2)	106,821,360	116,989,238	119,102,778	122,519,159
16.	Total Additions	225,530,989	250,102,084	254,768,619	260,303,482
17.	Total Net Original Cost Rate Base	$ 3,645,599,258	$ 3,699,776,239	$ 3,765,560,624	$ 3,897,592,247

KENTUCKY UTILITIES

Calculation of Cash Working Capital
As of December 31

	FORECASTED			
	2014	2015	2016	2017
Title of Account (1)	Kentucky Jurisdictional Pro Forma Base Rate Base (2)	Kentucky Jurisdictional Pro Forma Base Rate Base (3)	Kentucky Jurisdictional Pro Forma Base Rate Base (4)	Kentucky Jurisdictional Pro Forma Base Rate Base (5)
1. Operating and maintenance expense for the 12 months ended December 31,	$ 955,548,244	$ 1,005,241,598	$ 1,020,295,314	$ 1,050,198,153
2. Deduct:				
3. Electric Power Purchased	100,977,364	69,327,700	67,473,083	70,044,884
4. Total Deductions	$ 100,977,364	$ 69,327,700	$ 67,473,083	$ 70,044,884
5. Remainder (Line 1 - Line 4)	$ 854,570,880	$ 935,913,897	$ 952,822,232	$ 980,153,269
6. Cash Working Capital	$ 106,821,360	$ 116,989,237	$ 119,102,779	$ 122,519,159

Kentucky Jurisdictional (12 1/2% of Line 5)

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(h)(13)
Sponsoring Witnesses: Edwin R. Staton

Description of Filing Requirement:

A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:

13. Gallons of water projected to be sold (water);

Response:

Not applicable to KU's Application.

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(h)(14)
Sponsoring Witnesses: David S. Sinclair

Description of Filing Requirement:

A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:

14. Customer forecast (gas, water);

Response:

Not applicable to KU's Application.

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(h)(15)
Sponsoring Witnesses: David S. Sinclair

Description of Filing Requirement:

A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:

15. Sales volume forecasts – cubic feet (gas);

Response:

Not applicable to KU's Application.

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(h)(16)
Sponsoring Witnesses: Edwin R. Staton

Description of Filing Requirement:

A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:

16. Toll and access forecast of number of calls and number of minutes (telephone); and

Response:

Not applicable to KU’s Application.

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(h)(17)
Sponsoring Witnesses: Kent W. Blake

Description of Filing Requirement:

A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:

17. A detailed explanation of other information provided, if applicable.

Response:

Not applicable to KU’s Application.

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(i)
Sponsoring Witness: Valerie L. Scott

Description of Filing Requirement:

The most recent Federal Energy Regulatory Commission or Federal Communications Commission audit reports.

Response:

The most recent Federal Energy Regulatory Commission ("FERC") audit report relating to KU is attached. The Federal Communications Commission has not conducted an audit of KU, and, therefore, no such audit reports exist.

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

In Reply Refer To:
Office of Enforcement
Docket No. FA12-12-000
October 9, 2014

PPL Corporation
Attention: Robert J. Grey
Executive Vice President, General Counsel and Secretary
Two North Ninth St.
Allentown, PA 18101

Dear Mr. Grey:

1. The Division of Audits and Accounting within the Office of Enforcement (OE) has completed an audit of PPL Corporation (PPL), including its service companies and associated companies. The purpose of the audit was to evaluate the companies' compliance with Federal Energy Regulatory Commission (Commission): (1) cross-subsidization restrictions on affiliate transactions under 18 C.F.R. pt. 35; (2) accounting, recordkeeping, and reporting requirements under 18 C.F.R. pt. 366; (3) Uniform System of Accounts (USofA) for centralized service companies under 18 C.F.R. pt. 367; (4) preservation of records requirements for holding and service companies under 18 C.F.R. pt. 368; and (5) FERC Form No. 60 annual report requirements under 18 C.F.R. pt. 369.

The audit evaluated PPL's associated public utilities' compliance with Commission accounting requirements for transactions with associated companies under 18 C.F.R. pt. 101 and the applicable reporting requirements in the FERC Form No. 1. The audit also evaluated compliance with the conditions upon which the Commission granted merger and acquisition of jurisdictional facilities authorization in Docket No. EC10-77-000.

Moreover, the audit evaluated Kentucky Utilities Company (KU) and Louisville Gas and Electric Company's (LG&E) compliance with their transmission cost-of-service formula rate schedule included as Attachment O of KU and LG&E's Open Access Transmission Tariff (OATT) and PPL Electric Utilities Corporation's compliance with its transmission cost of service formula rate schedule included as Attachment H-8-G of PJM Interconnection, L.L.C.'s OATT. The audit covered the period from January 1, 2010 through December 31, 2011. The enclosed audit report explains our audit findings and recommendations.

2. On September 26, 2014, PPL agreed with the findings and accepted the recommendations contained in the audit report. PPL stated it has already undertaken some corrective actions, as observed in the audit report.

3. In addition, PPL also provided descriptions of the planned corrective actions it will take to comply with the audit report recommendations and provided target completion dates. The appendix to the audit report includes a copy of PPL's response. I hereby approve the audit report.

4. PPL should submit its implementation plan within 30 days of this letter and make quarterly submissions to DAA describing the progress made to comply with the recommendations. As indicated in the audit report, these submissions should be made no later than 30 days after the end of each calendar quarter, beginning with the first quarter after this audit report is issued, and continuing until all corrective actions are completed.

5. The Commission delegated the authority to act on this matter to the Director of OE under 18 C.F.R. section 375.311 (2013). This letter order constitutes final agency action. PPL may file a request for rehearing with the Commission within 30 days of the date of this order under 18 C.F.R. section 385.713 (2013).

6. This letter order is without prejudice to the Commission's right to require hereafter any adjustments it may consider proper from additional information that may come to its attention. In addition, any instance of non-compliance not addressed herein or that may occur in the future may also be subject to investigation and appropriate remedies.

7. I appreciate the courtesies extended to the auditors. If you have any questions, please contact Mr. Bryan K. Craig, Director and Chief Accountant, Division of Audits and Accounting at (202) 502-8741.

Sincerely,

Larry D. Gasteiger
Acting Director
Office of Enforcement

Enclosure

Federal Energy Regulatory Commission

Audit of

PPL Corporation's Affiliate Transactions, and Compliance with:

- Cross-subsidization Restrictions on Affiliated Transactions;

- Regulations under the Public Utility Holding Company Act of 2005;

- Uniform System of Accounts for Public Utilities and Accounting for Service Company Billings;

- Merger Conditions under Docket No. EC10-77-000; and

- Transmission Formula Rates

Docket No. FA12-12-000
October 9, 2014

Office of Enforcement
Division of Audits and Accounting

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I. Executive Summary

A. Overview

The Division of Audits and Accounting (DAA) within the Office of Enforcement has completed an audit of PPL Corporation (PPL), including its service and associated companies. The audit was commenced to evaluate compliance with the Federal Energy Regulatory Commission's (FERC or the Commission): (1) cross-subsidization restrictions on affiliate transactions;[1] (2) accounting, recordkeeping, and reporting requirements;[2] (3) Uniform System of Accounts (USofA) for centralized service companies;[3] (4) preservation of records requirements for holding and service companies;[4] and (5) FERC Form No. 60 annual report requirements.[5]

The audit evaluated PPL's associated public utilities' compliance with Commission accounting requirements for transactions with associated companies under 18 C.F.R. pt. 101 and applicable reporting requirements in the FERC Form No. 1. The audit also evaluated compliance with the conditions upon which the Commission granted merger and acquisition of jurisdictional facilities authorization in Docket No. EC10-77-000. Lastly, the audit evaluated Kentucky Utilities Company (KU) and Louisville Gas and Electric Company's (LG&E) compliance with their transmission cost-of-service formula rate schedule included as Attachment O of KU and LG&E's Open Access Transmission Tariff (OATT) and PPL Electric Utilities Corporation's (PPL Electric) compliance with its transmission cost-of-service formula rate schedule included as Attachment H-8-G of PJM Interconnection, L.L.C.'s (PJM) OATT. The audit covered the period from January 1, 2010 through December 31, 2011.

Based on audit staff examination of KU, LG&E, and PPL Electric's accounting and formula rate calculations, audit staff identified numerous areas of substantial non-compliance with various Commission requirements. The level of non-compliance and the seriousness of these matters uncovered during the audit resulted in excessive formula rate billings to wholesale transmission customers. Audit staff is very concerned that the lack of sufficient oversight of PPL's accounting and formula rate policies that impact rate recovery have contributed to erroneous and excessive formula rate billings to wholesale

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[1] 18 C.F.R. pt. 35.

[2] *Id.* pt. 366.

[3] *Id.* pt. 367.

[4] *Id.* pt. 368.

[5] *Id.* pt. 369.

transmission customers. Audit staff is also concerned that wholesale transmission customers would have continued to pay excessive amounts through formula rate billings had these areas of non-compliance gone undetected by audit staff. However, audit staff is encouraged by PPL's: (1) cooperation throughout the entire audit process and (2) swift and comprehensive implementation plan to correct these serious breaches of compliance with Commission requirements during and after the audit fieldwork. These areas of non-compliance are reflected in the compliance findings summarized in section C below and in full in section IV.

B. Transmission Formula Rate

KU and LG&E

KU and LG&E operate their system as a single, integrated, and coordinated transmission system and provide transmission service under the terms of their shared joint OATT. KU and LG&E adopted a formula rate for transmission service under schedule 7 (covering long-term firm and short-term firm point-to-point transmission service), schedule 8 (covering non-firm point-to-point transmission service), and schedule 9 (covering network integration service). The formula rate also provides for recovery of their Independent Transmission Organization and Reliability Coordinator costs.

The formula rate is in Attachment O to KU and LG&E's OATT. KU and LG&E are not required to file an annual informational or compliance filing for their wholesale transmission cost-of-service formula rate. Rather, KU and LG&E post the formula rate on OASIS by May 1, effective June 1, each year. All amounts in the formula rate are based on actual amounts. There are no over/under-collections, refunds, additional billings, projections, or estimates in the formula rate.

The transmission formula rate calculation is prepared in an Excel spreadsheet that primarily uses FERC Form No. 1 data. Each input item is identified within the spreadsheet, KU and LG&E's FERC Form No. 1 data are entered in the input section of the spreadsheet, and they are combined to calculate the final combined OATT rates. Sources of the data used to prepare the transmission formula rate are the KU and LG&E FERC Form No. 1s for the calendar year. Specific pages and line numbers are in the data entry section of the formula spreadsheet to help identify correct data points. After initial data entry is completed, separate teams in the accounting and transmission groups review the formula inputs and results to ensure data accuracy. The Rates and Regulatory (Rates) group maintains the spreadsheet where the formula rate is calculated. The Rates group enters data from the FERC Form No. 1, which allows formula rates to be calculated in the spreadsheet.

<u>PPL Electric</u>

PPL Electric is a member of PJM. PJM directs the operation of PPL Electric's transmission facilities, and transmission service over these facilities is provided under the PJM OATT. PPL Electric's annual transmission revenue requirement (ATRR) and annual transmission rates are set forth in Attachment H-8G to PJM's OATT, and the formula rate implementation protocols (Protocols) for the ATRR and rates are set forth in Attachment H-8H to PJM's OATT. The Protocols describe the process in which PPL Electric will account for certain inputs, updates to the formula, annual review procedures, and formal challenge procedures.

PPL Electric's ATRR established point-to-point transmission rates to the PPL Group Zone and Network Integration Transmission Service (NITS) rates in the PPL Group Zone. PPL Electric's ATRR is based on actual costs for transmission service for the preceding calendar year and based on associated FERC Form No. 1 data. PPL Electric is allowed to include the cost of weighted, capital additions projected for the current year, as well as projected CWIP for its transmission incentive project, Susquehanna-Roseland. PPL Electric also has a true-up mechanism through which deviations from actual costs will be addressed.

The ATRR produced by PPL Electric's approved formula rate is the sum of return on rate base, operation and maintenance expense, administrative and general expense, depreciation expense, taxes other than income tax, and income taxes, less any applicable revenue credits. PPL Electric's formula rate components are based on FERC Form No. 1 data and/or supporting documentation for data not otherwise available in the FERC Form No. 1. PPL Electric's Regulatory Compliance group manages the formula rate filing process, while other groups such as Transmission Expansion, Office of General Counsel, and Taxes provide data and various exhibits supporting some components. PPL Electric's formula rate filing is submitted to the Commission as an informational filing, due annually on or before May 15 of each year.

C. Summary of Compliance Findings

Audit staff's compliance findings are summarized below. Details are in section IV of this report. Audit staff identified the following areas of noncompliance:

- PPL Electric improperly accounted for its investment in PPL Receivables Corporation under the consolidated method of accounting instead of using the equity method of accounting, as required by the Commission. As a result of using the consolidated method instead of the equity method of accounting, PPL Electric erroneously included certain amounts in its formula rate billings to wholesale transmission customers.

- PPL Electric improperly accounted for overpayments of its current year's estimated Federal and state income taxes in Account 165, Prepayments.

- PPL Electric improperly accounted for manufactured gas plant remediation expenses in Account 930.2, Miscellaneous General Expenses. These expenses should have been accounted for so that no amounts would be recovered from wholesale transmission customers since these costs were not associated with obligations related to wholesale transmission customers. As a result of the incorrect accounting, these expenses were improperly included in the formula rate computation.

- KU and LG&E neither sought nor received Commission approval to recover asset retirement obligation costs in their transmission formula rate.

- KU did not remove all amounts from its formula rate calculations associated with its Virginia distribution utility plant facilities, as required by the Commission.

- KU and LG&E improperly accounted for cost of removal on physical assets related to asset retirement obligations.

- PPL's three franchised public utilities (KU, LG&E, and PPL Electric) incorrectly included some transaction-related costs related to PPL's merger with E.ON U.S. in formula rate billings to wholesale power and transmission customers.

- KU's method of computing Allowance for Funds Used During Construction (AFUDC) on Construction Work In Progress (CWIP) was deficient by compounding AFUDC monthly instead of semi-annually, including unrealized losses in its common equity balance used to calculate AFUDC, and using an incorrect balance for the common equity component.

- KU and LG&E's formula rate Attachment O included multiple inaccurate line references.

- FERC Form No. 60 filings that PPL Services Corporation (PPL Services) and LG&E and KU Services Company (LKS) made contained several reporting errors relating to account misclassifications, supporting schedule discrepancies, and the reporting of convenience payments.

D. Summary of Recommendations

Audit staff's recommendations to remedy the findings are summarized below. Detailed recommendations are in section IV. To address the areas of noncompliance, audit staff recommends the following:

1. PPL Electric should provide notice of its material accounting changes to its wholesale transmission customers as required by section III.B of Attachment H-8H, Formula Rate Implementation Protocols, of its Open Access Transmission Tariff.

2. PPL Electric should implement procedures to ensure that it follows the equity method of accounting for all investments in subsidiaries and ensure no deviation between accounting practices and Commission accounting regulations.

3. PPL Electric should adopt controls that will ensure all costs related to PPL Receivables' operating activities are excluded from all components in PPL Electric's formula rate calculation.

4. PPL Electric should refund all costs incorrectly included in and recovered through the formula rate since its inception, with interest, calculated in accordance with the formula rate protocols approved by the Commission through the formula rate true-up process in 2014.

5. PPL Electric should file a refund report with the Commission that reflects amounts refunded to PPL Electric's wholesale transmission customers.

6. PPL Electric should reclassify Federal and state income taxes recorded in Account 165, Prepayments, applicable to those years in which PPL Electric chose to receive a refund of those amounts to Account 146, Accounts Receivable from Associated Companies, or Account 143, Other Accounts Receivable, as appropriate.

7. PPL Electric should submit correcting entries to the Division of Audits and Accounting within 30 days of this report.

8. PPL Electric should revise procedures to ensure its income tax transactions recorded to Account 165 represent actual prepayments.

9. PPL Electric should revise procedures to appropriately determine its tax accrual amount.

10. PPL Electric should record the necessary correcting entries as of December 31 to reflect the proper accounting for Federal and state estimated tax overpayment.

11. For each year these amounts were included in the formula rate calculations, PPL Electric should refund all costs incorrectly included in and recovered through the formula rate, with interest, calculated pursuant to its formula rate protocols approved by the Commission through the formula rate true-up process in 2014.

12. PPL Electric should file a refund report with the Commission that reflects amounts refunded to PPL Electric's wholesale transmission customers.

13. PPL Electric should amend its accounting policies to ensure manufactured gas plant remediation expenses are accounted for consistent with the Commission's accounting regulations.

14. PPL Electric should refrain from including manufactured gas plant remediation expenses in the formula rate determinations, since such costs were not incurred in providing service to wholesale transmission customers.

15. PPL Electric should determine the amount of manufactured gas plant remediation costs recovered through its formula rate.

16. For each year affected, PPL Electric should refund the manufactured gas plant remediation expense amounts improperly included and recovered through the formula rate, calculated pursuant to its formula rate protocols approved by the Commission through the formula rate true-up process in 2014.

17. PPL Electric should file a refund report with the Commission that reflects amounts refunded to its wholesale transmission customers.

18. LG&E and KU should submit a filing with the Commission under FPA section 205 to address their recovery of asset retirement obligation costs.

19. LG&E and KU should calculate the rate impact of recovering these ARO costs in the formula rate, and provide these calculations to the Division of Audits and Accounting.

20. For each year affected since the inception of their stand-alone formula rate, LG&E and KU should refund to ratepayers amounts inappropriately recovered through the transmission formula rate due to recovering asset retirement obligation costs, calculated with interest under section 35.19a of the Commission's regulations.

21. LG&E and KU should calculate the rate impact of recovering these costs in their stand-alone formula rate, and provide these calculations to the Division of Audits and Accounting.

22. For each year these Virginia distribution utility costs were included in their stand alone formula rate calculation, LG&E and KU should refund to ratepayers amounts inappropriately recovered through the transmission formula rate, calculated with interest under section 35.19a of the Commission's regulations.

23. LG&E and KU should provide to the Division of Audits and Accounting correcting entries that show the reversal of amounts from Account 254.

24. For each year these amounts were included in their stand-alone formula rate, LG&E and KU should refund all costs, calculated with interest under section 35.19a of Commission regulations.

25. LG&E and KU should file a refund report with the Commission that reflects amounts refunded to their customers.

26. PPL Electric, LG&E, and KU should strengthen existing procedures so that no transaction-related costs flow through an FPU's formula rates.

27. PPL Electric, LG&E, and KU should calculate the rate impact of recovering transaction-related costs in their respective formula rates, and provide these calculations to the Division of Audits and Accounting.

28. PPL Electric, LG&E and KU should refund to ratepayers amounts inappropriately recovered through the transmission formula rate due to the incorrect allocation of transaction-related costs, calculated with interest in accordance to the Commission-approved formula rate protocols for PPL Electric and under section 35.19a of the Commission's regulations for LG&E and KU.

29. KU should revise and implement procedures going forward to ensure its AFUDC base and rate calculation is consistent with Electric Plant Instruction 3(17) and other applicable Commission requirements.

30. LG&E and KU should develop and implement controls to ensure accurate and complete line references.

31. LG&E and KU should submit a filing with the Commission under FPA section 205 to address the incorrect formula rate line references.

32. LKS and PPL Services should develop and implement procedures to ensure proper account classification, consistent reporting, and completion of all supporting schedules of the FERC Form No. 60. As part of these procedures, incorporate an annual review to ensure the FERC Form No. 60 filed with the Commission is complete and accurate.

33. LKS and PPL Services should refile 2010 FERC Form No. 60, correcting all reporting errors within 90 days after this report is issued.

E. Compliance and Implementation of Recommendations

Audit staff further recommends that PPL:

- Submit its plans for implementing audit staff's recommendations for audit staff's review. PPL should submit these plans to audit staff within 30 days after this final audit report is issued.

- Submit all correcting entries to the Division of Audits and Accounting within 30 days after this final audit report is issued, including all correcting entries affecting the books for its associated franchised public utilities.

- Submit quarterly reports to the Division of Audits and Accounting describing PPL's progress in completing each corrective action recommended in this final audit report. PPL should make quarterly filings no later than 30 days after the end of each calendar quarter, beginning with the first quarter after the final audit report in this docket is issued, and continuing until PPL completes all recommended corrective actions.

- Submit copies of any written policies and procedures developed in response to recommendations in the final audit report. These policies and procedures should be submitted for audit staff review in the first quarterly filing after PPL completes these products.

II. Background Information

A. Description of PPL Corporation System

Headquartered in Allentown, PA, PPL is a public utility holding company with public utility and nonutility subsidiaries in the United States. PPL controls or owns approximately 19,000 megawatts of generating capacity in the United States, sells energy in U.S. markets, and delivers electricity and natural gas to about 10 million customers in the United States. PPL also owns a regulated distribution company in the United Kingdom that serves 7.8 million customers in Wales, and southwest and central England. During the audit period, PPL was the parent of three Commission-jurisdictional franchised public utilities (FPUs): PPL Electric, LG&E, and KU.[6]

PPL Electric delivers electricity to 1.4 million customers in eastern and central Pennsylvania, and owns transmission facilities within PJM's balancing authority area. PPL Electric does not have captive wholesale or retail customers, but is the default supplier for retail customers within its service area. LG&E is a public utility that owns and operates electric generation, transmission, and distribution facilities, as well as natural gas distribution, transmission, and storage facilities, in Kentucky and Indiana. LG&E serves 397,000 electric customers. KU is a public utility that owns and operates electric generation, transmission, and distribution facilities in Kentucky, with limited operations in Tennessee and Virginia. KU serves 516,000 electric customers in Kentucky and 30,000 electric customers in Virginia.

PPL's two centralized service company subsidiaries (LKS and PPL Services) provide a variety of services to PPL, affiliated FPUs, and other affiliates.

LKS provides a variety of administrative, management, engineering, construction, environmental, and support services to affiliated entities, including KU and LG&E, at cost. LKS was formed as a Kentucky corporation on June 2, 2000 and commenced operations as a service company on January 1, 2001. Following the repeal of the Public Utility Holding Company Act (PUHCA) of 1935 and the enactment of PUHCA 2005, LKS transitioned, effective January 1, 2008, to the Commission's USofA for centralized service companies under part 367. LKS is a wholly owned subsidiary of LG&E and KU Energy LLC (LKE), which in turn is a wholly owned subsidiary of PPL. LKS became an indirect, wholly owned subsidiary of PPL when PPL acquired all of the limited liability company's interest of LKE from E.ON U.S. LLC (E.ON U.S.) on November 1, 2010.

[6] The term franchised public utility means a public utility with a franchised service obligation under state law.

PPL Services, a Delaware corporation, is a wholly owned subsidiary of PPL. PPL Services also provides various administrative services at cost to affiliated entities, including LKS and PPL Electric. PPL Services was formed as a corporate entity on February 14, 2000 as a PPL subsidiary. When PPL Services was formed, PPL was a single state exempt holding company under PUHCA 1935, so PPL Services was not subject to regulation as a centralized service company. PPL remained a single state exempt holding company after PUHCA 2005 was passed. On October 26, 2010, the Commission issued an order under section 203 of the Federal Power Act (FPA), authorizing PPL's acquisition of E.ON U.S. As a result of the acquisition of E.ON U.S., PPL derived more than 13 percent of its public utility company revenues from outside of a single state. After the acquisition, PPL notified the Commission that it no longer qualified for the waiver from applicable accounting, record retention, and reporting requirements under part 366 of the Commission's regulations as a single state holding company and notified the Commission it no longer sought to maintain its waiver as a single state holding company. Due to the acquisition of E.ON U.S. and PPL's change in status under PUHCA 2005, PPL Services fell under regulation as a centralized service company under PUHCA 2005 on November 1, 2010. The basic organizational structure of PPL Services has not changed significantly since it was formed in 2000.

B. Non-Power Goods and Services

LKS and PPL Services are the centralized service companies within PPL's holding company system that provide business support services to PPL, affiliated FPUs, and other subsidiaries. During the audit period, the service companies had service agreements between themselves and the FPUs. Under these agreements, the service companies provided administrative and professional services to PPL, its associated public utilities, and other PPL nonregulated operating companies "at-cost." Specifically, these administrative and professional services included, among others, corporate audit services, environmental management services, facilities management, financial accounting and reporting services, human resources, IT support, tax services, and legal services. Also, affiliated companies provided PPL's FPUs with other non-power goods and services. Such services were provided under agreements for mutual assistance, gas transportation services, insurance services, third-party services, data hosting, and intercompany billing support.

C. Service Company Accounting Systems

Cost accumulation and tracking at PPL Services is accomplished using two systems: PeopleSoft Project Costing (Project Costing) and PowerPlant. Project Costing is the system where projects are created and serves as the repository for amounts from various subsystems, such as payroll, accounts payable, and inventory. PPL Services tracks expenses by project. These can either be expense or capital projects. The Commission account for applicable costs is assigned as part of this Project Costing. PowerPlant contains plant records for PPL Services and serves as the database for its property records. PowerPlant data fields are updated by a nightly interface with PeopleSoft. Any capital projects established in PowerPlant are reviewed for proper accounting set up by the Asset Management group, which is part of the Controller's department. PowerPlant calculates depreciation expense as well as any capitalized interest. At month end, PowerPlant creates journal entries that are interfaced back to the PeopleSoft general ledger. PowerPlant is used exclusively for accumulating costs for capital projects.

Classification of accounts is maintained by the Corporate Accounting department in the Shared Accounting Services group and conforms to the requirements of the USofA. The classification also establishes accounting requirements as applicable to transactions occurring under normal circumstances in the ordinary course of business. The general ledger records and maintains activity and balances for direct and indirect costs. The general ledger also runs a monthly process to allocate indirect service company costs recorded, by category, from the service company to various PPL business lines as defined by the Financial Planning group. Also, the Financial Planning group created manual journal entries, and reviewed and approved direct cost allocations from the service company to the various business lines.

LKS cost accumulation and tracking is accomplished using Oracle products. Transactions affecting LKS post to the Oracle general ledger and originate from spreadsheet journal entries and mass allocations generated within the Oracle general ledger module, and from the subsidiary systems' Oracle Project Accounting, Oracle Payables, Oracle Purchasing, PowerPlant, the VOLTS timekeeping system, and the Transportation Resource Management System.

LKS uses the Oracle Project Accounting (Project Accounting) module to capture and accumulate direct and indirect costs. Projects have been created for each associated company, which receives charges with tasks designated to record income statement charges for direct and indirect labor, and for direct and indirect nonlabor. Charges from LKS to projects with tasks set up to balance sheet accounts on associated companies are designated as direct. Labor burdens are designated as indirect, consistent with the treatment on the FERC Form No. 1. LKS employees record their time through the timekeeping system to the appropriate direct or indirect labor tasks, and the labor is interfaced to Project Accounting and the general ledger. Nonlabor charges are recorded to appropriate direct or indirect nonlabor tasks via coding on purchase orders, disbursement requests, purchasing cards, or expense reports. After employees' labor charged to associated companies is interfaced from Project Accounting and posted to the general ledger, an Oracle process calculates burden components on this labor. This process debits direct burden accounts for all labor, including indirect labor. Another Oracle process then moves burden amounts from direct burden accounts to indirect burden accounts.

D. Cost Allocation Methods

The service companies directly and indirectly charge costs to affiliates. Directly charged costs are identifiable and charged entirely to the appropriate affiliate, while indirectly charged costs require application of different cost allocation methodologies to determine charges. These methodologies are based on several factors such as number of employees, number of transactions, number of customers, or occupied square footage. In general, the service companies charge costs to affiliates in one of three ways:

- Costs for services performed for an affiliate are directly charged to the affiliate.
- Costs for services performed for two or more affiliates are distributed among and charged to the affiliates, using methods determined on a cost-causation basis consistent with the type of work performed and based on an allocation method.
- Costs for general services, which are applicable to all affiliates or a class or classes of affiliates, are allocated among or charged to such affiliates by application of one or more cost allocation methods.

LKS reported approximately $296 million in service costs for 2011. Moreover, LKS directly charged some 47 percent and allocated 53 percent of costs to affiliates with respect to non-power goods and services it provided. KU and LG&E received about 88 percent of the service company's charges during 2011. LKS neither directly charged nor allocated any costs to PPL Electric during 2011. LKS directly charged or allocated costs to affiliates using 18 different allocation methods.

PPL Services reported approximately $400 million in service costs for 2011. Moreover, it directly charged some 59 percent and allocated 41 percent of costs to affiliates with respect to non-power goods and services it provided. PPL Electric received about 36 percent of the service company's charges during 2011. PPL Services neither directly charged nor allocated any costs to KU or LG&E during 2011. PPL Services directly charged or allocated costs to affiliates using 11 different allocation methods.

E. Internal Audit Role and Reporting

PPL's Internal Audit department is divided into three branches: PPL Audit Services, Special Projects, and LKE Audit Services. The executive director of the Internal Audit department reports functionally to the Audit Committee of the Board of Directors and reports administratively to the Chairman/President/CEO. Most of these staffers have Certified Public Accountant and/or Certified Internal Auditor professional certifications.

The Internal Audit department uses and complies with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. Each quarter, the Internal Audit department prepares a report for the PPL Audit Committee that addresses key risk areas assessed during the quarter, a summary of audit results, a summary of significant or material control deficiencies, audit performance measures, and a summary of select in-progress audits. Each year, the Internal Audit department also reports to the PPL Audit Committee on overall control environment, Sarbanes-Oxley section 404 compliance, audit organization and qualifications, budget and expenditures, annual audit plans, and the Internal Audit department's charter. The Internal Audit department did not perform any work that directly related to the scope areas in this audit.

F. Acquisition of E.ON U.S.

On November 1, 2010, PPL purchased E.ON U.S., the parent company of Kentucky's two major utilities, KU and LG&E, for $7.625 billion from German utility firm E.ON AG. On October 25, 2010, the Commission issued an order approving this acquisition of all issued and outstanding limited liability company interests of E.ON U.S.[7] As a result of the transaction, E.ON U.S. became a direct, wholly owned subsidiary of PPL, and E.ON U.S.'s subsidiaries, including KU and LG&E, became indirect, wholly owned subsidiaries of PPL. In its Merger Order approving the transaction, the Commission required that transmission and wholesale customers be held harmless from costs related to the transaction for five years to the extent that such costs would exceed savings related to the transaction.

[7] *PPL Corporation*, 133 FERC ¶ 61,083 (2010) (Merger Order).

III. Introduction

A. Objectives

The audit's objectives were to determine whether PPL and its associated companies complied with: (1) Commission cross-subsidization restrictions on affiliate transactions; (2) accounting, recordkeeping, and reporting requirements; (3) the USofA for centralized service companies; (4) Commission preservation of records requirements for holding companies and service companies; and (5) FERC Form No. 60 Annual Report requirements. The audit evaluated PPL's associated public utilities' compliance with Commission accounting requirements for transactions with associated companies and applicable reporting requirements in the FERC Form No. 1. The audit also evaluated compliance with the conditions upon which the Commission granted merger and acquisition of jurisdictional facilities authorizations in Docket No. EC10-77-000. Lastly, audit staff examined KU, LG&E, and PPL Electric's compliance with their transmission cost-of-service formula rate schedules within the respective OATTs. The audit covered January 1, 2010 through December 31, 2011.

B. Scope and Methodology

To address overall audit objectives, audit staff:

- Identified standards and criteria used to evaluate compliance with each audit scope area. They included Commission rules, regulations, letter orders, and other requirements for holding and service companies, and Commission accounting regulations for jurisdictional public utilities.

- Reviewed FERC-65, Notification of Holding Company Status, and FERC Form No. 60 Annual Reports to ensure filed information was reliable, accurate, and complete.

- Reviewed publicly available materials to understand PPL's operations, including select filings to the SEC (Forms 10-K and 10-Q), FERC Form Nos. 1 and 60 filings, prior audits, and other filings with the Commission.

- Conferred with officials from the Pennsylvania, Kentucky, Virginia, and Tennessee public utility commissions, which have jurisdiction over PPL's FPUs.

- Conducted site visits to corporate headquarters in Allentown, PA, and Louisville, KY. The visits enabled audit staff to understand PPL's structure, activities, functions, systems, and the processes used in its operations. While on site, audit staff reviewed and tested supporting details for PPL's allocation methods; interviewed PPL staff responsible for accounting, financial reporting, record retention, cost allocations, and PPL's compliance program; sampled select supporting documents to ensure the service companies' accounting complied with Commission accounting regulations; sampled select supporting documents to ensure that billings and associated public utilities' accounting for these billings complied with Commission accounting regulations; and tested compliance with preservation of records requirements.

- Conducted interviews, teleconferences, and met with PPL employees to discuss processes, procedures, operations, and observations.

- Discussed data responses with PPL employees, and clarified and supplemented data responses with more information on areas of specific concern.

- Reviewed relevant audit reports and working papers of the Internal Audit department and external audit firm Ernst & Young LLP.

- Conferred with other Commission staff on various compliance issues to ensure audit findings would be consistent with Commission precedent and policy. For example, audit staff spoke with staff from other divisions within the Office of Enforcement, and with technical and legal staff from other Commission offices, including the Office of Energy Market Regulation and the Office of General Counsel.

Audit staff performed several specific actions to evaluate compliance with all relevant requirements relating to audit objectives. A summary of these actions includes:

Cross-subsidization Restrictions

To evaluate compliance with Commission cross-subsidization restrictions on affiliate transactions, audit staff:

- Reviewed policies, procedures, and practices related to the sale of non-power goods and services.

- Interviewed PPL employees, particularly those who account and report transfers of non-power goods and services.

- Reviewed and tested pricing mechanisms for non-power goods and services the FPUs provided to and received from each other, service companies, and other nonutility affiliates.

- Sampled charges and payments to determine accurate pricing for the sale of goods and services.

Accounting, Recordkeeping, and Financial Reporting

To evaluate compliance with Commission accounting, recordkeeping, and financial reporting regulations, audit staff:

- Reviewed FERC Form No. 60 Annual Report filings, Notification of Holding Company Status – FERC-65 filings, and the public utilities' FERC Form No. 1 reports. Audit staff also verified select, electronically filed information reported on the FERC Form No. 60 filings with supporting books and records to ensure reported information was accurate and complete.

- Compared select information in the FERC Form No. 1s with the FERC Form No. 60s to ensure information was reported accurately and consistently. Also, audit staff reviewed page 429 of the FERC Form No. 1s, which included non-power goods and services transactions for each FPU.

- Reviewed, sampled, analyzed, and tested select centralized service company accounting data.

- Sampled FPUs' accounting for select costs received from the centralized service companies.

Cost Allocation and Billings

To evaluate service company cost allocation methodologies and billings, audit staff:

- Identified cost allocation methods used, and identified and reviewed new allocation methods to facilitate our review of the service companies' cost allocation methods and costs the service companies billed to PPL's FPUs. Also, audit staff reviewed and tested billings and supporting details behind select allocation methods.

Preservation of Records

To evaluate compliance with Commission preservation of records requirements, audit staff:

- Interviewed PPL employees responsible for retaining records for the service companies.

- Requested and tested select records to ensure their retention.

Merger and Acquisition Authorizations Compliance Review

To evaluate compliance with conditions of the Commission's Merger Order, audit staff:

- Reviewed PPL's applications and related Commission filings and orders to understand the terms, conditions, and context of the merger and acquisition request, and identify commitments made in applicable orders.

- Examined procedures and controls for compliance with "hold harmless" provisions the Commission established in its merger and acquisition order. This included a review of accounting filings for recovery of transaction-related costs, controls for compliance oversight, and rates to ensure cost recoveries were appropriate.

- Discussed the merger with state public utility commissions that regulate PPL to understand their merger oversight and any concerns related to the post-merger company.

- Evaluated PPL's implementation process to ensure compliance with the merger's hold harmless provisions, requiring PPL to hold wholesale power and transmission customers harmless for five years from merger costs that may exceed merger-related savings.

- Interviewed employees involved in merger costs and synergy savings tracking.

- Tested certain amounts recorded as merger costs and synergy savings to determine appropriate classification and the level of support maintained.

Transmission Formula Rate

To evaluate each FPU's compliance with its respective formula rates, audit staff:

- Evaluated PPL Electric's compliance with its transmission cost-of-service formula rate in Attachment H-8G and the related Protocols set forth in Attachment H-8H to PJM's OATT, and KU and LG&E's compliance with their transmission cost-of-service formula rate in Attachment O to their joint OATT, including filings containing inputs to the formula rate.

- Reviewed initial and all subsequent Commission orders accepting the formula rate, including orders approving related settlements and PPL filings. Determined the level of functionalization, derivation of allocation factors, return on equity, rate base, accumulated depreciation, and other expenses. Reviewed background information about specific cost treatment, deferrals, cost caps, disallowances, and other matters disclosed as part of approving the derivation of the formula rate.

- Evaluated processes, procedures, and controls used to prepare and review the formula rate and annual updates, true-ups, or informational filings associated with the formula rate.

- Reviewed formula rate mechanics (forward-looking, historical, true-up, and informational filings), including a comprehensive overview of the formula rate mechanism the company provided.

- Evaluated the FERC Form No. 1 reporting processes and procedures to ensure accurate and complete reporting. As part of this evaluation, audit staff reconciled FERC Form No. 1 data with formula rate calculations and reviewed all discrepancies.

- Reviewed the FERC Form Nos. 1 and 3-Q, including related notes to financial statements to identify major accounting matters. Audit staff highlighted significant notes to understand financial statement and formula rate implications, and identified underlying accounting entries for these significant accounting matters.

- Determined whether the FPUs' accounting for significant matters impacted the formula rate calculation.

- Evaluated whether PPL's FPUs applied formula rate inputs in compliance with rate approval orders.

- Reconciled formula rate inputs derived from the FERC Form No. 1 to FPU books and records. Evaluated compliance with the USofA for the inputs under review, including all related guidance and accounting releases and accounting treatment of input items.

- Evaluated various accounts incorporated into cost-of-service formula rates and compliance with relevant accounting regulations in the UsofA.

Besides these actions, audit staff reviewed PPL's regulatory compliance program. Audit staff assessed the program for audit scope areas consistent with prior Commission orders and policy statements. Specifically, audit staff:

- Reviewed PPL's regulatory compliance program structure, including its authority and responsibilities for overseeing corporate compliance and the delegation of compliance responsibilities.

- Reviewed the Internal Audit department structure, including its chain-of-command and access to the Board of Directors through its Audit Committee to assess the effectiveness and independence of the audit function.

- Interviewed PPL executives, managers, and operational employees to evaluate their knowledge and application of the compliance program.

IV. Findings and Recommendations

1. Long-Term Investment in Subsidiary

PPL Electric improperly accounted for its investment in PPL Receivables under the consolidated method of accounting instead of using the equity method of accounting, as required by the Commission. As a result of using the consolidated method instead of the equity method of accounting, PPL Electric erroneously included certain amounts in its formula rate billings to wholesale transmission customers.

Pertinent Guidance

On February 1, 1973, the Commission issued Order No. 469 to amend the requirements of the Uniform System of Accounts to adopt the equity method of accounting for long-term investments in subsidiaries.[8]

18 C.F.R. pt. 101, Account 123.1, Investment in Subsidiary Companies, states:

> A. This account shall include the cost of investments in securities issued or assumed by subsidiary companies and investment advances to such companies, including interest accrued thereon when such interest is not subject to current settlement plus the equity in undistributed earnings or losses of such subsidiary companies since acquisition. This account shall be credited with any dividends declared by such subsidiaries.

18 C.F.R. pt. 101, Account 418.1, Equity in Earnings of Subsidiary Companies, states:

> This account shall include the utility's equity in the earnings or losses of subsidiary companies for the year.

Instructions to the schedule on page 224 of the FERC Form No. 1, Investments in Subsidiary Companies (Account 123.1), require in part:

> 1. Report below investments in Accounts 123.1, Investments in Subsidiary Companies.

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[8] *Revisions in the Uniform System of Accounts, and Annual Report Forms No. 1 and No. 2 to Adopt the Equity Method of Accounting for Long-Term Investments in Subsidiaries,* Order No. 469, 49 FPC 326 (1973), *rehearing denied*, 49 FPC 1028 (1973).

3. Report separately the equity in undistributed subsidiary earnings since acquisition. The TOTAL in column (e) should equal the amount entered for Account 418.1.

PJM Interconnection L.L.C., FERC Electric Tariff, Attachment H-8H, sections I, III.B states, in part:

> I.H "Material Accounting Change" means any (i) change in PPL Electric's accounting policies and practices, or (ii) change in PPL Electric's inter-corporate cost allocation policies or practices from those policies and/or practices in effect for the Rate Year upon which the immediately preceding Annual Update was based, which change causes a result under the Formula Rate difference than the result under the Formula Rate as calculated without such change.
>
> III.B. (2) The Annual Transmission Revenue Requirement shall be based on PPL Electric's books and records which reflect data properly recorded in: PPL Electric's FERC Form No. 1 to the extent the Formula Rate specifies the FERC Form No. 1 data as the input source; and The Commission's Uniform System of Accounts, as each exists as of the last day of the preceding calendar year.
>
> III.B. (3)(b) The Annual Update shall provide notice of Material Accounting Changes, which may incorporate by reference applicable disclosure statements filed with the SEC.

Background

Since 1973, the Commission has adopted the equity method of accounting for long-term investments in subsidiaries. Under the equity method of accounting, the investment in subsidiaries is recorded in Account 123.1, Investment in Subsidiary Companies (Major Only).[9] This account is increased or decreased based on a utility's proportionate share of subsidiary earnings regardless of whether such earnings were paid out as dividends to that utility. Although the Commission adopted the equity method of accounting for long-term investment in subsidiaries, it maintained its policy for ratemaking purposes that undistributed earnings of the subsidiary are to be excluded from the equity portion of the jurisdictional company capital structure in determining the rate of return.

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[9] *Id*.

PPL Electric has three investments in the following subsidiary companies: CEP Commerce, LLC (CEP Commerce), CEP Lending, Inc. (CEP Lending), and PPL Receivables Corporation (PPL Receivables). PPL Electric has full control of these entities through 100 percent ownership of direct voting rights. CEP Commerce is the parent of CEP Lending, a company formed to make intercompany loans to all of PPL affiliates. PPL informed audit staff that PPL Receivables was formed to serve only the financing needs of PPL Electric. PPL Receivables is a special purpose entity whose sole purpose is to buy eligible accounts receivable and unbilled revenue from PPL Electric to secure asset-backed commercial paper from a third party.

Audit staff examined PPL Electric's accounting for its long-term investment in subsidiaries and found that it used the equity method of accounting to account for its long-term investment in CEP Commerce and CEP Lending. Conversely, it used the consolidated method of accounting to account for its long-term investment in PPL Receivables since its inception in 2004.

PPL Electric used various income statement and balance sheet accounts to record its long-term investment in PPL Receivables under the consolidated method of accounting. During the course of the audit fieldwork, PPL Electric filed its 2012 FERC Form No. 1 as required by Commission regulations.[10] On page 450.1 of the refiled 2012 FERC Form No. 1, PPL Electric disclosed the accounting impact if it had followed the Commission's approved method of accounting for subsidiary investments, which was the equity method of accounting. In addition, audit staff noted that some of these accounts and associated amounts flowed through the formula rate billings to transmission customers.

Audit staff determined that PPL Electric appropriately accounted for its long-term investment in CEP Commerce and CEP Lending using the equity method of accounting. However, PPL Electric did not properly account for its long-term investment in PPL Receivables based on the equity method of accounting, as required by Commission accounting regulations. The Commission's accounting regulations require that long-term investments in subsidiaries be recorded in Accounts 123.1 and 418.1, Equity in Earnings of Subsidiary Companies. Also, PPL Electric should not have included certain amounts in formula rate billings to wholesale transmission customers associated with using the consolidated method of accounting for PPL Receivables. Lastly, audit staff did not find sufficient evidence demonstrating that PPL Electric provided notification to its customers that it was using an accounting method not prescribed by the Commission to account for its long-term investment in PPL Receivables using the consolidated versus the equity method of accounting.

[10] 18 C.F.R. section 141.1.

Since PPL Electric neither sought nor received retroactive relief to use the consolidated method of accounting for its subsidiary investment in PPL Receivables, it must refund amounts erroneously included in formula rate billings to transmission customers since 2004.

Recommendations

We recommend that:

1. PPL Electric should provide notice of its material accounting changes to its wholesale transmission customers as required by section III.B of Attachment H-8H, Formula Rate Implementation Protocols, of its Open Access Transmission Tariff.

2. PPL Electric should implement procedures to ensure that it follows the equity method of accounting for all investments in subsidiaries and ensure no deviation between accounting practices and Commission accounting regulations.

3. PPL Electric should adopt controls that will ensure all costs related to PPL Receivables' operating activities are excluded from all components in PPL Electric's formula rate calculation.

4. PPL Electric should refund all costs incorrectly included in and recovered through the formula rate since its inception, with interest, calculated in accordance with the formula rate protocols approved by the Commission through the formula rate true-up process in 2014.

5. PPL Electric should file a refund report with the Commission that reflects amounts refunded to PPL Electric's wholesale transmission customers.

2. Tax Overpayments

PPL Electric improperly accounted for overpayments of its 2010 and 2011 estimated Federal and state income tax liability in Account 165, Prepayments.

Pertinent Guidance

18 C.F.R. pt. 101, Account 236(A) (B), Taxes Accrued, states:

> A. This account shall be credited with the amount of taxes accrued during the accounting period, corresponding debits being made to the appropriate accounts for tax charges. Such credits may be based upon estimates, but from time to time during the year as the facts become known, the amount of the periodic credits shall be adjusted so as to include as nearly as can be determined in each year the taxes applicable thereto. Any amount representing a prepayment of taxes applicable to the period subsequent to the date of the balance sheet, shall be shown under account 165, Prepayments.
>
> B. If accruals for taxes are found to be insufficient or excessive, correction therefore shall be made through current tax accruals.

Background

Audit staff reviewed PPL Electric's taxes and related procedures to understand why PPL Electric characterized taxes as prepaid. Specifically, audit staff asked PPL Electric to explain: (1) the calculation of its estimated Federal and state income tax liability each year; (2) the procedures for determining its estimated and actual Federal and state income tax liability; and (3) the documentation supporting its estimated and actual Federal and state income tax liability and Federal and state income tax prepayment determinations for 2010 and 2011.

PPL Electric determined its estimated Federal and state income tax liability each month by applying the applicable Federal and state income tax rates to its estimated taxable income. When quarterly income tax payments exceeded the estimated income tax liability, PPL Electric considered the income tax overpayment as a prepayment and then recorded this amount in Account 165. PPL Electric paid estimated Federal and state income taxes in four quarterly installments based on its estimated annualized taxable income.

Based on the examination of tax information, audit staff found that PPL Electric recorded Federal and state income tax overpayment amounts in Account 165 that were refunded to PPL Electric for tax years ending 2010 and 2011. Specifically, PPL Electric received refunds amounting to $59,843,908 and $17,272,745 for tax years 2010 and 2011, respectively. Thus, PPL Electric did not reduce any future year's tax liability by the 2010 and 2011 income tax overpayments.

While Account 165 of the Commission's accounting regulations allows the prepayment of income taxes to be recorded therein, Account 236 requires that such prepayments must be applicable to periods subsequent to the date of the balance sheet. Further, the Commission has defined prepayments included in Account 165 as expenses for a service or a supply paid in advance that will be consumed or used in future accounting periods, such as rent and insurance.[11] Audit staff believes PPL Electric's treatment of income tax overpayments as a prepayment is not consistent with the requirements of Account 165 or other Commission requirements because these monies were refunded and not used to pay PPL Electric's income tax obligations in advance.

PPL Electric included the income tax overpayments recorded in Account 165 in its formula rate as a component of rate base. Under the PJM OATT, PPL Electric is allowed to include prepaid amounts recorded to Account 165, Prepayments, as an item in the derivation of its rate base calculated in its formula rates. Prepayments, which represent amounts paid in advance for a good or service, are included as an adjustment to rate base and serve as an added benefit to transmission owners for costs essential to their operations but are prepaid, like insurance premiums. PPL Electric's prepayment input was the product of its applicable prepayment balance and its wages and salaries allocation factor. In conformance with notes to PPL Electric's formula rate, it can only include prepayments for its electric operations.

Because PPL Electric elected not to apply the income tax overpayments to future tax obligations, it should not have been reclassifying excess tax payments in Account 236 to Account 165. Audit staff is aware that PPL Electric engaged in this accounting practice during and prior to the audit period. Also, PPL Electric should not have recovered amounts for its overpayment of income taxes through its formula rate. For amounts determined to be potential refunds and not used to pay PPL Electric's tax obligations in advance, PPL Electric should reclassify state income tax prepayments to Account 143, Other Accounts Receivable, and Federal income tax prepayments to Account 146, Accounts Receivable from Associated Companies.

[11] *Entergy Services, Inc.*, Opinion No. 505, 130 FERC ¶ 61,023, at P 190 (2010).

Recommendations

We recommend that:

6. PPL Electric should reclassify Federal and state income taxes recorded in Account 165, Prepayments, applicable to those years in which PPL Electric chose to receive a refund of those amounts to Account146, Accounts Receivable from Associated Companies or Account 143, Other Accounts Receivable, as appropriate.

7. PPL Electric should submit correcting entries to the Division of Audits and Accounting within 30 days of this report.

8. PPL Electric should revise procedures to ensure its income tax transactions recorded to Account 165 represent actual prepayments.

9. PPL Electric should revise procedures to appropriately determine its tax accrual amount.

10. PPL Electric should record the necessary correcting entries as of December 31 to reflect the proper accounting for Federal and state estimated tax overpayment.

11. For each year these amounts were included in the formula rate calculations, PPL Electric should refund all costs incorrectly included in and recovered through the formula rate, with interest, calculated pursuant to its formula rate protocols approved by the Commission through the formula rate true-up process in 2014.

12. PPL Electric should file a refund report with the Commission that reflects amounts refunded to PPL Electric's wholesale transmission customers.

3. Manufactured Gas Plant Obligations

PPL Electric improperly accounted for manufactured gas plant remediation expenses in Account 930.2, Miscellaneous General Expenses. As a result of the incorrect accounting, these expenses were improperly included in the formula rate computation. These expenses should have been treated such that no amounts would be recovered from wholesale transmission customers since these costs were not associated with providing service to wholesale transmission customers.

Pertinent Guidance

18 C.F.R. pt. 101, Account 242, Miscellaneous Current and Accrued Liabilities, states:

> This account shall include the amount of all other current and accrued liabilities not provided for elsewhere appropriately designated and supported so as to show the nature of each liability.

18 C.F.R. pt. 101, Account 253, Other Deferred Credits, states:

> This account shall include advance billings and receipts and other deferred credit items, not provided for elsewhere, including amounts which cannot be entirely cleared or disposed of until additional information has been received.

18 C.F.R. pt. 101, Account 426.5, Other Deductions, states:

> This account shall include other miscellaneous expenses which are nonoperating in nature, but which are properly deductible before determining total income before interest charges.

18 C.F.R. pt. 101, Account 930.2, Miscellaneous General Expense, states:

> This account shall include the cost of labor and expenses incurred in connection with the general management of the utility not provided for elsewhere.

Background

PPL Electric incurred manufactured gas plant (MGP) environmental obligations to clean up contaminated sites in conjunction with the Comprehensive Environmental Response, Compensation, and Liability Act of 1980. This act imposed joint and several liability for cleaning up contamination caused by hazardous substances. PPL Electric estimated its liability for MGP environmental remediation to be $3,874,758 and $696,010 in 2010 and 2011, respectively. PPL Electric accounted for the MGP environmental remediation contingencies by debiting Account 930.2, and crediting Account 242 or Account 253, as appropriate.

PPL Electric represented that it included the environmental remediation obligations related to the MGPs in Account 930.2 because the environmental costs could not be identified with a specific business line. Consistent with PPL Electric's accounting policy, when a specific business line cannot be identified, either due to contamination that related to the purchase of property or related to former operation of facilities no longer in service, the costs are recorded in Account 930.2.

Audit staff believes that PPL Electric's accounting for its MGP environmental obligations was not consistent with the Commission's accounting regulations because such obligations should not have been included in Accounts 930.2. Audit staff also noted that these costs were not related to providing service to wholesale transmission customers. Therefore, under the Commission's accounting regulations, PPL Electric should have accounted for the MGP environmental obligations by debiting the appropriate nonutility expense account, not a transmission or administrative and general expense account tied to the transmission formula rate, and crediting Account 242 or Account 253, as appropriate.

For ratemaking purposes, PPL Electric included amounts in Account 930.2 in formula rate determinations. The formula rate template permits PPL Electric to recover costs recorded in this account through the application of the transmission wages and salaries allocator. The transmission wages and salaries allocator is the ratio of transmission wages expense to total wages expense less administrative and general wages expense. The application of this allocation factor allowed PPL Electric to recover transmission-related costs recorded in Account 930.2.

As part of the examination of Account 930.2, audit staff determined that in 2010 and 2011 PPL Electric recorded $3,874,758 and $696,010, respectively, of MGP environmental remediation costs in this account and subsequently included these amounts in formula rate determinations. In addition, audit staff noted that PPL Electric recorded these MGP environmental obligations in Account 930.2 for years prior to the audit period. PPL Electric represented to audit staff that these amounts were related to its former MGPs, which include Brodhead Creek, Columbia Gas Plant, Milton Gas Plant, Mt. Joy Gas Plant, and Shamokin Gas Plant. These MGPs were owned by Pennsylvania Power and Light Company, to which PPL Electric is the successor. However, these MGPs are no longer reflected on PPL Electric's books. The MGPs were not used in PPL Electric's wholesale transmission operations. Rather, they were historically used to produce a low Btu gas that was distributed to the Pennsylvania Power and Light Company's retail gas utility customers during the earlier years of the company's operations, when it was both a natural gas and electric utility.

PPL Electric should amend its accounting policy for MGP environmental obligations to record such contingencies by debiting the appropriate nonoperating expense account and crediting Account 242 or Account 253, as appropriate. PPL Electric should also refrain from including these costs in formula rate determinations, since these costs were not associated with providing service to wholesale transmission customers.

Recommendations

We recommend that:

13. PPL Electric should amend its accounting policies to ensure manufactured gas plant remediation expenses are accounted for consistent with the Commission's accounting regulations.

14. PPL Electric should refrain from including manufactured gas plant remediation expenses in the formula rate determinations, since such costs were not incurred in providing service to wholesale transmission customers.

15. PPL Electric should determine the amount of manufactured gas plant remediation expenses recovered through its formula rate.

16. For each year affected, PPL Electric should refund the manufactured gas plant remediation expense amounts improperly included and recovered through the formula rate, calculated pursuant to its formula rate protocols approved by the Commission through the formula rate true-up process in 2014.

17. PPL Electric should file a refund report with the Commission that reflects amounts refunded to its wholesale transmission customers.

4. Asset Retirement Obligation

KU and LG&E neither sought nor received Commission approval to recover asset retirement obligation costs in their transmission formula rate.

Pertinent Guidance

Order No. 631 states:

> However, public utilities, licensees, and natural gas companies with formula rate tariffs must not include any cost components related to asset retirement obligations in their formula rate billing tariffs for automatic recovery in their billing determinations without obtaining Commission approval. [12]

Order No. 631 goes on to say:

> The Commission finds that the issue of whether, and to what extent, a particular asset retirement cost must be recovered through jurisdictional rates should be addressed on a case-by-case basis in the individual rate change filed by public utilities, licensees, and natural gas companies. To ensure that all rate base amounts related to asset retirement obligations can be identified and excluded from the rate base calculation in a rate change filing, the Commission adds sections 35.18 and 154.315 to its rate change filing requirements. These new regulations require that public utilities, licensees, and natural gas companies who have recorded an asset retirement obligation on their books in accordance with this rule must, as part of any initial rate filing or general rate change filing, provide a schedule identifying all cost components related to the asset retirement obligation that are included in the book balances of all accounts reflected in the cost of service computation supporting the proposed rates. In addition, the regulations require that all asset retirement obligations related rate base items be removed from the rate base computation through an adjustment. If the public utility, licensee, or natural gas company is seeking recovery of an asset retirement obligation in rates, it must also provide a detailed study supporting the amounts proposed to be collected in rates. If the public utility, licensee, or natural gas company is not seeking

[12] *Accounting, Financial Reporting, and Rate Filing Requirements for Asset Retirement Obligations*, Order No. 631, 103 FERC ¶ 61,021, at P 60 (2003).

> recovery of the asset retirement obligation in rates, then it must remove all asset retirement obligation related cost components from its cost of service.[13]

Section 35.18 of the Commission's regulations specifically states:

> (a) A public utility that files a rate schedule, tariff or service agreement under section 35.12 or section 35.13 and has recorded an asset retirement obligation on its books must provide a schedule, as part of the supporting work papers, identifying all cost components related to the asset retirement obligations that are included in the book balances of all accounts reflected in the cost of service computation supporting the proposed rates. However, all cost components related to asset retirement obligations that would impact the calculation of rate base, such as electric plant and related accumulated depreciation and accumulated deferred income taxes, may not be reflected in rates and must be removed from the rate base calculation through a single adjustment.
>
> (b) A public utility seeking to recover nonrate base costs related to asset retirement costs in rates must provide, with its filing under section 35.12 or section 35.13, a detailed study supporting the amounts proposed to be collected in rates.
>
> (c) A public utility that has recorded asset retirement obligations on its books, but is not seeking recovery of the asset retirement costs in rates, must remove all asset-retirement-obligations-related cost components from the cost of service supporting its proposed rates.[14]

18 C.F.R. pt. 101, Account 182.3, Other Regulatory Assets, states, in part:

> When specific identification of the particular source of a regulatory asset cannot be made, such as in plant phase-ins, rate moderation plans, or rate levelization plans, account 407.4, Regulatory credits, shall be credited.

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[13] *Id.* P 62.

[14] 18 C.F.R. section 35.18 (2012).

Background

KU and LG&E recorded liabilities to reflect various legal obligations associated with the retirement of long-lived assets. Initially, this obligation is measured at fair value and offset with a separate asset, which is depreciated over the asset's useful life. Until the obligation is settled, the liability is increased to reflect changes in the obligation due to the passage of time through the recognition of accretion expense.

General Instruction 25 of part 101 of the USofA defines an asset retirement obligation (ARO) as:

> A liability for the legal obligation associated with the retirement of a tangible long-lived asset that a company is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel.[15]

KU and LG&E initially recorded the ARO by debiting Account 101, Electric Plant in Service, and crediting Account 230, Asset Retirement Obligation. These AROs were for obligations associated with ash ponds, chemical storage, asbestos, coal storage, environmental ponds, and other operational matters.

To record the depreciation on the ARO assets, KU and LG&E debited Account 403.1, Depreciation Expense for Asset Retirement Costs, and credited Account 108, Accumulated Provision for Depreciation of Electric Utility Plant. This depreciation is calculated on a straight line basis over a life dictated by the settlement date of the ARO liability.

For accretion expense, KU and LG&E debited Account 411.10, Accretion Expense, and credited Account 230. The accretion expense recognizes the increase in the cost of removing an asset over its useful life.

Lastly, to defer the total depreciation on ARO costs and accretion on ARO liabilities, KU and LG&E debited Account 182.3, Other Regulatory Assets, and credited Account 407.4, Regulatory Credits. Account instructions to Account 182.3 would require KU and LG&E to credit Account 407.4, Regulatory Credits, when "specific identification of the particular source of a regulatory asset cannot be made." However, in this case, the particular source of the regulatory asset can be specifically identified as the depreciation initially recorded in Account 403.1 and the accretion initially recorded in Account 411.10. Therefore, KU and LG&E should have credited Accounts 403.1 and

[15] 18 C.F.R. pt. 101, General Instruction 25.

411.10 rather than Account 407.4. Audit staff understands that amounts deferred in Account 182.3 may have been included in depreciation expense recorded in Account 403.1 and previously collected from wholesale power and transmission customers. Due to these being previously collected, KU and LG&E overstated the regulatory asset recorded in Account 182.3. However, audit staff will not require KU and LG&E to reduce the regulatory asset to the extent KU and LG&E make refunds for the amounts previously collected.

Although KU and LG&E recorded the ARO assets and liability in Accounts 101 and 230, respectively, it included in rate base only the amounts recorded in Account 101 resulting in an increase in rate base. By not decreasing rate base by the amount recorded in Account 230, KU and LG&E overstated amounts included in rate base. Also, KU and LG&E flowed through the effects of the depreciation of the ARO assets recorded in Accounts 403.1 and 108 in the formula rate.

It is audit staff's understanding that ARO costs were included in LG&E and KU's formula rate calculation since inception of the formula rate. Based on Commission requirements, audit staff believes no aspect of the ARO should have been included in formula rate billings to wholesale power and transmission customers, absent KU and LG&E seeking approval from the Commission to include ARO amounts in formula rate determinations. This would have afforded the Commission the opportunity to request further information regarding KU and LG&E's accounting and the impacts of including ARO amounts to determine the annual revenue requirement. KU and LG&E should refund amounts previously collected from wholesale power and transmission customers related to their ARO obligations.

Recommendation

We recommend that:

18. LG&E and KU should submit a filing with the Commission under FPA section 205 to address their recovery of asset retirement obligation costs.

19. LG&E and KU should calculate the rate impact of recovering these ARO costs in the formula rate, and provide these calculations to the Division of Audits and Accounting.

20. For each year affected since the inception of their stand-alone formula rate, LG&E and KU should refund to ratepayers amounts inappropriately recovered through the transmission formula rate due to recovering asset retirement obligation costs, calculated with interest under section 35.19a of the Commission's regulations.

5. Virginia Distribution Utility Plant Costs

KU did not remove all amounts from its formula rate calculations associated with its Virginia distribution utility plant facilities, as required by the Commission.

Pertinent Guidance

The March 17, 2006 Commission order accepting KU and LG&E's attachment O formula rate stated:

> We accept the attachment O rate formula for use in Applicants' stand-alone OATT, subject to revision. We agree with Applicants that the proposed rate formula represents an appropriate rate methodology for inclusion in Applicants' stand-alone OATT. However, Applicants must exclude the cost of certain facilities in Virginia that the Commission has found to serve a distribution function and not a transmission function. [16]

Note M of Attachment O requires KU to remove transmission plant determined by Commission order to be state-jurisdictional according to the seven-factor test (until FERC Form No. 1 balances are adjusted to reflect application of seven-factor test).[17]

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[16] *Louisville Gas and Electric Company, et al.,* 114 FERC ¶ 61,282 at P198, (2006) (Citing *Louisville Gas & Electric Co*., 109 FERC ¶ 61,330 at P 8-9 (2004) (order affirming Presiding Judge's finding that certain facilities in Virginia that perform a distribution function must be excluded from the formula rates used in an interconnection agreement and transmission service agreement between Applicants and East Kentucky Coop.), *order denying reh'g*, 111 FERC ¶ 61,323 at P 50 (2005)).

[17] FERC uses a seven-factor test to determine whether an electric facility is distribution or transmission. FERC will give deference to state commission determinations, but that is limited by the expectation that the state follows the seven-factor test: (1) Local distribution facilities are normally in close proximity to retail customers; (2) local distribution facilities are primarily radial in character; (3) power flows into local distribution systems; it rarely, if ever, flows out; (4) when power enters a local distribution system, it is not reconsigned or transported onto some other market; (5) power entering a local distribution system is consumed in a comparatively restricted geographic area; (6) meters are based at the transmission/local distribution interface to measure flows into the local distribution system; and (7) local distribution systems will be of reduced voltage. Order No. 888, FERC Stats. & Regs. ¶ 31,036 at 31,771, 31,981 (1996).

Background

KU's transmission facilities in southwestern Virginia consist of 22 miles of 500-kV lines, 44 miles of 161-kV lines, 8 miles of 138-kV lines, 114 miles of 69-kV lines, and 5 transmission substations.

In a March 2004 initial decision, an administrative law judge determined that these Virginia transmission facilities serve a distribution function and not a transmission function, and, therefore, KU must eliminate the cost of these facilities from the transmission rates it charges.[18] In December 2004, the Commission affirmed the administrative law judge's finding that these Virginia transmission facilities serve a distribution function and not a transmission function and stated that the costs of these facilities must be eliminated from the rates charged.[19] In the March 2006 order that conditionally approved KU's withdrawal from Midwest Independent Transmission System Operator, Inc. (MISO), the Commission again required KU to "exclude the cost of certain facilities in Virginia that the Commission has found to serve a distribution function and not a transmission function."[20]

During a review of the transmission formula rate calculation, audit staff determined that KU did not comply with Note M of Attachment O, which requires KU to remove transmission plant determined by Commission order to be state-jurisdictional according to the seven-factor test. KU acknowledged that its Virginia transmission facilities were state-jurisdictional, and KU should have removed the Gross Plant in Service cost of its Virginia transmission facilities and associated depreciation in the calculation of the Transmission Plant Allocator of Attachment O, in conformity with Note M of Attachment O.

Audit staff determined that, by not complying with Note M, KU did not remove certain expenses related to these Virginia distribution plant facilities from formula rate determinations. This includes not only amounts included in the calculation of rate base, return, depreciation, and income taxes that are allocated directly using the transmission plant allocator, but also amounts or expenses, such as accumulated deferred income taxes, operation and maintenance expenses, administrative and general expenses, or taxes other than income taxes that are allocated using other allocators (based on net or gross plant balances, wages and salaries, transmission operation and maintenance expenses,

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[18] *Louisville Gas & Electric Co.*, 106 FERC ¶ 63,039, at P 64 (2004), *aff'd*. 109 FERC ¶ 61,330 at P 8 (2004), reh'g denied, 111 FERC ¶ 61,323.

[19] *Louisville Gas & Electric Co.*, 109 FERC ¶ 61,330 (2004).

[20] *Louisville Gas & Electric Co.*, 114 FERC ¶ 61,282, at P 197 (2006).

etc.) that indirectly incorporate the transmission plant allocator. This resulted in KU erroneously collecting amounts from wholesale power and transmission customers since it did not remove all costs associated with the Virginia distribution plant facilities from formula rate determinations.

Recommendations

We recommend that:

21. LG&E and KU should calculate the rate impact of recovering these costs in their stand-alone formula rate, and provide these calculations to the Division of Audits and Accounting.

22. For each year these Virginia distribution utility costs were included in their stand alone formula rate calculation, LG&E and KU should refund to ratepayers amounts inappropriately recovered through the transmission formula rate, calculated with interest under section 35.19a of the Commission's regulations.

6. Accounting for Cost of Removal

KU and LG&E improperly accounted for cost of removal on physical assets with legal asset retirement obligations.

Pertinent Guidance

18 C.F.R. pt. 101, Account 108, Accumulated Provision for Depreciation of Electric Utility plant (Major Only), states, in part:

> A. This account shall be credited with the following:
>
> (1) Amounts charged to account 403, Depreciation expense, or to clearing accounts for current depreciation expense for electric plant in service.
>
> (2) Amounts charged to account 403.1, Depreciation expense for asset retirement costs, for current depreciation expense related to asset retirement costs in electric plant in service in a separate subaccount.

E. The utility is restricted in its use of the accumulated provision of depreciation to the purposes set forth above. It shall not transfer any portion of this account … or make any other use thereof without authorization by the Commission.

Background

Audit staff examined KU and LG&E's cost of removal accounting for physical assets with legal asset retirement obligations, such as ash ponds, landfills, and coal storage facilities. KU and LG&E booked the cost of removal related to these assets by debiting Account 403, Depreciation Expense, and crediting Account 108, Accumulated Provision for Depreciation of Electric Utility Plant. KU and LG&E then reclassified these amounts to a regulatory liability account by debiting Account 108 and crediting Account 254, Other Regulatory Liabilities. Once KU and LG&E retired the asset and settled the ARO, KU and LG&E debited Account 254 and credited Account 108.

While KU and LG&E received state commission guidance from the Kentucky Public Service Commission that approved this accounting treatment, such approval does not dictate how this transaction should be accounted for under the Commission's accounting regulations. Under the Commission's accounting regulations, cost of removal is typically factored in the depreciation rate, and depreciation expense is accounted for in Accounts 403 and 108. According to the instructions to Account 108, amounts recorded herein must not be transferred to any other account absent of approval from the Commission. KU and LG&E did not seek nor receive approval from the Commission to transfer any amounts from Account 108. By transferring amounts initially recorded in Account 108 to Account 254, KU and LG&E did not follow the instructions for Account 108. For rate purposes, Account 108 is typically used to reduce rate base while amounts recorded in Account 254 are typically not used in the formula rate calculations. Since KU and LG&E removed these amounts from Account 108, it erroneously overstated rate base used to determine formula rate billings to transmission customers. Audit staff is aware that this accounting practice was used for years prior to the audit period.

Recommendations

We recommend that:

23. LG&E and KU should provide to the Division of Audits and Accounting correcting entries that show the reversal of amounts from Account 254.

24. For each year these amounts were included in their stand-alone formula rate, LG&E and KU should refund all costs, calculated with interest under section 35.19a of Commission regulations.

25. LG&E and KU should file a refund report with the Commission that reflects amounts refunded to their customers.

7. Merger Costs

PPL's three franchised public utilities (KU, LG&E, and PPL Electric) incorrectly included some transaction-related costs related to PPL's merger with E.ON U.S. in formula rate billings to wholesale power and transmission customers.[21]

Pertinent Guidance

The October 25, 2010 Commission order approving the merger of PPL and E.ON U.S., LLC stated:

> With respect to transaction-related costs, we accept Applicants' commitment to hold transmission and wholesale customers harmless from costs related to the transaction for a period of five years to the extent that such costs exceed savings related to the transaction, which we interpret to include all transaction-related costs, not only costs related to consummating the transaction.
>
> If Applicants seek to recover transaction-related costs through their wholesale power or transmission rates they must submit a compliance filing that details how they are satisfying the hold harmless requirement. If Applicants seek to recover transaction-related costs in an existing formula rate that allows for such recovery, then that compliance filing must be filed in the section 205 docket in which the formula rate was approved by the Commission, as well as in the instant section 203 docket. We also note that, if Applicants seek to recover transaction-related costs in a filing whereby they are proposing a new rate (either a new formula rate or a new stated rate), then that filing must be made in a new section 205 docket as well as in the instant section 203 docket. The Commission will notice such filings for public comment. In such filings, Applicants must: specifically identify the transaction-related costs they are seeking to recover, and (2) demonstrate that those costs are exceeded by the savings produced by the transaction, in addition to any requirements associated with filings made under section 205. Such a hold

[21] KU sells wholesale power to certain municipal utilities under long-term agreements that established cost-based wholesale power rates based on a formula rate. Moreover, PPL Electric, LG&E, and KU provide transmission service at formula rates.

> harmless commitment will protect customers' wholesale power and transmission rates from being adversely affected by the proposed transaction. [22]

Background

On June 28, 2010, PPL filed an application seeking authorization under sections 203(a)(1)(A), 203(a)(1)(B), and 203(a)(2) of the FPA for a proposed transaction in which PPL would acquire all of the issued and outstanding limited liability company interests of E.ON U.S. from E.ON AG's indirect, wholly owned subsidiary, E.ON U.S. Investments Corp. PPL sought to acquire E.ON U.S. for a purchase price of $7.625 billion, comprised of $2.062 billion in cash (subject to adjustment), the repayment of outstanding debt of E.ON U.S., LG&E, and KU estimated at $4.638 billion, and the assumption of $925 million in tax-exempt bonds of LG&E and KU. On October 25, 2010, the Commission issued an order approving the transaction under Docket No. EC10-77-000. [23] Audit staff evaluated PPL and its FPU subsidiaries for compliance with the conditions of this order. Besides reviewing Commission orders and company filings, understanding processes and procedures, and interviewing company staff, audit staff reviewed and tested compliance with the order's various provisions, such as verifying that the transaction did not result in any: (1) transfer of jurisdictional facilities between affiliated entities; (2) any securities issued for the benefit of any affiliated entity or in any new pledge or encumbrance of assets of an affiliated entity; or (3) any new affiliate contracts between affiliated entities. Audit staff also verified that all purchase accounting adjustment amounts were removed from account balances reported in the FERC Form No. 1.

Audit staff also evaluated compliance with the order's hold harmless provision, which required PPL to "hold transmission and wholesale customers harmless from costs related to the transaction for a period of five years to the extent that such costs exceed savings related to the transaction, which we interpret to include all transaction-related costs, not only costs related to consummating the transaction."

PPL properly excluded most of its transaction-related costs from formula rate billings to wholesale power and transmission customers, which included legal fees, consulting expenses, third-party costs, and internal labor costs. PPL had controls and procedures in place to hold harmless wholesale power and transmission customers, such as: payroll and time-reporting controls, communications from appropriate groups on how to charge certain costs, and supervisory review and approval of nonpayroll charges.

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[22] *PPL Corporation*, 133 FERC ¶ 61,083, at PP 26-27 (2010).

[23] *Id.* P 1.

However, audit staff identified a small amount of transaction-related costs that flowed through to the formula rate billings.

In our review of transaction-related costs, audit staff determined that PPL's two service companies (PPL Services and LKS) allocated the most transaction-related costs to PPL ($113 million), LG&E & KU Capital ($32 million), and PPL Strategic Development ($1 million). These three entities held $146 million of the approximately $150 million in total transaction-related costs incurred during the audit period. The remaining $4 million of transaction-related costs were allocated to 12 other PPL entities, including PPL's 3 franchised public utilities, KU, LG&E, and PPL Electric, which are in bold in the table below. This table shows transaction costs allocated to each entity:

PPL Entity	Total Transaction Costs
1. PPL Corporation	$113,164,077
2. LG&E and KU Capital	$32,133,630
3. PPL Strategic Development	$1,262,186
4. PPL Global, LLC	$734,575
5. PPL Susquehanna LLC	$573,396
6. PPL Energy Services Holdings, LLC	$301,957
7. PPL Energy Plus, LLC	$298,902
8. PPL Generation LLC	$257,975
9. PPL Brunner Island, LLC	$222,337
10. PPL Montour LLC	$194,040
11. PPL Electric	**$163,329**
12. Louisville Gas & Electric	**$108,981**
13. Kentucky Utilities	**$95,060**
14. PPL Martins Creek, LLC	$58,814
15. PPL University Park, LLC	$24,408
Total	**$149,593,668**

In summary, PPL's three FPUs, KU, LG&E, and PPL Electric, were allocated approximately $367,000 in transaction-related costs, and they included approximately $329,229 of these costs in their wholesale power and transmission formula rate calculations. These costs consisted primarily of legal fees, consulting fees, wages of PPL staff in different departments, office supplies, and general and administrative expenses. These transaction-related costs included costs that were incurred before PPL filed its merger application with the Commission, during the transaction, and after the transaction was consummated. The Merger Order defines costs related to the transaction as "all transaction-related costs, not only costs related to consummating the transaction." The Merger Order also states, "If Applicants seek to recover transaction-related costs through their wholesale power or transmission rates they must submit a compliance filing that details how they are satisfying the hold harmless requirement. If Applicants seek to recover transaction-related costs in an existing formula rate that allows for such recovery, then that compliance filing must be filed in the section 205 docket in which the formula rate was approved by the Commission, as well as in the instant section 203 docket." PPL made no such filing to seek recovery for these costs.

Recommendations

We recommend that:

26. PPL Electric, LG&E, and KU should strengthen existing procedures so that no transaction-related costs flow through an FPU's formula rates.

27. PPL Electric, LG&E, and KU should calculate the rate impact of recovering transaction-related costs in their respective formula rates, and provide these calculations to the Division of Audits and Accounting.

28. PPL Electric, LG&E and KU should refund to ratepayers amounts inappropriately recovered through the transmission formula rate due to the incorrect allocation of transaction-related costs, calculated with interest in accordance to the Commission-approved formula rate protocols for PPL Electric and under section 35.19a of the Commission's regulations for LG&E and KU.

8. Allowance for Funds Used During Construction

KU's method of computing AFUDC on CWIP was deficient by compounding AFUDC monthly instead of semi-annually, including unrealized losses in its common equity balance used to calculate AFUDC, and using an incorrect balance for the common equity component.

Pertinent Guidance

AFUDC allows a company to recover its debt and equity costs used for funding construction. In Federal Power Commission's (FPC) Order No. 561, the Commission's predecessor agency, the FPC established a uniform formula for determining maximum rates to use for computing AFUDC.[24] The order states:

> The balances of long-term debt, preferred stock, and common equity for use in the formula for the current year will be the balances in such accounts at the end of the prior year; the cost rates for long-term debt and preferred stock will be the effective weighted average cost of such capital. The average short-term debt balances and related cost and the average construction work in progress balance will be estimated for the current year. We shall require, however, that public utilities and natural gas companies monitor their actual experience and adjust to actual at year-end if a significant deviation from the estimate should occur. For this purpose we shall consider a significant deviation to exist if the gross AFUDC rate exceeds by more than one-quarter of a percentage point (25 basis points) the rate that is derived from the formula by use of actual 13 monthly balances of construction work in progress and the actual weighted average cost and balances for short-term debt outstanding during the year.

On frequency of compounding of the AFUDC base, Order No. 561 states:

> We believe that a monthly compounding of AFUDC may result in excessive amounts capitalized since cash outlays for interest and dividends are not normally made on a monthly basis. We shall

[24] *Order Adopting Amendment to Uniform System of Accounts for Public Utilities and Licensees and for Natural Gas Companies*, Order No. 561, 57 FPC 608 (1977), *Order On Reh'g and Clarification*, Order 561-A, 59 FPC 1340 (1977), *further clarified*, 2 FERC ¶ 61,050 (1978).

therefore permit compounding but no more frequently than semiannually.

18 C.F.R. pt. 101, Electric Plant Instruction 3 (17), Allowance for Funds Used During Construction, states in part:

(a) Includes the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds.

(b) The rates shall be determined annually. The balances for long-term debt, preferred stock and common equity shall be the actual book balances as of the end of the prior year … the short-term debt balances and related cost and the average balance for construction work in progress plus nuclear fuel in process of refinement, conversion, enrichment, and fabrication shall be estimated for the current year with appropriate adjustments as actual data becomes available.

18 C.F.R. pt. 101, General Instruction 23 (C), Accounting for Other Comprehensive Income, states:

(c) When it is probable that an item of other comprehensive income will be included in the development of cost-of-service rates in subsequent periods, that amount of unrealized losses or gains will be recorded in Accounts 182.3 or 254 as appropriate.

Background

AFUDC includes the net cost for the period borrowed funds were used for construction and a reasonable rate on other funds. KU recorded the balances below in Account 419.1, Allowance for Other Funds Used During Construction, and Account 432, Allowance for Borrowed Funds Used During Construction – Credit, during the audit period:

Year	Account 419.1	Account 432
2010	$521,152	$968,597
2011	$42,662	$12,955

Audit staff evaluated KU's AFUDC base and rate calculations, and the application of these calculations, to determine the accrual of AFUDC on CWIP for select construction projects. This evaluation identified several deficiencies with KU's AFUDC calculation methodology.

1. *AFUDC Compounded Monthly* – KU improperly compounded its AFUDC on a monthly basis. The Commission allows for compounding of AFUDC no more frequently than semi-annually.

2. *Unrealized Losses* – KU incorrectly included unrealized losses from Account 219, Accumulated Other Comprehensive Income (AOCI), in the common equity component of the AFUDC rate calculation. Specifically, KU recorded unrealized losses for its 20 percent ownership of Electric Energy, Inc.'s AOCI, which consisted of the unfunded portion of its pension and postretirement obligations. KU recorded Account 219 balances of ($2,854) and ($467,077) in 2010 and 2011, respectively. Accounting treatment for these unrealized losses was a debit to Account 219 and a credit to Account 123, Investment in Associated Companies (Major Only). Since these losses are unrealized and not used in determining KU's retained earnings, these amounts should not impact the amount of retained earnings used to calculate the AFUDC rate. Therefore, Account 219 should not be in the common equity component of the AFUDC calculation. However, it is appropriate for KU to include losses in determining the AFUDC rate once these amounts are realized, and enter retained earnings.

3. *Common Equity Balance* – KU input the wrong balance as the common equity component to its AFUDC calculation. For its 2010 AFUDC calculation, KU input the long-term debt amount of $1,648,779,405, instead of the common equity amount of $1,951,966,344, as found in the 2009 KU FERC Form No. 1 on line 16(c).

During the 2010 and 2011 years, KU accrued an aggregate amount of $1,545,366 in total AFUDC. Due to the above errors, this amount understated the correct actual amount, which was $1,550,647. The errors included overstatement effects of $290 and $305, due to the monthly compounding and inclusion of AOCI balance errors, respectively, offset by an understatement effect of $5,876 due to the common equity input error.

Recommendations

We recommend that:

29. KU should revise and implement procedures going forward to ensure its AFUDC base and rate calculation is consistent with Electric Plant Instruction 3(17) and other applicable Commission requirements.

9. Formula Rate Line References

KU and LG&E's formula rate Attachment O included multiple inaccurate line references.

Pertinent Guidance

Attachment O (Transmission Formula Rate) of KU and LG&E's OATT required formula rate inputs derived from FERC Form No. 1 amounts.

Background

During our review, audit staff determined that KU and LG&E's formula rate Attachment O included multiple inaccurate line references. Specifically, audit staff identified these incorrect line references:

Formula Rate Component	Att. O Reference	FERC Form No. 1 Line Item
Gross Plant in Service - Production	206.46g	205.46g
Gross Plant in Service - Transmission	206.58g	207.58g
Gross Plant in Service - Distribution	206.75g	207.75g
Gross Plant in Service - General & Intangible	206.5g and 206.90g	205.5g and 207.99g
Accumulated Depreciation - General & Intangible	219.27c	219.28c and 200.21c
Land Held For Future Use	214xd	Must specify line number
Materials & Supplies	227.8c and 227.15c	227.8c and 227.16c
O&M - Transmission	321.100b	321.112
O&M - Account 565	321.88b	321.96b
Depreciation Expense - General	336.10f	336.1f and 336.10f
Payroll Taxes	263i	Must specify line number
Highway and Vehicle Taxes	263i	Must specify line number
Property Taxes	263i	Must specify line number
Gross Receipts Taxes	263i	Must specify line number
Other Taxes	263i	Must specify line number
Wages & Salaries - Production	354.18b	354.20b
Wages & Salaries - Transmission	354.19b	354.21b
Wages & Salaries - Distribution	354.20b	354.23b
Wages & Salaries - Other	354.21, 22, 23b	354.24, 25, 27b
Proprietary Capital	112.15d	112.16d
Long term debt	112.18c-21c	112.18c-23c
Preferred Stock	112.3d	112.3c
Sales for Resale	311xh	Must specify page/line/column

Also, audit staff determined that KU and LG&E can improve the transparency of their formula rate calculations by better presenting all manual adjustments and purchase accounting adjustments that impact balances reported within Attachment O.

Recommendations

We recommend that:

30. LG&E and KU should develop and implement controls to ensure accurate and complete line references.

31. LG&E and KU should submit a filing with the Commission under FPA section 205 to address the incorrect formula rate line references.

10. FERC Form No. 60 Reporting

FERC Form No. 60 filings that PPL Services and LKS made contained several reporting errors relating to account misclassifications, supporting schedule discrepancies, and the reporting of convenience payments.

Pertinent Guidance

In 2006, centralized service companies became subject to the requirements of PUHCA 2005, which are incorporated into the Commission regulations in 18 C.F.R. pts. 366-369. The FERC Form No. 60 has specific reporting instructions for preparation of individual schedules and pages of the report. Regulations applicable to FERC Form No. 60 reporting by centralized service companies are:

18 C.F.R. section 366.23(a)(1), FERC Form No. 60, annual reports of centralized service companies, states, in part, "Every report must be submitted on the FERC Form No. 60 then in effect and must be prepared in accordance with the instructions incorporated into that form."

18 C.F.R. section 369(2)(ii), FERC Form No. 60, annual report of centralized service company, states in part, "The annual report in effect must be filed with the Commission as prescribed in Section 385.2011 of this chapter and as indicated in the General Instructions set out in the form, and must be properly completed and verified."

Background

Audit staff analyzed the FERC Form No. 60 filings made by PPL's two service companies – PPL Services and LKS. This analysis identified these reporting errors:

<u>900 Series Account Misclassifications</u>

PPL Services misclassified amounts reported on its 2010 FERC Form No. 60 for Accounts 920, Administrative and General Salaries, 921, Office Supplies and Expenses, and 923, Outside Services Employed. Specifically, PPL Services over-reported Account 920 by approximately $7 million, over-reported Account 921 by approximately $5 million, and under-reported Account 923 by approximately $12 million.

<u>Accounts 457.1, Regional Transmission Service Revenues, and 457.2, Miscellaneous Revenues, Reporting</u>

In its 2010 FERC Form No. 60, which reported only November and December 2010, PPL Services reported total billings of $67,368,843 on Schedule XVII – Analysis of Billing-Associate Companies. PPL Services then provided supporting documentation for total billings for November and December 2010 that totaled $68,300,671. This resulted in a variance of $931,828.

LKS identified adjustments in February 2010 for $138,642.20 and September 2010 for $1,426,588.45 in Account 457.1. For both months, both revenue and expenses were understated.

These errors occurred for various reasons, including administrative oversight, limited review procedures, and the absence of appropriate verification procedures.

Convenience Payments

Service companies report convenience payments on Schedule V of its FERC Form No. 60. Specifically, instruction 2 of Schedule V states:

> *If the service company has provided accommodation or convenience payments for associate companies, provide in a separate footnote a listing of total payments for each associate company.*

Audit staff reviewed convenience payment data from LKS. During this review, audit staff learned that some convenience payments, amounting to $252,448, were reflected on the 2010 income statement. These payments were recorded in Account 923, and were identified as having convenience payment expenditure types in error. Also, additional expenses, amounting to $1,570, were reflected as 2010 convenience payments and should not have been. Convenience payments should be charged only to balance sheet accounts and not income statement accounts. Therefore, these amounts were recorded in error. These errors caused no financial impact as they were included in both revenue and expense on the service company's income statement.

These errors were due to human error involving misclassification and improper recording of expenses. To address them, LKS developed and implemented a procedure to determine if convenience payments had been modified to use a more detailed review of transactions to be disclosed.

Recommendations

We recommend that:

32. LKS and PPL Services should develop and implement procedures to ensure proper account classification, consistent reporting, and completion of all supporting schedules of the FERC Form No. 60. As part of these procedures, incorporate an annual review to ensure the FERC Form No. 60 filed with the Commission is complete and accurate.

33. LKS and PPL Services should refile 2010 FERC Form No. 60, correcting all reporting errors within 90 days after this report is issued.

V. Other Matters

Formula Rate Recovery of Intangible Plant

KU and LG&E's formula rate under Attachment O of its joint OATT included templates for calculating rate base and cost-of-service components used to determine transmission formula rate billings. As relevant here, the Attachment O formula rate included a FERC Form No. 1 line reference for gross intangible plant in service. However, the Attachment O formula rate did not include a FERC Form No. 1 line reference for accumulated amortization related to intangible plant. Also, the Attachment O formula rate did not include a FERC Form No. 1 line reference for amortization expense of intangible plant. When KU and LG&E withdrew from MISO and began recovering their transmission revenue requirement under their joint OATT in March 2006, they adopted a formula rate that is substantially the same formula rate template in Attachment O to the MISO OATT, and carried over the same omissions related to intangible plant.

In October 2011, MISO and its transmission owners filed revisions to portions of the Attachment O formula rate, under FPA section 205**,** to clarify inclusion of intangible plant in the calculation of Attachment O revenue requirements under Docket No. ER12-297-000. The filing parties proposed to clarify the inclusion of intangible plant by adding the appropriate FERC Form No. 1 reference to intangible plant for the line item that contains accumulated depreciation on general and intangible plant. The filing parties also proposed to add the language "and Amortization" to the column heading for "Depreciation Expense" and add the language "and Intangible" to the line item for "General" depreciation and amortization expense. Finally, the filing parties proposed to add the appropriate FERC Form No. 1 reference for amortization expense of intangible plant. On December 21, 2011, the Commission accepted MISO's submittal for filing.

During audit fieldwork, audit staff pointed out that KU and LG&E's formula rate under its joint OATT continues to have omissions related to intangible plant that were identified and corrected in Docket No. ER12-297-000. Since KU and LG&E now recover their cost of service based on a formula rate substantially the same as the MISO formula rate, they should have made a filing with the Commission under FPA section 205, similar to what MISO and its transmission owners did in ER12-297-000, to address the proper recovery of intangible plant.

Specifically, in calculating the revenue requirement for the transmission formula rate, KU and LG&E included intangible plant assets recorded in Accounts 301, Organization, 302, Franchise and Consents, and 303, Miscellaneous Intangible Plant, as components of its rate base. However, KU and LG&E did not reduce any of these amounts by any related corresponding amortization recorded in Account 111, Accumulated Provision for Amortization of Electric Plant.

Recommendation

We recommend that:

LG&E and KU submit a filing with the Commission under FPA section 205 to adopt the revisions for intangible plant MISO proposed in Docket No. ER12-297-000 and incorporate them into KU and LG&E's formula rate template under their joint OATT.

Vincent Sorgi
Senior Vice President &
Chief Financial Officer
Tel. 610.774.3621 Fax 610.774.7016
vsorgi@pplweb.com

PPL Corporation
Two North Ninth Street, GENTW16
Allentown, PA 18101-1179
Tel. 610.774.5151
http://www.pplweb.com/

September 26, 2014

Bryan K. Craig
Director and Chief Accountant, Division of Audits and Accounting
Federal Energy Regulatory Commission
888 First Street N.E. - Room 5K-13
Washington, DC 20425

Re: PPL Corporation, Docket No. FA12-12-000
Comments on Draft Audit Report

Dear Mr. Craig:

PPL Corporation ("PPL") appreciates this opportunity to comment on the September 11, 2014 Draft Audit Report provided to PPL by the Division of Audits and Accounting of the Office of Enforcement of the Federal Energy Regulatory Commission ("DAA") relating to an audit conducted in the above-referenced docket (the "Draft Audit Report"). PPL agrees with the findings and accepts the recommendations contained in the Draft Audit Report.

In many cases, PPL already has completed implementation or begun implementation of corrective measures related to the audit findings. Attachment A to this letter explains the corrective actions taken or planned, and provides actual or target completion dates for these actions.

PPL wishes to thank DAA personnel involved in the audit for their professionalism and courtesy.

Sincerely,

Vincent Sorgi

Attachment

Attachment A

I. Draft Audit Report Section IV. Findings and Recommendation

1. Long-Term Investment in Subsidiary

Recommendation 1 - PPL Electric should provide notice of its material accounting changes to its wholesale transmission customers as required by section III.B of Attachment H-8H, Formula Rate Implementation Protocols, of its Open Access Transmission Tariff.

Corrective Action: On May 15, 2014, PPL Electric filed its 2014 Annual Update with the Federal Energy Regulatory Commission ("Commission") in Docket No. ER09-1148 pursuant to the Formula Rate Implementation Protocols of its Open Access Transmission Tariff. The Commission publicly posted the filing on its eLibrary system the same day. Therein, PPL Electric explained that it changed its method of accounting for the activities of its subsidiary PPL Receivables Corporation from the consolidated method of accounting to the equity method of accounting in accordance with the Commission's regulations and that the changes affected PPL Electric's 2009 through 2013 Rate Years, given that the formula rate was first implemented on November 1, 2008. PPL Electric served the 2014 Annual Update on all parties to the docket on May 15, 2014, and provided a copy to its Regional Transmission Organization, PJM Interconnection, L.L.C. ("PJM") for posting on the PJM website. This action is completed.

Recommendation 2 - PPL Electric should implement procedures to ensure that it follows the equity method of accounting for all investments in subsidiaries and ensure no deviation between accounting practices and Commission accounting regulations.

Corrective Action 1: By November 30, 2014, PPL Electric will finalize its policy related to the differences in FERC and Securities and Exchange Commission ("SEC") reporting. Included in this policy will be a discussion of the accounting for investments in subsidiaries using the equity method of accounting and recording those investments in Account 123.1, Investment in Subsidiary Companies, for FERC reporting purposes, consistent with the FERC's accounting guidelines.

Corrective Action 2: In December 2013, PPL Electric implemented a new methodology that involves reviewing and cataloging electric industry-wide FERC Audit Report findings to ensure that PPL Electric appropriately reflects the accounting for similar transactions identified in such audit findings. The associated database is updated quarterly.

Corrective Action 3: On November 8, 2013, PPL Corporation modified its Journal Entry policy and procedures to specifically state that the impact on rate making mechanisms be considered for all journal entries affecting the domestic regulated utilities within the PPL family of companies.

Corrective Action 4: PPL Electric, together with PPL Services, will establish enhanced senior management-level procedures for on-going communication and oversight of company analysis and implementation of FERC developments related to accounting procedures and transmission formula rate calculations. This is expected to be completed within 90 days of the issuance of a final audit report.

Recommendation 3 - PPL Electric should adopt controls that will ensure all costs related to PPL Receivables' operating activities are excluded from all components in PPL Electric's formula rate calculation.

Corrective Action 1: By November 30, 2014, PPL Electric will finalize its policy related to the differences in FERC and SEC reporting. Included in this policy will be a discussion of the accounting for investments in subsidiaries using the equity method of accounting and recording those investments in Account 123.1, Investment in Subsidiary Companies, for FERC reporting purposes, consistent with the FERC's accounting guidelines.

Corrective Action 2: PPL Electric has modified its reporting of PPL Receivables in FERC Form 1 to use the equity method of accounting. PPL Electric utilizes the FERC Form 1 as the basis for its formula rate inputs. By reporting PPL Receivables using the equity method, PPL Electric will no longer include PPL Receivables' operating activities in the formula rate calculation.

Recommendation 4 - PPL Electric should refund all costs incorrectly included in and recovered through the formula rate since its inception, with interest, calculated in accordance with the formula rate protocols approved by the Commission through the formula rate true-up process in 2014.

Corrective Action: In accordance with Section VII of PPL Electric's Formula Rate Implementation Protocols, PPL Electric refunded the costs to properly account for PPL Receivables Corporation using the equity versus consolidated method of accounting recovered through the formula rate since its inception, with interest, as detailed in its 2014 Annual Update filed on May 15, 2014 with the Commission. The changes to the revenue requirement detailed in the 2014 Annual Update took effect in the 2014 rate year, which began on June 1, 2014 and ends on May 31, 2015.

Recommendation 5 - PPL Electric should file a refund report with the Commission that reflects amounts refunded to PPL Electric's wholesale transmission customers.

Corrective Action: PPL Electric expects to file a refund report within 90 days of the issuance of a final audit report.

2. Tax Overpayments

Recommendation 6 - PPL Electric should reclassify federal and state income taxes recorded in Account 165, Prepayments, applicable to those years in which PPL Electric chose to receive a refund of those amounts to Account 146, Accounts Receivable from Associated Companies or Account 143, Other Accounts Receivable, as appropriate.

Corrective Action: PPL Electric reclassified federal and state income tax overpayments to the appropriate receivable accounts for the 2011 and 2012 balance sheets and for supporting pages of the 2012 FERC Form I Restatement filed on October 29, 2013. PPL Electric also reclassified federal and state income tax overpayments to the appropriate receivable accounts for rate years 2009-2013 and refunded the reduction in the revenue requirement, with interest, that resulted from including overpayments as receivables rather than prepayments as explained in the 2014 Annual Update filed with the Commission in May 15, 2014.

Recommendation 7 - PPL Electric should submit correcting entries to the Division of Audits and Accounting within 30 days of this report.

Corrective Action: PPL Electric will submit correcting entries to DAA within 30 days of the date of the issuance of the final audit report.

Recommendation 8 - PPL Electric should revise procedures to ensure its income tax transactions recorded to Account 165 represent actual prepayments.

Corrective Action 1: PPL Electric revised procedural documentation to explain the accounting of federal and state income tax overpayments on November 25, 2013. PPL Electric also implemented an automated process that will no longer reclassify federal and state income tax overpayments to Account 165, which began with the December 31, 2013 accounting close.

Corrective Action 2: In addition, as this is an area where FERC accounting differs from SEC accounting, the policy relating to differences in FERC and SEC reporting that is referenced in Corrective Action 1 of Recommendation 2 will make reference to this issue. That policy will be completed by November 30, 2014.

Recommendation 9 - PPL Electric should revise procedures to appropriately determine its tax accrual amount.

Corrective Action: PPL Electric has revised its procedures to properly reclassify income tax overpayments, determined through its accrual and payment process, recorded in Account 236 to either Account 143 or Account 146. See corrective action to Recommendation 8.

Recommendation 10 - PPL Electric should record the necessary correcting entries as of December 31 to reflect the proper accounting for Federal and state estimated tax overpayment.

Corrective Action: PPL Electric has completed this as part of the corrective actions discussed in response to Recommendation 6 above.

Recommendation 11 - For each year these amounts were included in the formula rate calculations, PPL Electric should refund all costs incorrectly included in and recovered through the formula rate, with interest, calculated pursuant to its formula rate protocols approved by the Commission through the formula rate true-up process in 2014.

Corrective Action: In accordance with Section VII of PPL Electric's Formula Rate Implementation Protocols, PPL Electric refunded the costs incorrectly included in and recovered through the formula rate since its inception, with interest, as detailed in its 2014 Annual Update filed on May 15, 2014 with the Commission. The changes to the revenue requirement detailed in the 2014 Annual Update took effect in the 2014 rate year, which began on June 1, 2014 and ends on May 31, 2015.

Recommendation 12 - PPL Electric should file a refund report with the Commission that reflects amounts refunded to PPL Electric's wholesale transmission customers.

Corrective Action: PPL Electric expects to file a refund report within 90 days of the issuance of a final audit report.

3. Manufactured Gas Plant Obligations

Recommendation 13 - PPL Electric should amend its accounting policies to ensure manufactured gas plant remediation expenses are accounted for consistent with the Commission's accounting regulations.

Corrective Action: As referenced in Corrective Action 1 of Recommendation 2, PPL Electric will finalize its policy related to the differences in FERC and SEC reporting by November 30, 2014. Included in this policy is a discussion of the recording of manufactured gas site remediation expenses to Account 426.5, Other Deductions, for FERC reporting purposes, consistent with the FERC's accounting guidelines.

Recommendation 14 - PPL Electric should refrain from including manufactured gas plant remediation expenses in the formula rate determinations, since such costs were not incurred in providing service to wholesale transmission customers.

Corrective Action: PPL Electric provided notice of its accounting change relating to Manufactured Gas Plant costs in its 2014 Annual Update filed with the Commission on May 15, 2014 and will refrain on an ongoing basis from including these costs in its formula rate determinations based on the Division of Audits and Accounting's view that such costs were not incurred in providing service to wholesale transmission customers.

Recommendation 15 - PPL Electric should determine the amount of manufactured gas plant remediation expenses recovered through its formula rate.

Corrective Action: In September 2014, PPL Electric provided to DAA as Attachment 19 the amount of MGP environmental remediation expenses recovered through PPL Electric's transmission formula rate.

Recommendation 16 - For each year affected, PPL Electric should refund the manufactured gas plant remediation expense amounts improperly included and recovered through the formula rate, calculated pursuant to its formula rate protocols approved by the Commission through the formula rate true-up process in 2014.

Corrective Action: In accordance with Section VII of PPL Electric's Formula Rate Implementation Protocols, PPL Electric refunded the manufactured gas plant remediation expenses improperly included in and recovered through the formula rate since its inception, with interest, as detailed in its 2014 Annual Update filed on May 15, 2014 with the Commission. The changes to the revenue requirement detailed in the 2014 Annual Update took effect in the 2014 rate year, which began on June 1, 2014 and ends on May 31, 2015.

Recommendation 17 - PPL Electric should file a refund report with the Commission that reflects amounts refunded to its wholesale transmission customers.

Corrective Action: PPL Electric expects to file a refund report within 90 days of the issuance of a final audit report.

4. Asset Retirement Obligation

Recommendation 18 - LG&E and KU should submit a filing with the Commission under FPA section 205 to address their recovery of asset retirement obligation costs.

Corrective Action: LG&E and KU anticipate that they will submit the recommended FPA Section 205 filing relating to the recovery of asset retirement obligations within 90 days of the issuance of a final audit report.

Recommendation 19 - LG&E and KU should calculate the rate impact of recovering these ARO costs in the formula rate, and provide these calculations to the Division of Audits and Accounting.

Corrective Action: In September 2014, LG&E and KU provided estimated rate impact calculations (interest through June 2014) regarding the consolidated anticipated audit findings, including ARO costs, and certain rate under-billings to the Division of Audits and Accounting. LG&E and KU anticipate that they will provide to DAA and file with the Commission for approval a report showing updated consolidated rate impact calculations, including ARO costs, (through a then-current date) within 60 days following issuance of a final audit report. Thereafter, LG&E and KU anticipate that they will provide to DAA and file with the Commission for approval a report showing rate impacts for any final or remaining period of ARO cost recovery within 60 days following effectiveness of new rates pursuant to the FPA section 205 proceeding.

Recommendation 20 - For each year affected since the inception of their stand-alone formula rate, LG&E and KU should refund to ratepayers amounts inappropriately recovered through the transmission formula rate due to recovering asset retirement obligation costs, calculated with interest under § 35.19a of the Commission's regulations.

Corrective Action: LG&E and KU will refund or credit to ratepayers amounts inappropriately recovered through the transmission formula rate during such period due to recovering asset retirement obligation costs with interest, and anticipate that they will do so within 30 days of each applicable final Commission order accepting the respective refund reports filed in response to Recommendation 19.

5. Virginia Distribution Utility Plant Costs

Recommendation 21 - LG&E and KU should calculate the rate impact of recovering these costs in their stand-alone formula rate, and provide these calculations to the Division of Audits and Accounting.

Corrective Action: In September 2014, LG&E and KU provided estimated rate impact calculations (with interest through June 2014) regarding the consolidated anticipated audit findings, including Virginia distribution plant costs, and certain rate under-billings to the Division of Audits and Accounting. LG&E and KU anticipate that they will provide to DAA and file with the Commission for approval a report showing updated consolidated rate impact calculations, including Virginia distribution plant costs, (through a then-current date) within 60 days following issuance of a final audit report.

Recommendation 22 - For each year these Virginia distribution utility costs were included in their stand alone formula rate calculation, LG&E and KU should refund to ratepayers amounts inappropriately recovered through the transmission formula rate, calculated with interest under § 35.19a of the Commission's regulations.

Corrective Action: In connection with LG&E and KU's 2012 Annual Update for rates effective in the 2012 rate year which began on June 1, 2013 and ended on May 31, 2014, LG&E and KU corrected the inputs for Virginia plant so that costs associated with Virginia distribution utility plant no longer would flow through the formula rate. LG&E and KU will refund or credit to ratepayers amounts recovered through the transmission formula rate during such period associated with Virginia plant distribution costs with interest and anticipate that they will do so within 30 days of each applicable final Commission order accepting the refund report filed in response to Recommendation 21.

6. Accounting for Cost of Removal

Recommendation 23 - LG&E and KU should provide to the Division of Audits and Accounting correcting entries that show the reversal of amounts from Account 254.

Corrective Action: As part of the August 2013 accounting close, LG&E and KU corrected their accounting entries for cost of removal. Effective with

LG&E and KU's 2013 Annual Update for rates effective in the 2013 rate year which began on June 1, 2014 and ends on May 31, 2015, LG&E and KU's formula rate no longer included rate impacts from such cost of removal accounting. LG&E and KU will file such correcting entries showing the reversal of amounts from Account 254 within 30 days of the issuance of the final audit report.

Recommendation 24 - For each year these amounts were included in their stand-alone formula rate, LG&E and KU should refund all costs, calculated with interest under section 35.19a of Commission regulations.

Corrective Action: LG&E and KU will refund or credit to ratepayers amounts recovered through the transmission formula rate during such period due to cost of removal with interest and anticipate that they will do so within 30 days of each applicable final Commission order accepting the refund report filed in response to Recommendation 25.

Recommendation 25 - LG&E and KU should file a refund report with the Commission that reflects amounts refunded to their customers.

Corrective Action: In September 2014, LG&E and KU provided estimated rate impact calculations (interest through June 2014) regarding the consolidated anticipated audit findings, including cost of removal, and certain rate under-billings to the Division of Audits and Accounting. LG&E and KU anticipate that they will provide to DAA and file with the Commission for approval a report showing updated consolidated rate impact calculations including cost of removal (through a then-current date) within 60 days following issuance of a final audit report.

7. Merger Costs

Recommendation 26 - PPL Electric, LG&E and KU should strengthen existing procedures so that no transaction-related costs flow through an FPU's formula rates.

Corrective Action 1: PPL Corporation made organizational changes in 2011 to create PPL Strategic Development, LLC for the Strategic Development group, the group that coordinates merger and acquisition ("M&A") activities and bears the costs of these activities. This organizational change has made it easier to direct M&A charges to the proper business unit and thereby exclude them from the regulated entities.

Corrective Action 2: PPL Services has improved communications among the Strategic Development group, Office of General Counsel, the Financial

Department and other appropriate groups within PPL Corporation in an effort to establish proper accounting for M&A projects at the onset of such projects by:

a) Reviewing the FERC audit with budget coordinators and reemphasizing the need for stronger controls and accurate accounting for costs associated with Strategic Development acquisition and divesture activities. (completed December 2012).
b) Drafting and reviewing with budget coordinators the proposed Accounting Policy and Procedures for Costs Associated with Acquisitions and Divestures. (completed April 2014).
c) Issuing an email communication to budget coordinators instructing them how to charge transaction and transition costs related to the spinoff of PPL Corporation Supply Segment. (completed June 2014).
d) Conducting meetings with key individuals for the purpose of discussing and reviewing issues related to proper charging of PPL Corporation Supply Segment spinoff costs. (completed July and August, 2014).
e) Issuing the Accounting Policy and Procedures for Costs Associated with Acquisitions and Divestures and communicating said issuance to all budget coordinators. (completed August 2014).
f) Developing and issuing a message to all PPL Corporation supervisors to emphasize the importance of properly capturing all costs related to the spinoff of PPL Corporation Supply Segment. (completed September 2014).

Corrective Action 3: As of August 2014, PPL Services' Financial and Accounting Departments developed an accounting policy/procedure related to M&A activities and included it with other accounting policies and procedures on the Controller's Department Accounting Policies and Procedures intranet web site.

Corrective Action 4: PPL Services will include a summary of the M&A accounting policy in the Cost Allocation Manual during the next update by December 31, 2014.

Corrective Action 5: Commencing with LG&E and KU's 2013 Annual Update for rates effective in the 2013 rate year which began on June 1, 2014 and ends on May 31, 2015, LG&E and KU no longer included rate impacts from such transaction-related costs.

Corrective Action 6: During September 2013, LG&E and KU modified their Regulatory Compliance accounting policy to provide additional guidance on merger costs. Examples of merger transaction and transition costs were included in this accounting policy.

Corrective Action 7: During September 2013, LG&E and KU updated its "Merger Transaction and Transition Cost" accounting treatment guidance on the Company's intranet site with information regarding how merger transaction and transition costs are to be handled.

Recommendation 27 - PPL Electric, LG&E and KU should calculate the rate impact of recovering transaction-related costs in their respective formula rates, and provide these calculations to the Division of Audits and Accounting.

Corrective Action 1: In September 2014, LG&E and KU provided estimated rate impact calculations (interest through June 2014) regarding the consolidated anticipated audit findings, including transaction-related costs, and certain rate under-billings to DAA. LG&E and KU anticipate that they will provide to DAA and file with the Commission for approval a report showing updated consolidated rate impact calculations regarding transaction-related costs (through a then-current date) within 60 days following issuance of a final audit report.

Corrective Action 2: In September 2014, PPL Electric provided DAA with Attachment 1 that identifies the rate impact of recovering transaction-related costs through PPL Electric's transmission formula rate.

Recommendation 28 - PPL Electric, LG&E and KU should refund to ratepayers amounts inappropriately recovered through the transmission formula rate due to the incorrect allocation of transaction-related costs, calculated with interest in accordance to the Commission-approved formula rate protocols for PPL Electric and under § 35.19a of the Commission's regulations for LG&E and KU.

Corrective Action 1: LG&E and KU will refund or credit to ratepayers amounts recovered through the transmission formula rate due to such transaction-related costs, with interest, and anticipate that they will do so within 30 days of each applicable final Commission order accepting the respective refund report filed in response to Recommendation 27.

Corrective Action 2: In accordance with Section VII of PPL Electric's Formula Rate Implementation Protocols, PPL Electric refunded the transaction-related costs improperly included in and recovered through the formula rate since its inception, with interest, as detailed in its 2014 Annual Update filed on May 15, 2014 with the Commission. The changes to the revenue requirement detailed in the 2014 Annual Update took effect in the 2014 rate year, which began on June 1, 2014 and ends on May 31, 2015.

8. *Allowance for Funds Used During Construction*

Recommendation 29 - KU should revise and implement procedures going forward to ensure its AFUDC base and rate calculation is consistent with Electric Plant Instruction 3(17) and other applicable Commission requirements.

Corrective Action 1: Beginning with the February 2012 accounting close, KU modified its PowerPlant fixed asset accounting system to properly account for AFUDC. The PowerPlant automated AFUDC calculation was updated to compound interest semiannually rather than monthly.

Corrective Action 2:
During August 2012, KU finalized modifications to its AFUDC accounting policy and procedures to record AFUDC in accordance with Electric Plant Instruction 3(17) and Federal Power Commission Order 561.

9. *Formula Rate Line References*

Recommendation 30 - LG&E and KU should develop and implement controls to ensure accurate and complete line references.

Corrective Action: During 2012 and 2013, LG&E and KU developed and implemented, enhanced controls and procedures for the transmission formula rate template to ensure appropriate references going forward, similar to Sarbanes-Oxley–level controls. LG&E and KU strengthened spreadsheet controls on the formula rate template, such as password protection, increased automation and protection for calculations, clearly labeled input data entry, and increased internal cross-check features. LG&E and KU implemented written process documentation and a narrative for the controls describing the specific procedures and responsibilities for calculating and reviewing the transmission formula rate relating to calculation performed by its Rates Department, reviews performed by its Rates, Accounting, and Transmission Departments and sign-off at the senior management level prior to posting.

Recommendation 31 - LG&E and KU should submit a filing with the Commission under FPA section 205 to address the incorrect formula rate line references.

Corrective Action: LG&E and KU anticipate that they will submit the recommended FPA Section 205 filing(s) relating to incorrect formula rate line references within 90 days of the issuance of a final audit report.

10. FERC Form No. 60 Reporting

Recommendation 32 - LKS and PPL Services should develop and implement procedures to ensure proper account classification, consistent reporting, and completion of all supporting schedules of the FERC Form No. 60. As part of these procedures, incorporate an annual review to ensure the FERC Form No. 60 filed with the Commission is complete and accurate.

Corrective Action 1: In March 2012, during preparation for the 2012 Form 60 filing, LG&E and KU developed a query within its Oracle financial system to better identify and capture LKS intercompany transactions that should be distinguished as convenience payments. Further enhancements were made to this query throughout 2013 to improve the efficiency of the query and to reduce manual adjustments to identify the convenience payments. In January and February 2013 LG&E and KU set up additional expenditure types within Oracle to also aid in identifying convenience payments.

Corrective Action 2: In November 2012, LG&E and KU developed a document to further educate employees on the identification of convenience payments. This document, along with a decision tree, has been shared with all employees via their intranet site.

Corrective Action 3: PPL Services implemented an automated process in 2012, using delivered allocation functionality in its general ledger software. The automated process performs the reclassification among Accounts 920, 921 and 923 based on cost type. The automated process mirrors the manual reclassification journal entries reflected in the 2011 FERC Form 60. As an additional control for PPL Services, beginning in 2012, the cost types in accounts 920, 921, and 923 are reviewed on a monthly basis to ensure that amounts are appropriately classified in these accounts.

Corrective Action 4: PPL Services developed written procedures for the preparation of Form 60. Prior to the filing of the 2013 Form 60 which occurred on April 30, 2014, Corporate Audit Services reviewed the process for preparing PPL Services' Form 60, the procedures used to allocate cost in the 2013 Form 60, and the completeness and accuracy of the 2013 Form 60. Management has requested Corporate Audit Services to include a review of the Form 60 in its audit plan.

Recommendation 33 - LKS and PPL Services should refile 2010 FERC Form No. 60, correcting all reporting errors within 90 days after this report is issued.

Corrective Action 1: LKS will refile the 2010 FERC Form No. 60 within 90 days of the date the final audit report is issued.

Corrective Action 2: PPL Services will refile the 2010 FERC Form No. 60 within 90 days of the date the final audit report is issued.

II. Draft Audit Report Section V. Other Matters

Formula Rate Recovery of Intangible Plant

Recommendation - LG&E and KU submit a filing with the Commission under FPA section 205 to adopt the revisions for intangible plant MISO proposed in Docket No. ER12-297-000 and incorporate them into KU and LG&E's formula rate template under their joint OATT.

Corrective Action: LG&E and KU anticipate that they will submit the recommended FPA Section 205 filing(s) adopting revisions for intangible plant as proposed by MISO and incorporating those changes into the formula rate template under their joint OATT within 90 days of the issuance of a final audit report.

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(j)
Sponsoring Witness: Kent W. Blake

Description of Filing Requirement:

The prospectuses of the most recent stock or bond offerings.

Response:

See attached.

PROSPECTUS SUPPLEMENT
(To Prospectus dated March 28, 2012)

$250,000,000

a PPL company

Kentucky Utilities Company

4.65% First Mortgage Bonds due 2043

Kentucky Utilities Company is offering its First Mortgage Bonds, 4.65% Series due 2043. Interest on the Bonds will be payable on May 15 and November 15 of each year, commencing May 15, 2014, and at maturity, as further described in this prospectus supplement. The Bonds will mature on November 15, 2043, unless redeemed on an earlier date. We may, at our option, redeem the Bonds, in whole at any time or in part from time to time, as described herein. See "Description of the Bonds—Redemption."

The Bonds will be our senior secured indebtedness and will rank equally with all of our other outstanding senior secured indebtedness from time to time outstanding under our 2010 mortgage indenture. See "Description of the Bonds—Security; Lien of the Mortgage" herein.

Investing in the Bonds involves certain risks. See "Risk Factors" on page S-5 of this prospectus supplement, on page 4 of the accompanying prospectus and beginning on page 22 of our Annual Report on Form 10-K for the year ended December 31, 2012.

These securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission, nor has the Securities and Exchange Commission or any state securities commission determined that this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

	Price to Public(1)	Underwriting Discount	Proceeds, Before Expenses, to Us(1)
Per Bond	99.280%	0.875%	98.405%
Total	$248,200,000	$2,187,500	$246,012,500

(1) Plus accrued interest, if any, from November 14, 2013.

The underwriters expect to deliver the Bonds to the purchasers in book-entry form through the facilities of The Depository Trust Company on or about November 14, 2013.

Joint Book-Running Managers

BNP PARIBAS   Citigroup   Goldman, Sachs & Co.   Mitsubishi UFJ Securities

Co-Managers

BNY Mellon Capital Markets, LLC   CIBC   Mizuho Securities   SMBC Nikko

The date of this prospectus supplement is November 6, 2013.

We have not, and the underwriters have not, authorized anyone to provide any information other than that contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus or any free writing prospectus prepared by or on behalf of us or to which we have referred you. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should assume that the information contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus or any free writing prospectus prepared by or on behalf of us or to which we have referred you is accurate only as of the respective date of such document. Our business, financial condition, results of operations and prospects may have changed since those dates.

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Prospectus Supplement

Prospectus

As used in this prospectus supplement and the accompanying prospectus, the terms “we,” “our” and “us” refer to Kentucky Utilities Company.

ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement is part of a registration statement that Kentucky Utilities Company ("KU" or the "Company") has filed with the Securities and Exchange Commission (the "SEC") utilizing a "shelf" registration process. Under this shelf process, we are offering to sell the Bonds using this prospectus supplement and the accompanying prospectus. This prospectus supplement describes the specific terms of this offering. The accompanying prospectus and the information incorporated by reference therein and herein describe our business and give more general information, some of which may not apply to this offering. Generally, when we refer only to the "prospectus," we are referring to both parts combined. You should read this prospectus supplement together with the accompanying prospectus before making a decision to invest in the Bonds. If the information in this prospectus supplement or the information incorporated by reference in this prospectus supplement is inconsistent with the accompanying prospectus, the information in this prospectus supplement or the information incorporated by reference in this prospectus supplement will apply and will supersede that information in the accompanying prospectus.

Certain affiliates of KU, including PPL Corporation, Louisville Gas & Electric Company and LG&E and KU Energy LLC, and other subsidiaries of PPL Corporation, have also registered their securities on the "shelf" registration statement referred to above. However, the Bonds are solely obligations of KU, and not of PPL Corporation or any of PPL Corporation's other subsidiaries or of any other affiliate of KU. None of PPL Corporation or any of KU's other affiliates will guarantee or provide any credit support for the Bonds.

WHERE YOU CAN FIND MORE INFORMATION

Available Information

KU files reports and other information with the SEC. You may obtain copies of this information by mail from the Public Reference Room of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. Further information on the operation of the SEC's Public Reference Room in Washington, D.C. can be obtained by calling the SEC at 1-800-SEC-0330.

KU's Internet Web site is http://www.lge-ku.com/ku/. Our ultimate parent, PPL Corporation, maintains an Internet Web site at www.pplweb.com. On the Investor Center page of that Web site, PPL Corporation provides access to SEC filings of KU free of charge, as soon as reasonably practicable after filing with the SEC. Neither the information at KU's Web site nor the information at PPL Corporation's Web site is incorporated in this prospectus supplement by reference, and you should not consider it a part of this prospectus supplement. KU's filings are also available at the SEC's Web site (www.sec.gov).

In addition, reports and other information concerning KU can be inspected at its offices at One Quality Street, Lexington, Kentucky 40507.

Incorporation by Reference

KU will "incorporate by reference" information into this prospectus supplement by disclosing important information to you by referring you to other documents that it files separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus supplement, and later information that we file with the SEC will automatically update and supersede that information.

This prospectus supplement incorporates by reference the documents set forth below that have been previously filed with the SEC. These documents contain important information about KU.

SEC Filings	Period/Date
Annual Report on Form 10-K	Year ended December 31, 2012
Quarterly Reports on Form 10-Q	Quarters ended March 31, 2013, June 30, 2013 and September 30, 2013
Current Report on Form 8-K	Filed on October 3, 2013

Additional documents that KU files with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), between the date of this prospectus supplement and the termination of the offering of the Bonds are also incorporated herein by reference.

KU will provide without charge to each person, including any beneficial owner, to whom a copy of this prospectus supplement has been delivered, a copy of any and all of its filings with the SEC. You may request a copy of these filings by writing or telephoning KU at:

Kentucky Utilities Company
One Quality Street
Lexington, Kentucky 40507
Attention: Treasurer
Telephone: (502) 627-2000

SUMMARY

The following summary contains information about the offering by KU of its Bonds described below. It does not contain all of the information that may be important to you in making a decision to purchase the Bonds. For a more complete understanding of KU and the offering of the Bonds, we urge you to read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein carefully including the "Risk Factors" sections and our financial statements and the notes to those statements.

The Issuer	Kentucky Utilities Company
Securities Offered	$250,000,000 aggregate principal amount of KU's First Mortgage Bonds, 4.65% Series due 2043 ("Bonds")
Stated Maturity Date	November 15, 2043
Interest Payment Dates	Interest on the Bonds will be payable on May 15 and November 15 of each year, commencing on May 15, 2014 and at maturity, or upon earlier redemption.
Interest Rate	4.65% per annum
Redemption	The Bonds may be redeemed at our option, in whole at any time or in part from time to time, at the redemption prices set forth in this prospectus supplement. The Bonds will not be entitled to the benefit of any sinking fund or other mandatory redemption and will not be repayable at the option of the Holder of a Bond prior to the Stated Maturity Date. See "Description of the Bonds—Redemption."
Ranking	The Bonds will be our senior secured indebtedness and will rank equally in right of payment with our existing and future first mortgage bonds issued under our Mortgage. See "Description of the Bonds—General" and "Description of the Bonds—Security; Lien of the Mortgage."
Security	The Bonds will be secured, equally and ratably, by the lien of the Mortgage, which constitutes a first mortgage lien on substantially all of our real and tangible personal property located in Kentucky and used in the generation, transmission and distribution of electricity, other than property duly released from the lien of the Mortgage in accordance with the provisions thereof and certain other excepted property, and subject to certain Permitted Liens, as described under "Description of the Bonds—Security; Lien of the Mortgage."
Listing	We do not intend to list the Bonds on any securities exchange.
Form and Denomination	The Bonds will be initially issued in the form of one or more global securities, without coupons, in denominations of $2,000 and integral multiples of $1,000 in excess thereof, and deposited with the Trustee (as hereinafter defined) on behalf of The Depository Trust Company ("DTC"), as depositary, and registered in the name of DTC or its nominee. See "Description of the Bonds—General" and "Description of the Bonds—Book-Entry Only Issuance—The Depository Trust Company."

Use of Proceeds	We intend to use the net proceeds of this offering for the repayment of short-term debt obligations, including commercial paper borrowings, which as of September 30, 2013 had an average interest rate of approximately 0.28% and maturities under 15 days, for capital expenditures and for other general corporate purposes. See "Use of Proceeds."
Reopening of the Series	We may, without the consent of the Holders of the Bonds, increase the principal amount of the series and issue additional bonds of such series having the same ranking, interest rate, maturity and other terms as the Bonds, other than the date of initial issuance, the price to public, and, in some circumstances, the initial interest accrual date and the initial interest payment date. Any such additional bonds may, together with the Bonds, constitute a single series of securities under the Mortgage. See "Description of the Bonds—General."
Governing Law	The Bonds and the Mortgage are governed by the laws of the State of New York, except to the extent the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") is applicable and except where otherwise required by law. The effectiveness of the lien of the Mortgage, and the perfection and priority thereof, will be governed by Kentucky law.

RISK FACTORS

Before making a decision to invest in the Bonds, you should carefully consider the risk factors described below, the risk factors described on page 4 of the accompanying prospectus, and the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2012, beginning on page 22, as well as the other information included in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus.

Risks Relating to the Bonds

An active trading market for the Bonds may not develop.

The Bonds are new securities and we do not intend to apply for listing of the Bonds on any securities exchange. We cannot assure that an active trading market for the Bonds will develop. There can be no assurances as to the liquidity of any market that may develop for the Bonds, the ability of Holders to sell their Bonds or the price at which the Holders will be able to sell their Bonds. Future trading prices of the Bonds will depend on many factors including, among other things, prevailing interest rates, our operating results and the market for similar securities.

USE OF PROCEEDS

We intend to use the net proceeds of this offering for the repayment of short-term debt, including commercial paper borrowings, which as of September 30, 2013 had an average interest rate of approximately 0.28% and maturities under 15 days, for capital expenditures and for other general corporate purposes.

CAPITALIZATION

The following table sets forth our consolidated capitalization as of September 30, 2013 on an actual basis, and on an as adjusted basis to give effect to the issuance of the Bonds in this offering and the use of proceeds of this offering for the repayment of short-term debt. This table should be read in conjunction with our consolidated financial statements, the notes related thereto and the financial and operating data incorporated by reference into this prospectus supplement and the accompanying prospectus.

	As of September 30, 2013	
	Actual	As Adjusted
	(In millions)	
Short-term debt	140	0
Capitalization		
Long-term debt	1,843	1,843
Bonds offered hereby	—	250
Total long-term debt	1,843	2,093
Total stockholder's equity	2,963	2,963
Total capitalization	$4,806	$5,056

DESCRIPTION OF THE BONDS

The following summary description sets forth certain terms and provisions of the Bonds that we are offering by this prospectus supplement. Because this description is a summary, it does not describe every aspect of the Bonds or the Mortgage (as defined below) under which the Bonds will be issued, as described below. The Mortgage is filed as an exhibit to the registration statement of which the accompanying prospectus is a part. The Mortgage and its associated documents contain the full legal text of the matters described in this section. This summary is subject to and qualified in its entirety by reference to all of the provisions of the Bonds and the Mortgage, including definitions of certain terms used in the Mortgage. We also include references in parentheses to certain sections of the Mortgage. Whenever we refer to particular sections or defined terms of the Mortgage in this prospectus supplement, such sections or defined terms are incorporated by reference herein. The Mortgage has been qualified under the Trust Indenture Act, and you should refer to the Trust Indenture Act for provisions that apply to the Bonds.

General

We will issue the Bonds as a series of debt securities under our indenture, dated as of October 1, 2010 (as such indenture has been and may be amended and supplemented from time to time, the "Mortgage"), with The Bank of New York Mellon, as trustee (the "Trustee"). The Mortgage does not effectively limit the aggregate principal amount of bonds or other debt securities that may be issued thereunder, subject to meeting certain conditions to issuance, including those described below under "Issuance of Additional Mortgage Securities." The Bonds and all other debt securities issued previously or hereafter issued under the Mortgage are collectively referred to herein as "Mortgage Securities." The Mortgage constitutes a first mortgage lien, subject to Permitted Liens and exceptions and exclusions as described below, on substantially all of our real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity. (See "—Security; Lien of the Mortgage" below.) As of the date of this prospectus supplement, approximately $1.851 billion of first mortgage bonds are issued and outstanding under the Mortgage, including $351 million which have been pledged to secure pollution control revenue bonds issued by various counties in Kentucky on our behalf.

The Bonds will be issued in fully registered form only, without coupons. The Bonds will be initially represented by one or more fully registered global securities (the "Global Securities") deposited with the Trustee, as custodian for The Depository Trust Company ("DTC"), as depositary, and registered in the name of DTC or DTC's nominee. A beneficial interest in a Global Security will be shown on, and transfers or exchanges thereof will be effected only through, records maintained by DTC and its participants, as described below under "—Book-Entry Only Issuance—The Depository Trust Company." The authorized denominations of the Bonds will be $2,000 and integral multiples of $1,000 in excess thereof. Except in limited circumstances described below, the Bonds will not be exchangeable for Bonds in definitive certificated form.

The Bonds are initially being offered in one series in the principal amount of $250,000,000. We may, without the consent of the Holders of the Bonds, increase the principal amount of the series and issue additional bonds of such series having the same ranking, interest rate, maturity and other terms (other than the date of initial issuance, the price to public and, in some circumstances, the initial interest accrual date and initial interest payment date) as the Bonds, but we will not reopen a series unless the additional bonds are fungible with the previously issued bonds for U.S. federal income tax purposes or such additional bonds are issued with a separate CUSIP number. Any such additional bonds would, together with the Bonds, constitute a single series of securities under the Mortgage and may be treated as a single class for all purposes under the Mortgage, including, without limitation, voting waivers and amendments.

Maturity; Interest

The Bonds will mature on November 15, 2043 (the "Stated Maturity Date") and will bear interest from the date of issuance at a rate of 4.65% per annum. Interest will be payable on the Bonds on May 15 and November 15 of each year (each, an "Interest Payment Date"), commencing on May 15, 2014, and at maturity (whether at the Stated Maturity Date, upon redemption or acceleration, or otherwise, "Maturity"). Subject to certain exceptions, the Mortgage provides for the payment of interest on an Interest Payment Date only to persons in whose names the Bonds are registered at the close of business on the Regular Record Date, which will be the May 1 and November 1 (whether or not a Business Day), as the case may be, immediately preceding the applicable Interest Payment Date; except that interest payable at Maturity will be paid to the person to whom principal is paid.

Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months, and with respect to any period less than a full calendar month, on the basis of the actual number of days elapsed during the period.

Payment

So long as the Bonds are registered in the name of DTC, as depositary for the Bonds as described herein under "—Book-Entry Only Issuance—The Depository Trust Company" or DTC's nominee, payments on the Bonds will be made as described therein.

If we default in paying interest on a Bond, we will pay such defaulted interest either

- to Holders as of a special record date between 10 and 15 days before the proposed payment; or
- in any other lawful manner of payment that is consistent with the requirements of any securities exchange on which the Bonds may be listed for trading. (See Section 307.)

We will pay principal of and interest and premium, if any, on the Bonds at Maturity upon presentation of the Bonds at the corporate trust office of The Bank of New York Mellon in New York, New York, as our Paying Agent. In our discretion, we may change the place of payment on the Bonds, and we may remove any Paying Agent and may appoint one or more additional Paying Agents (including us or any of our affiliates). (See Section 702.)

If any Interest Payment Date, Redemption Date or Maturity of a Bond falls on a day that is not a Business Day, the required payment of principal, premium, if any, and/or interest will be made on the next succeeding Business Day as if made on the date such payment was due, and no interest will accrue on such payment for the period from and after such Interest Payment Date, Redemption Date or Maturity, as the case may be, to the date of such payment on the next succeeding Business Day.

"Business Day" means any day, other than a Saturday or Sunday, that is not a day on which banking institutions or trust companies in The City of New York, New York, or other city in which a paying agent for such Bond is located, are generally authorized or required by law, regulation or executive order to remain closed. (See Section 116.)

Form; Transfers; Exchanges

So long as the Bonds are registered in the name of DTC, as depositary for the Bonds as described herein under "—Book-Entry Only Issuance—The Depository Trust Company" or DTC's nominee, transfers and exchanges of beneficial interest in the Bonds will be made as described therein. In the event that the book-entry only system is discontinued, and the Bonds are issued in certificated form, you may exchange or transfer Bonds at the corporate trust office of the Trustee.

You may have your Bonds divided into Bonds of smaller denominations (of at least $2,000 and any larger amount that is an integral multiple of $1,000) or combined into Bonds of larger denominations, as long as the total principal amount is not changed. (See Section 305.)

There will be no service charge for any transfer or exchange of the Bonds, but you may be required to pay a sum sufficient to cover any tax or other governmental charge payable in connection therewith. We may block the transfer or exchange of (1) Bonds during a period of 15 days prior to giving any notice of redemption or (2) any Bond selected for redemption in whole or in part, except the unredeemed portion of any Bond being redeemed in part. (See Section 305.)

The Trustee acts as our agent for registering Bonds in the names of Holders and transferring the Bonds. We may appoint another agent (including one of our affiliates) or act as our own agent for this purpose. The entity performing the role of maintaining the list of registered Holders is called the "Security Registrar." It will also perform transfers. In our discretion, we may change the place for registration of transfer of the Bonds and may designate a different entity as the Security Registrar, including us or one of our affiliates. (See Sections 305 and 702.)

Redemption

We may, at our option, redeem the Bonds, in whole at any time or in part from time to time. If we redeem the Bonds before May 15, 2043 (the date that is six months prior to the Stated Maturity Date), the Bonds will be redeemed by us at a redemption price equal to the greater of:

- 100% of the principal amount of the Bonds to be so redeemed; and
- as determined by the Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest on the Bonds to be so redeemed (not including any portion of such payments of interest accrued to the date of redemption) discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus 15 basis points;

plus, in either case, accrued and unpaid interest on the principal amount of Bonds to be so redeemed to the Redemption Date.

If we redeem the Bonds on or after May 15, 2043, the Bonds will be redeemed by us at a redemption price equal to 100% of the principal amount of the Bonds to be so redeemed, plus accrued and unpaid interest on the principal amount of the Bonds to be so redeemed to the Redemption Date.

"Adjusted Treasury Rate" means, with respect to any Redemption Date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that Redemption Date.

"Comparable Treasury Issue" means the United States Treasury security selected by the Quotation Agent as having an actual or interpolated maturity comparable to the remaining term of the Bonds to be redeemed to the Stated Maturity Date that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Bonds being redeemed.

"Comparable Treasury Price" means, with respect to any Redemption Date:

- the average of five Reference Treasury Dealer Quotations for that Redemption Date, after excluding the highest and lowest Reference Treasury Dealer Quotations; or
- if the Quotation Agent obtains fewer than five Reference Treasury Dealer Quotations, the average of all of those quotations received.

"Quotation Agent" means one of the Reference Treasury Dealers appointed by us.

"*Reference Treasury Dealer*" means:

- each of BNP Paribas Securities Corp., Citigroup Global Markets Inc. and Goldman, Sachs & Co. (or their respective affiliates that are Primary Treasury Dealers, as defined below) and a Primary

Treasury Dealer selected by Mitsubishi UFJ Securities (USA), Inc., or their respective successors, unless any of them ceases to be a primary U.S. Government securities dealer in the United States (a "Primary Treasury Dealer"), in which case we will substitute another Primary Treasury Dealer; and

- any other Primary Treasury Dealer selected by us (after consultation with the Quotation Agent).

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount), as provided to the Quotation Agent by that Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding that Redemption Date.

The Bonds will not be subject to a sinking fund or other mandatory redemption provisions and will not be repayable at the option of the Holder prior to the Stated Maturity Date.

The Bonds will be redeemable upon notice of redemption to each holder of Bonds to be redeemed by mail between 30 days and 60 days prior to the Redemption Date.

If less than all of the Bonds are to be redeemed, the Trustee will select the Bonds or portions thereof to be redeemed. In the absence of any provision for selection, the Trustee will choose a method of random selection that it deems fair and appropriate. (See Sections 503 and 504.)

We may make any redemption at our option conditional upon the receipt by the Paying Agent, on or prior to the date fixed for redemption, of money sufficient to pay the redemption price. If the Paying Agent has not received such money by the date fixed for redemption, we will not be required to redeem such Bonds. (See Section 504.)

Bonds called for redemption will cease to bear interest on the Redemption Date. We will pay the redemption price and any accrued interest once you surrender the Bond for redemption. (See Section 505.) If only part of a Bond is redeemed, the Trustee will deliver to you a new Bond of the same series for the remaining portion without charge. (See Section 506.)

Security; Lien of the Mortgage

General

Except as described below under this heading and under "—Issuance of Additional Mortgage Securities," and subject to the exceptions described under "—Satisfaction and Discharge," all Mortgage Securities, including the Bonds, will be secured, equally and ratably, by the lien of the Mortgage, which constitutes, subject to Permitted Liens as described below, a first mortgage lien on substantially all of our real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity (other than property duly released from the lien of the Mortgage in accordance with the provisions thereof and other than Excepted Property, as described below). We sometimes refer to our property that is subject to the lien of the Mortgage as "Mortgaged Property."

We may obtain the release of property from the lien of the Mortgage from time to time, upon the bases provided for such release in the Mortgage. See "—Release of Property."

We may enter into supplemental indentures with the Trustee, without the consent of the Holders, in order to subject additional property (including property that would otherwise be excepted from such lien) to the lien of the Mortgage. (See Section 1401.) This property would constitute Property Additions and would be available as a basis for the issuance of Mortgage Securities. See "—Issuance of Additional Mortgage Securities."

The Mortgage provides that after-acquired property (other than Excepted Property) will be subject to the lien of the Mortgage. (See Granting Clause Second.) However, in the case of consolidation or merger (whether or not we are the surviving company) or transfer of the Mortgaged Property as or substantially as an entirety, the Mortgage will not be required to be a lien upon any of the properties either owned or subsequently acquired by the successor company except properties acquired from us in or as a result of such transfer, as well as improvements, extensions and additions (as defined in the Mortgage) to such properties and renewals, replacements and substitutions of or for any part or parts thereof. See Section 1303 and "—Consolidation, Merger and Conveyance of Assets as an Entirety."

Excepted Property. The lien of the Mortgage does not cover, among other things, the following types of property: property located outside of Kentucky and not specifically subjected or required to be subjected to the lien of the Mortgage; property not used by us in our electric generation, transmission and distribution business; cash and securities not paid, deposited or held under the Mortgage or required so to be; contracts, leases and other agreements of all kinds, contract rights, bills, notes and other instruments, revenues, accounts receivable, claims, demands and judgments; governmental and other licenses, permits, franchises, consents and allowances; intellectual property rights and other general intangibles; vehicles, movable equipment, aircraft and vessels; all goods, stock in trade, wares, merchandise and inventory held for the purpose of sale or lease in the ordinary course of business; materials, supplies, inventory and other personal property consumable in the operation of our business; fuel; tools and equipment; furniture and furnishings; computers and data processing, telecommunications and other facilities used primarily for administrative or clerical purposes or otherwise not used in connection with the operation or maintenance of electric generation, transmission and distribution facilities; coal, ore, gas, oil and other minerals and timber rights; electric energy and capacity, gas, steam, water and other products generated, produced, manufactured, purchased or otherwise acquired; real property and facilities used primarily for the production or gathering of natural gas; property which has been released from the lien of the Mortgage; and leasehold interests. We sometimes refer to our property not covered by the lien of the Mortgage as "Excepted Property." (See Granting Clauses.) Properties held by any of our subsidiaries, as well as properties leased from others, would not be subject to the lien of the Mortgage.

Permitted Liens. The lien of the Mortgage is subject to Permitted Liens described in the Mortgage. Such Permitted Liens include liens existing at the execution date of the Mortgage, purchase money liens and other liens placed or otherwise existing on property acquired by us after the execution date of the Mortgage at the time we acquire it, tax liens and other governmental charges which are not delinquent or which are being contested in good faith, mechanics', construction and materialmen's liens, certain judgment liens, easements, reservations and rights of others (including governmental entities) in, and defects of title to, our property, certain leases and leasehold interests, liens to secure public obligations, rights of others to take minerals, timber, electric energy or capacity, gas, water, steam or other products produced by us or by others on our property, rights and interests of Persons other than us arising out of agreements relating to the common ownership or joint use of property, and liens on the interests of such Persons in such property and liens which have been bonded or for which other security arrangements have been made. (See Granting Clauses and Section 101.)

The Mortgage also provides that the Trustee will have a lien, prior to the lien on behalf of the Holders of the Mortgage Securities, upon the Mortgaged Property as security for our payment of its reasonable compensation and expenses and for indemnity against certain liabilities. (See Section 1107.) Any such lien would be a Permitted Lien under the Mortgage.

Issuance of Additional Mortgage Securities

The maximum principal amount of Mortgage Securities that may be authenticated and delivered under the Mortgage is subject to the issuance restrictions described below; provided, however, that the maximum principal amount of Mortgage Securities outstanding at any one time shall not exceed One Quintillion Dollars ($1,000,000,000,000,000,000), which amount may be changed by supplemental indenture. (See Section 301.) Mortgage Securities of any series may be issued from time to time on the basis of, and in an aggregate principal amount not exceeding:

- 66⅔% of the Cost or Fair Value to the Company (whichever is less) of Property Additions (as described below) which do not constitute Funded Property (generally, Property Additions which have been made the basis of the authentication and delivery of Mortgage Securities, the release of Mortgaged Property or the withdrawal of cash, which have been substituted for retired Funded Property or which have been used for other specified purposes) after certain deductions and additions, primarily including adjustments to offset property retirements;
- the aggregate principal amount of Retired Securities (as described below); or
- an amount of cash deposited with the Trustee. (See Article Four.)

Property Additions generally include any property which is owned by us and is subject to the lien of the Mortgage except (with certain exceptions) goodwill, going concern value rights or intangible property, or any property the acquisition or construction of which is properly chargeable to one of our operating expense accounts in accordance with U.S. generally accepted accounting principles. (See Section 104.)

Retired Securities means, generally, Mortgage Securities which are no longer outstanding under the Mortgage, which have not been retired by the application of Funded Cash and which have not been used as the basis for the authentication and delivery of Mortgage Securities, the release of property or the withdrawal of cash.

We intend to issue the Bonds on the basis of Property Additions. At August 31, 2013 approximately $1.93 billion of Property Additions were available to us to be used as the basis for the authentication and delivery of Mortgage Securities (including the Bonds offered hereby). (See Article Four)

Release of Property

Unless an Event of Default has occurred and is continuing, we may obtain the release from the lien of the Mortgage of any Mortgaged Property, except for cash held by the Trustee, upon delivery to the Trustee of an amount in cash equal to the amount, if any, by which sixty-six and two-thirds percent (66⅔%) of the Cost of the property to be released (or, if less, the Fair Value to us of such property at the time it became Funded Property) exceeds the aggregate of:

- an amount equal to 66⅔% of the aggregate principal amount of obligations secured by Purchase Money Liens upon the property to be released and delivered to the Trustee;
- an amount equal to 66⅔% of the Cost or Fair Value to us (whichever is less) of certified Property Additions not constituting Funded Property after certain deductions and additions, primarily including adjustments to offset property retirements (except that such adjustments need not be made if such Property Additions were acquired or made within the 90-day period preceding the release);
- the aggregate principal amount of Mortgage Securities we would be entitled to issue on the basis of Retired Securities (with such entitlement being waived by operation of such release);
- the aggregate principal amount of Mortgage Securities delivered to the Trustee (with such Mortgage Securities to be canceled by the Trustee);
- any amount of cash and/or an amount equal to 66⅔% of the aggregate principal amount of obligations secured by Purchase Money Liens upon the property released that is delivered to the trustee or other holder of a lien prior to the lien of the Mortgage, subject to certain limitations described in the Mortgage; and

- any taxes and expenses incidental to any sale, exchange, dedication or other disposition of the property to be released.

(See Section 803.)

As used in the Mortgage, the term "Purchase Money Lien" means, generally, a lien on the property being released which is retained by the transferor of such property or granted to one or more other Persons in connection with the transfer or release thereof, or granted to or held by a trustee or agent for any such Persons, and may include liens which cover property in addition to the property being released and/or which secure indebtedness in addition to indebtedness to the transferor of such property (See Section 101.).

Unless an Event of Default has occurred and is continuing, property which is not Funded Property may generally be released from the lien of the Mortgage without depositing any cash or property with the Trustee as long as (a) the aggregate amount of Cost or Fair Value to us (whichever is less) of all Property Additions which do not constitute Funded Property (excluding the property to be released) after certain deductions and additions, primarily including adjustments to offset property retirements, is not less than zero or (b) the Cost or Fair Value (whichever is less) of property to be released does not exceed the aggregate amount of the Cost or Fair Value to us (whichever is less) of Property Additions acquired or made within the 90-day period preceding the release. (See Section 804.)

The Mortgage provides simplified procedures for the release of minor properties and property taken by eminent domain, and provides for dispositions of certain obsolete property and grants or surrender of certain rights without any release or consent by the Trustee. (See Sections 805, 807 and 808.)

If we retain any interest in any property released from the lien of the Mortgage, the Mortgage will not become a lien on such property or such interest therein or any improvements, extensions or additions to such property or renewals, replacements or substitutions of or for such property or any part or parts thereof. (See Section 809.)

Withdrawal of Cash

Unless an Event of Default has occurred and is continuing, and subject to certain limitations, cash held by the Trustee may, generally, (1) be withdrawn by us (a) to the extent of sixty-six and two-thirds percent (66⅔%) of the Cost or Fair Value to us (whichever is less) of Property Additions not constituting Funded Property, after certain deductions and additions, primarily including adjustments to offset retirements (except that such adjustments need not be made if such Property Additions were acquired or made within the 90-day period preceding the withdrawal) or (b) in an amount equal to the aggregate principal amount of Mortgage Securities that we would be entitled to issue on the basis of Retired Securities (with the entitlement to such issuance being waived by operation of such withdrawal) or (c) in an amount equal to the aggregate principal amount of any outstanding Mortgage Securities delivered to the Trustee; or (2) upon our request, be applied to (a) the purchase of Mortgage Securities in a manner and at a price approved by us or (b) the payment (or provision for payment) at stated maturity of any Mortgage Securities or the redemption (or provision for payment) of any Mortgage Securities which are redeemable (see Section 806); provided, however, that cash deposited with the Trustee as the basis for the authentication and delivery of Mortgage Securities may, in addition, be withdrawn in an amount not exceeding the aggregate principal amount of cash delivered to the Trustee for such purpose. (See Section 404.)

Events of Default

An "Event of Default" occurs under the Mortgage if

- we do not pay any interest on any Mortgage Securities within 30 days of the due date;
- we do not pay principal or premium, if any, on any Mortgage Securities on the due date;
- we remain in breach of any other covenant (excluding covenants specifically dealt with elsewhere in this section) in respect of any Mortgage Securities for 90 days after we receive a written notice of default stating we are in breach and requiring remedy of the breach; the notice must be sent by either the Trustee or Holders of 25% of the principal amount of outstanding Mortgage Securities; the Trustee or such Holders can agree to extend the 90-day period and such an agreement to extend will be automatically deemed to occur if we initiate corrective action within such 90-day period and we are diligently pursuing such action to correct the default; or
- we file for bankruptcy or certain other events in bankruptcy, insolvency, receivership or reorganization occur.

(See Section 1001.)

Remedies

Acceleration of Maturity

If an Event of Default occurs and is continuing, then either the Trustee or the Holders of not less than 25% in principal amount of the outstanding Mortgage Securities may declare the principal amount of all of the Mortgage Securities to be due and payable immediately. (See Section 1002.)

Rescission of Acceleration

After the declaration of acceleration has been made and before the Trustee has obtained a judgment or decree for payment of the money due, such declaration and its consequences will be rescinded and annulled, if

(i) we pay or deposit with the Trustee a sum sufficient to pay:

- all overdue interest;
- the principal of and premium, if any, which have become due otherwise than by such declaration of acceleration and interest thereon;
- interest on overdue interest to the extent lawful; and
- all amounts due to the Trustee under the Mortgage; and

(ii) all Events of Default, other than the nonpayment of the principal which has become due solely by such declaration of acceleration, have been cured or waived as provided in the Mortgage.

(See Section 1002.)

For more information as to waiver of defaults, see "—Waiver of Default and of Compliance" below.

Appointment of Receiver and Other Remedies

Subject to the Mortgage, under certain circumstances and to the extent permitted by law, if an Event of Default occurs and is continuing, the Trustee has the power to appoint a receiver of the

Mortgaged Property, and is entitled to all other remedies available to mortgagees and secured parties under the Uniform Commercial Code or any other applicable law. (See Section 1016.)

Control by Holders; Limitations

Subject to the Mortgage, if an Event of Default occurs and is continuing, the Holders of a majority in principal amount of the outstanding Mortgage Securities will have the right to

- direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or
- exercise any trust or power conferred on the Trustee.

The rights of Holders to make direction are subject to the following limitations:

- the Holders' directions may not conflict with any law or the Mortgage; and
- the Holders' directions may not involve the Trustee in personal liability where the Trustee believes indemnity is not adequate.

The Trustee may also take any other action it deems proper which is not inconsistent with the Holders' direction. (See Sections 1012 and 1103.)

In addition, the Mortgage provides that no Holder of any Mortgage Security will have any right to institute any proceeding, judicial or otherwise, with respect to the Mortgage for the appointment of a receiver or for any other remedy thereunder unless

- that Holder has previously given the Trustee written notice of a continuing Event of Default;
- the Holders of 25% in aggregate principal amount of the outstanding Mortgage Securities have made written request to the Trustee to institute proceedings in respect of that Event of Default and have offered the Trustee reasonable indemnity against costs, expenses and liabilities incurred in complying with such request; and
- for 60 days after receipt of such notice, request and offer of indemnity, the Trustee has failed to institute any such proceeding and no direction inconsistent with such request has been given to the Trustee during such 60-day period by the Holders of a majority in aggregate principal amount of outstanding Mortgage Securities.

Furthermore, no Holder will be entitled to institute any such action if and to the extent that such action would disturb or prejudice the rights of other Holders. (See Sections 1007 and 1103.)

However, each Holder has an absolute and unconditional right to receive payment when due and to bring a suit to enforce that right. (See Section 1008.)

Notice of Default

The Trustee is required to give the Holders of the Mortgage Securities notice of any default under the Mortgage to the extent required by the Trust Indenture Act, unless such default has been cured or waived; except that in the case of an Event of Default of the character specified in the third bullet point under "—Events of Default" (regarding a breach of certain covenants continuing for 90 days after the receipt of a written notice of default), no such notice shall be given to such Holders until at least 60 days after the occurrence thereof. (See Section 1102.) The Trust Indenture Act currently permits the Trustee to withhold notices of default (except for certain payment defaults) if the Trustee in good faith determines the withholding of such notice to be in the interests of the Holders.

We will furnish the Trustee with an annual statement as to our compliance with the conditions and covenants in the Mortgage. (See Section 709.)

Waiver of Default and of Compliance

The Holders of a majority in aggregate principal amount of the outstanding Mortgage Securities may waive, on behalf of the Holders of all outstanding Mortgage Securities, any past default under the Mortgage, except a default in the payment of principal, premium or interest, or with respect to compliance with certain provisions of the Mortgage that cannot be amended without the consent of the Holder of each outstanding Mortgage Security affected. (See Section 1013.)

Compliance with certain covenants in the Mortgage or otherwise provided with respect to Mortgage Securities may be waived by the Holders of a majority in aggregate principal amount of the affected Mortgage Securities, considered as one class. (See Section 710.)

Consolidation, Merger and Conveyance of Assets as an Entirety

Subject to the provisions described below, we have agreed to preserve our corporate existence. (See Section 704.)

We have agreed not to consolidate with or merge with or into any other entity or convey, transfer or lease the Mortgaged Property as or substantially as an entirety to any entity unless

- the entity formed by such consolidation or into ùwhich we merge, or the entity which acquires or which leases the Mortgaged Property substantially as an entirety, is an entity organized and existing under the laws of the United States of America or any State or Territory thereof or the District of Columbia; and
- expressly assumes, by supplemental indenture, the due and punctual payment of the principal of, and premium and interest on, all the outstanding Mortgage Securities and the performance of all of our covenants under the Mortgage; and
- such entity confirms the lien of the Mortgage on the Mortgaged Property; and
- in the case of a lease, such lease is made expressly subject to termination by (i) us or by the Trustee and (ii) the purchaser of the property so leased at any sale thereof, at any time during the continuance of an Event of Default; and
- immediately after giving effect to such transaction, no Event of Default, and no event which after notice or lapse of time or both would become an Event of Default, will have occurred and be continuing.

(See Section 1301.)

In the case of the conveyance or other transfer of the Mortgaged Property as or substantially as an entirety to any other person, upon the satisfaction of all the conditions described above we would be released and discharged from all obligations under the Mortgage and on the Mortgage Securities then outstanding unless we elect to waive such release and discharge. (See Section 1304.)

The Mortgage does not prevent or restrict:

- any consolidation or merger after the consummation of which we would be the surviving or resulting entity; or
- any conveyance or other transfer, or lease, of any part of the Mortgaged Property which does not constitute the entirety or substantially the entirety thereof.

If following a conveyance or other transfer, or lease, of any part of the Mortgaged Property, the Fair Value of the Mortgaged Property retained by the Company exceeds an amount equal to three-halves (3/2) of the aggregate principal amount of all outstanding Mortgage Securities, then the part of the Mortgaged Property so conveyed, transferred or leased shall be deemed not to constitute the entirety or substantially the entirety of the Mortgaged Property. This Fair Value will be determined within 90 days of the conveyance or transfer by an independent expert that we select and that is approved by the Trustee.

(See Sections 1305 and 1306.)

Modification of Mortgage

Without Holder Consent. Without the consent of any Holders of Mortgage Securities, we and the Trustee may enter into one or more supplemental indentures for any of the following purposes:

- to evidence the succession of another entity to us;
- to add one or more covenants or other provisions for the benefit of the Holders of all or any series or tranche of Mortgage Securities, or to surrender any right or power conferred upon us;
- to correct or amplify the description of any property at any time subject to the lien of the Mortgage; or to better assure, convey and confirm unto the Trustee any property subject or required to be subjected to the lien of the Mortgage; or to subject to the lien of the Mortgage additional property (including property of others), to specify any additional Permitted Liens with respect to such additional property and to modify the provisions in the Mortgage for dispositions of certain types of property without release in order to specify any additional items with respect to such additional property;
- to add any additional Events of Default, which may be stated to remain in effect only so long as the Mortgage Securities of any one more particular series remains outstanding;
- to change or eliminate any provision of the Mortgage or to add any new provision to the Mortgage that does not adversely affect the interests of the Holders in any material respect;
- to establish the form or terms of any series or tranche of Mortgage Securities;
- to provide for the issuance of bearer securities;
- to evidence and provide for the acceptance of appointment of a successor Trustee or by a co-trustee or separate trustee;
- to provide for the procedures required to permit the utilization of a noncertificated system of registration for any series or tranche of Mortgage Securities;
- to change any place or places where
  - we may pay principal, premium and interest,
  - Mortgage Securities may be surrendered for transfer or exchange, and
  - notices and demands to or upon us may be served;
- to amend and restate the Mortgage as originally executed, and as amended from time to time, with such additions, deletions and other changes that do not adversely affect the interest of the Holders in any material respect;
- to cure any ambiguity, defect or inconsistency or to make any other changes that do not adversely affect the interests of the Holders in any material respect; or
- to increase or decrease the maximum principal amount of Mortgage Securities that may be outstanding at any time.

In addition, if the Trust Indenture Act is amended after the date of the Mortgage so as to require changes to the Mortgage or so as to permit changes to, or the elimination of, provisions which, at the date of the Mortgage or at any time thereafter, were required by the Trust Indenture Act to be contained in the Mortgage, the Mortgage will be deemed to have been amended so as to conform to such amendment or to effect such changes or elimination, and we and the Trustee may, without the consent of any Holders, enter into one or more supplemental indentures to effect or evidence such amendment.

(See Section 1401.)

With Holder Consent. Except as provided above, the consent of the Holders of at least a majority in aggregate principal amount of the Mortgage Securities of all outstanding series, considered as one class, is generally required for the purpose of adding to, or changing or eliminating any of the provisions of, the Mortgage pursuant to a supplemental indenture. However, if less than all of the series of outstanding Mortgage Securities are directly affected by a proposed supplemental indenture, then such proposal only requires the consent of the Holders of a majority in aggregate principal amount of the outstanding Mortgage Securities of all directly affected series, considered as one class. Moreover, if the Mortgage Securities of any series have been issued in more than one tranche and if the proposed supplemental indenture directly affects the rights of the Holders of Mortgage Securities of one or more, but less than all, of such tranches, then such proposal only requires the consent of the Holders of a majority in aggregate principal amount of the outstanding Mortgage Securities of all directly affected tranches, considered as one class.

However, no amendment or modification may, without the consent of the Holder of each outstanding Mortgage Security directly affected thereby,

- change the stated maturity of the principal or interest on any Mortgage Security (other than pursuant to the terms thereof), or reduce the principal amount, interest or premium payable (or the method of calculating such rates) or change the currency in which any Mortgage Security is payable, or impair the right to bring suit to enforce any payment;
- create any lien (not otherwise permitted by the Mortgage) ranking prior to the lien of the Mortgage with respect to all or substantially all of the Mortgaged Property, or terminate the lien of the Mortgage on all or substantially all of the Mortgaged Property (other than in accordance with the terms of the Mortgage), or deprive any Holder of the benefits of the security of the lien of the Mortgage;
- reduce the percentages of Holders whose consent is required for any supplemental indenture or waiver of compliance with any provision of the Mortgage or of any default thereunder and its consequences, or reduce the requirements for quorum and voting under the Mortgage; or
- modify certain of the provisions of the Mortgage relating to supplemental indentures, waivers of certain covenants and waivers of past defaults with respect to Mortgage Securities.

A supplemental indenture which changes, modifies or eliminates any provision of the Mortgage expressly included solely for the benefit of Holders of Mortgage Securities of one or more particular series or tranches will be deemed not to affect the rights under the Mortgage of the Holders of Mortgage Securities of any other series or tranche.

(See Section 1402.)

Satisfaction and Discharge

Any Mortgage Securities or any portion thereof will be deemed to have been paid and no longer outstanding for purposes of the Mortgage and, at our election, our entire indebtedness with respect to those securities will be satisfied and discharged, if there shall have been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust:

- money sufficient, or
- in the case of a deposit made prior to the maturity of such Mortgage Securities, non-redeemable Eligible Obligations (as defined in the Mortgage) sufficient, or
- a combination of the items listed in the preceding two bullet points, which in total are sufficient,

to pay when due the principal of, and any premium, and interest due and to become due on such Mortgage Securities or portions of such Mortgage Securities on and prior to their maturity.

(See Section 901.)

Our right to cause our entire indebtedness in respect of the Mortgage Securities of any series to be deemed to be satisfied and discharged as described above will be subject to the satisfaction of any conditions specified in the instrument creating such series.

The Mortgage will be deemed satisfied and discharged when no Mortgage Securities remain outstanding and when we have paid all other sums payable by us under the Mortgage. (See Section 902.)

All moneys we pay to the Trustee or any Paying Agent on Bonds that remain unclaimed at the end of two years after payments have become due may be paid to or upon our order. Thereafter, the Holder of such Bond may look only to us for payment. (See Section 703.)

Duties of the Trustee; Resignation and Removal of the Trustee; Deemed Resignation

The Trustee will have, and will be subject to, all the duties and responsibilities specified with respect to an indenture trustee under the Trust Indenture Act. Subject to these provisions, the Trustee will be under no obligation to exercise any of the powers vested in it by the Mortgage at the request of any holder of Mortgage Securities, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The Trustee will not be required to expend or risk its own funds or otherwise incur financial liability in the performance of its duties if the Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The Trustee may resign at any time by giving written notice to us.

The Trustee may also be removed by act of the Holders of a majority in principal amount of the then outstanding Mortgage Securities of any series.

No resignation or removal of the Trustee and no appointment of a successor trustee will become effective until the acceptance of appointment by a successor trustee in accordance with the requirements of the Mortgage.

Under certain circumstances, we may appoint a successor trustee and if the successor accepts, the Trustee will be deemed to have resigned.

(See Section 1110.)

Evidence to be Furnished to the Trustee

Compliance with Mortgage provisions is evidenced by written statements of our officers or persons selected or paid by us. In certain cases, opinions of counsel and certifications of an engineer, accountant, appraiser or other expert (who in some cases must be independent) must be furnished. In addition, the Mortgage requires us to give to the Trustee, not less than annually, a brief statement as to our compliance with the conditions and covenants under the Mortgage.

Miscellaneous Provisions

The Mortgage provides that certain Mortgage Securities, including those for which payment or redemption money has been deposited or set aside in trust as described under "—Satisfaction and Discharge" above, will not be deemed to be "outstanding" in determining whether the Holders of the requisite principal amount of the outstanding Mortgage Securities have given or taken any demand, direction, consent or other action under the Mortgage as of any date, or are present at a meeting of Holders for quorum purposes. (See Section 101.)

We will be entitled to set any day as a record date for the purpose of determining the Holders of outstanding Mortgage Securities of any series entitled to give or take any demand, direction, consent or other action under the Mortgage, in the manner and subject to the limitations provided in the Mortgage. In certain circumstances, the Trustee also will be entitled to set a record date for action by Holders. If such a record date is set for any action to be taken by Holders of particular Mortgage Securities, such action may be taken only by persons who are Holders of such Mortgage Securities on the record date. (See Section 107.)

Governing Law

The Mortgage and the Mortgage Securities provide that they are to be governed by and construed in accordance with the laws of the State of New York except where the Trust Indenture Act is applicable or where otherwise required by law. (See Section 115.) The effectiveness of the lien of the Mortgage, and the perfection and priority thereof, will be governed by Kentucky law.

Regarding the Trustee

The Trustee under the Mortgage is the Bank of New York Mellon ("BNYM"). In addition to acting as Trustee, BNYM also maintains various banking and trust relationships with us and some of our affiliates.

Book-Entry Only Issuance—The Depository Trust Company

DTC will act as the initial securities depositary for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. The global bonds will be deposited with the Trustee as custodian for DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities for its participants ("Direct Participants") and also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules that apply to DTC and those using its system are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners should receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which they purchased Bonds. Transfers of ownership interests on the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Notices will be sent to DTC.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns the voting or consenting rights of Cede & Co. to those Direct Participants to whose accounts the Bonds are credited on the record date. We believe that these arrangements will enable the Beneficial Owners to exercise rights equivalent in substance to the rights that can be directly exercised by a registered Holder of the Bonds.

Payments of principal and interest on the Bonds will be made to Cede & Co. (or such other nominee of DTC). DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from us or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to Beneficial Owners will be governed by standing instructions and customary practices and will be the responsibility of such participant and not of DTC, the Trustee or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee of DTC) is the responsibility of us or the Trustee. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

A Beneficial Owner will not be entitled to receive physical delivery of the Bonds. Accordingly, each Beneficial Owner must rely on the procedures of DTC to exercise any rights under the Bonds.

DTC may discontinue providing its services as securities depositary with respect to the Bonds at any time by giving us or the Trustee reasonable notice. In the event no successor securities depositary is obtained, certificates for the Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but neither we nor the underwriters take any responsibility for the accuracy of this information.

UNDERWRITING

KU and the underwriters have entered into an underwriting agreement with respect to the Bonds. Subject to certain conditions, each underwriter has severally, but not jointly, agreed to purchase the principal amount of Bonds indicated in the following table:

Underwriters	Principal Amount of Bonds
BNP Paribas Securities Corp.	$ 50,000,000
Citigroup Global Markets Inc.	50,000,000
Goldman, Sachs & Co.	50,000,000
Mitsubishi UFJ Securities (USA), Inc.	50,000,000
BNY Mellon Capital Markets, LLC	12,500,000
CIBC World Markets Corp.	12,500,000
Mizuho Securities USA Inc.	12,500,000
SMBC Nikko Securities America, Inc.	12,500,000
Total	$250,000,000

The underwriters are committed to take and pay for all of the Bonds being offered, if any are taken.

Bonds sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus supplement. Any Bonds sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price of up to 0.50% of the principal amount of the Bonds. Any such securities dealers may resell any Bonds purchased from the underwriters to certain other brokers or dealers at a discount from the initial public offering price of up to 0.25% of the principal amount of the Bonds. If all the Bonds are not sold at the initial offering price, the underwriters may change the offering price and the other selling terms.

The Bonds are a new issue of securities with no established trading market. KU has been advised by the underwriters that the underwriters intend to make a market in the Bonds as permitted by applicable laws and regulations. The underwriters are not obligated, however, to do so and any such market making may be discontinued at any time without notice at the sole discretion of the underwriters. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Bonds.

In connection with the offering, the underwriters may purchase and sell Bonds in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of Bonds than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Bonds while the offering is in progress.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased Bonds sold by or for the account of such underwriter in stabilizing or short covering transactions.

These activities by the underwriters, as well as other purchases by the underwriters for their own accounts, may stabilize, maintain or otherwise affect the market price of the Bonds. As a result, the price of the Bonds may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected in the over-the-counter market or otherwise.

It is expected that delivery of the Bonds will be made on or about the day specified on the cover page of this prospectus supplement, which will be the fifth business day (T+5) following the date of this prospectus supplement. Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, the purchasers who wish to trade the Bonds on the date of this prospectus supplement or the next succeeding business day will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Bonds who wish to trade the Bonds on the date of this prospectus supplement or the next succeeding business day should consult their own advisors.

KU estimates that its share of the total expenses of the offering, excluding the underwriting discount, will be approximately $500,000.

KU has agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to KU and to persons and entities with relationships with KU, for which they received or will receive customary fees and expenses. In particular, certain of the underwriters or their affiliates are agents or lenders under the credit or other borrowing facilities of KU and its affiliates.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of KU (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with KU. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The offering of the Bonds by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

VALIDITY OF THE BONDS

Pillsbury Winthrop Shaw Pittman LLP, New York, New York, and Dorothy E. O'Brien, Esq., Deputy General Counsel, Legal and Environmental Affairs of KU will pass upon the validity of the Bonds for KU. Davis Polk & Wardwell LLP, New York, New York, will pass upon the validity of the Bonds for the underwriters. However, all matters pertaining to the organization of KU and KU's title to its property and the liens of the Mortgage upon KU's properties will be passed upon only by Ms. O'Brien and Stoll Keenon Ogden PLLC, Louisville, Kentucky. As to matters involving the law of the Commonwealths of Kentucky and Virginia and the State of Tennessee, Pillsbury Winthrop Shaw Pittman LLP and Davis Polk & Wardwell LLP will rely on the opinion of Ms. O'Brien and Stoll Keenon Ogden PLLC.

PROSPECTUS

PPL Corporation
PPL Capital Funding, Inc.
PPL Energy Supply, LLC
PPL Electric Utilities Corporation
Two North Ninth Street
Allentown, Pennsylvania 18101-1179
(610) 774-5151

LG&E and KU Energy LLC
Louisville Gas and Electric Company
220 West Main Street
Louisville, Kentucky 40202
(502) 627-2000

Kentucky Utilities Company
One Quality Street
Lexington, Kentucky 40507
(502) 627-2000

PPL Corporation

Common Stock, Preferred Stock,
Stock Purchase Contracts, Stock Purchase Units and Depositary Shares

PPL Capital Funding, Inc.

Debt Securities and Subordinated Debt Securities
Guaranteed by PPL Corporation as described in a supplement to this prospectus

PPL Energy Supply, LLC

Debt Securities, Subordinated Debt Securities and Preferred Securities

PPL Electric Utilities Corporation

Preferred Stock, Preference Stock, Depositary Shares and Debt Securities

LG&E and KU Energy LLC

Debt Securities

Louisville Gas and Electric Company

Debt Securities

Kentucky Utilities Company

Debt Securities

We will provide the specific terms of these securities in supplements to this prospectus. You should read this prospectus and the supplements carefully before you invest.

We may offer the securities directly or through underwriters or agents. The applicable prospectus supplement will describe the terms of any particular plan of distribution.

Investing in the securities involves certain risks. See “Risk Factors” on page 4.

PPL Corporation’s common stock is listed on the New York Stock Exchange and trades under the symbol “PPL.”

These securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission, nor has the Securities and Exchange Commission or any state securities commission determined that this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is March 28, 2012.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that PPL Corporation, PPL Capital Funding, Inc. ("PPL Capital Funding"), PPL Energy Supply, LLC ("PPL Energy Supply"), PPL Electric Utilities Corporation ("PPL Electric"), LG&E and KU Energy LLC ("LKE"), Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") have each filed with the Securities and Exchange Commission, or SEC, using the "shelf" registration process. Under this shelf process, we may, from time to time, sell combinations of the securities described in this prospectus in one or more offerings. Each time we sell securities, we will provide a prospectus supplement that will contain a description of the securities we will offer and specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under "Where You Can Find More Information."

We may use this prospectus to offer from time to time:

- shares of PPL Corporation Common Stock, par value $.01 per share ("PPL Common Stock");
- shares of PPL Corporation Preferred Stock, par value $.01 per share ("PPL Preferred Stock");
- contracts or other rights to purchase shares of PPL Common Stock or PPL Preferred Stock ("PPL Stock Purchase Contracts");
- stock purchase units, each representing (1) a PPL Stock Purchase Contract and (2) debt securities or preferred trust securities of third parties (such as debt securities or subordinated debt securities of PPL Capital Funding, preferred trust securities of a subsidiary trust or United States Treasury securities) that are pledged to secure the stock purchase unit holders' obligations to purchase PPL Common Stock or PPL Preferred Stock under the PPL Stock Purchase Contracts ("PPL Stock Purchase Units");
- PPL Corporation's Depositary Shares, issued under a deposit agreement and representing a fractional interest in PPL Preferred Stock;
- PPL Capital Funding's unsecured and unsubordinated debt securities ("PPL Capital Funding Debt Securities");
- PPL Capital Funding's unsecured and subordinated debt securities ("PPL Capital Funding Subordinated Debt Securities");
- PPL Energy Supply's unsecured and unsubordinated debt securities;
- PPL Energy Supply's unsecured and subordinated debt securities;
- PPL Energy Supply's preferred limited liability company membership interests;
- PPL Electric's Series Preferred Stock ("PPL Electric Preferred Stock");
- PPL Electric's Preference Stock ("PPL Electric Preference Stock");
- PPL Electric's Depositary Shares, issued under a deposit agreement and representing a fractional interest in PPL Electric Preferred Stock or PPL Electric Preference Stock;
- PPL Electric's First Mortgage Bonds issued under PPL Electric's 2001 indenture, as amended and supplemented ("PPL Electric First Mortgage Bonds"), which will be secured by the lien of the 2001 indenture on PPL Electric's electric distribution and certain transmission properties (subject to certain exceptions to be described in a prospectus supplement);
- LKE's unsecured and unsubordinated debt securities;
- LG&E's First Mortgage Bonds issued under LG&E's 2010 indenture, as amended and supplemented ("LG&E First Mortgage Bonds"), which will be secured by the lien of the 2010 indenture on LG&E's

Kentucky electric generation, transmission and distribution properties and natural gas distribution properties (subject to certain exceptions to be described in a prospectus supplement); and

- KU's First Mortgage Bonds issued under KU's 2010 indenture, as amended and supplemented ("KU First Mortgage Bonds"), which will be secured by the lien of the 2010 indenture on KU's Kentucky electric generation, transmission and distribution properties (subject to certain exceptions to be described in a prospectus supplement).

We sometimes refer to the securities listed above collectively as the "Securities."

PPL Corporation will fully and unconditionally guarantee the payment of principal, premium and interest on the PPL Capital Funding Debt Securities and PPL Capital Funding Subordinated Debt Securities as will be described in supplements to this prospectus. We sometimes refer to PPL Corporation's guarantees of PPL Capital Funding Debt Securities as "PPL Guarantees" and PPL Corporation's guarantees of PPL Capital Funding Subordinated Debt Securities as the "PPL Subordinated Guarantees."

Information contained herein relating to each registrant is filed separately by such registrant on its own behalf. No registrant makes any representation as to information relating to any other registrant or Securities or guarantees issued by any other registrant, except that information relating to PPL Capital Funding's Securities is also attributed to PPL Corporation.

As used in this prospectus, the terms "we," "our" and "us" generally refer to:

- PPL Corporation with respect to Securities, PPL Guarantees or PPL Subordinated Guarantees issued by PPL Corporation or PPL Capital Funding;
- PPL Energy Supply with respect to Securities issued by PPL Energy Supply;
- PPL Electric, with respect to Securities issued by PPL Electric;
- LKE, with respect to Securities issued by LKE;
- LG&E, with respect to Securities issued by LG&E; and
- KU, with respect to Securities issued by KU.

For more detailed information about the Securities, the PPL Guarantees and the PPL Subordinated Guarantees, you can read the exhibits to the registration statement. Those exhibits have been either filed with the registration statement or incorporated by reference to earlier SEC filings listed in the registration statement.

RISK FACTORS

Investing in the Securities involves certain risks. You are urged to read and consider the risk factors relating to an investment in the Securities described in the Annual Reports on Form 10-K of PPL Corporation, PPL Energy Supply, PPL Electric, LKE, LG&E and KU, as applicable, for the year ended December 31, 2011, and incorporated by reference in this prospectus. Before making an investment decision, you should carefully consider these risks as well as other information we include or incorporate by reference in this prospectus. The risks and uncertainties we have described are not the only ones affecting PPL Corporation, PPL Energy Supply, PPL Electric, LKE, LG&E and KU. The prospectus supplement applicable to each type or series of Securities we offer may contain a discussion of additional risks applicable to an investment in us and the particular type of Securities we are offering under that prospectus supplement.

FORWARD-LOOKING INFORMATION

Certain statements included or incorporated by reference in this prospectus, including statements concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements which are other than statements of historical fact are "forward-looking statements" within the meaning of the federal securities laws. Although we 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 the "Risk Factors" section in this prospectus and our reports that are incorporated by reference, the following are among the important factors that could cause actual results to differ materially from the forward- looking statements:

- fuel supply cost and availability;
- 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 generation, customer energy use and operating costs;
- operation, availability and operating costs of existing generation facilities;
- the length of scheduled and unscheduled outages at our generating facilities;
- transmission and distribution system conditions and operating costs;
- potential expansion of alternative sources of electricity generation;
- potential laws or regulations to reduce emissions of "greenhouse" gases or the physical effects of climate change;
- collective labor bargaining negotiations;
- the outcome of litigation against us;
- potential effects of threatened or actual terrorism, war or other hostilities, or natural disasters;
- our commitments and liabilities;
- market demand and prices for energy, capacity, transmission services, emission allowances, renewable energy credits and delivered fuel;
- competition in retail and wholesale power and natural gas markets;
- liquidity of wholesale power markets;
- defaults by counterparties under energy, fuel or other power product contracts;
- market prices of commodity inputs for ongoing capital expenditures;
- 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 Corporation;
- volatility in the fair value of debt and equity securities and its impact on the value of assets in PPL Susquehanna's nuclear plant decommissioning trust funds and in defined benefit plans, and the potential cash funding requirements if fair value declines;
- interest rates and their effect on pension, retiree medical, and nuclear decommissioning liabilities, and interest payable on certain debt securities;
- volatility in or the impact of other changes in financial or commodity markets and economic conditions;
- profitability and liquidity, including access to capital markets and credit facilities;
- new accounting requirements or new interpretations or applications of existing requirements;

- changes in securities and credit ratings;
- foreign currency exchange rates;
- 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;
- legal, regulatory, political, market or other reactions to the 2011 incident at the nuclear generating facility at Fukushima, Japan, including additional Nuclear Regulatory Commission requirements;
- political, regulatory or economic conditions in states, regions or countries where we conduct business;
- receipt of necessary governmental permits, approvals and rate relief;
- new state, federal or foreign legislation, including new tax, environmental, healthcare or pension-related legislation;
- state, federal and foreign regulatory developments;
- the outcome of any rate cases by our regulated utilities;
- the impact of any state, federal or foreign investigations applicable to us 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 successfully operate such acquired businesses and realize expected benefits from business acquisitions.

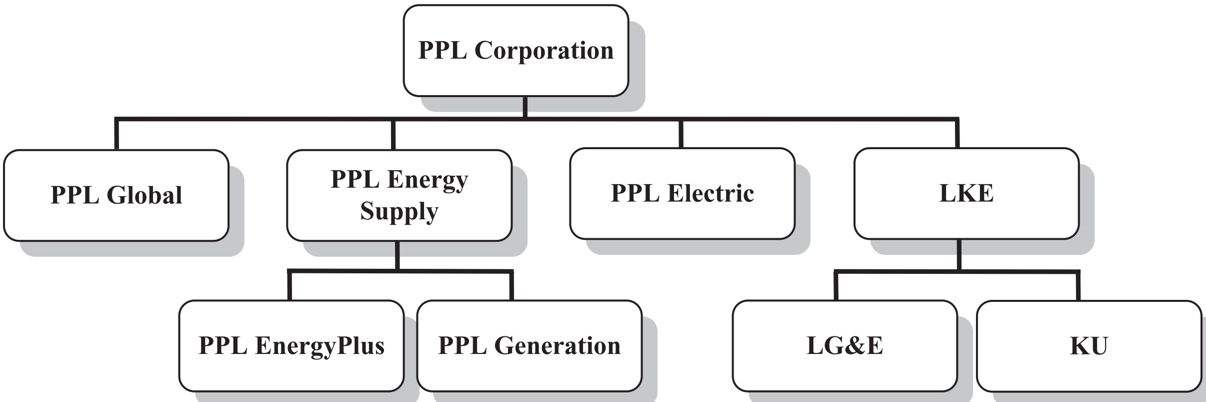
Any such forward-looking statements should be considered in light of such important factors and in conjunction with other documents we file with the SEC.

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 us 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, except as required by applicable law, we undertake no obligation to update the information contained in such statement to reflect subsequent developments or information.

PPL CORPORATION

PPL Corporation, incorporated in 1994 and headquartered in Allentown, Pennsylvania, is an energy and utility holding company. Through its subsidiaries, PPL Corporation generates electricity from power plants in the northeastern, northwestern and southeastern United States; markets wholesale or retail energy primarily in the northeastern and northwestern portions of the United States; and delivers electricity to customers in Pennsylvania, Kentucky, Virginia, Tennessee and the United Kingdom, and natural gas to customers in Kentucky.

PPL Corporation's principal subsidiaries are shown below:



PPL Corporation conducts its operations through the following segments:

Supply

PPL Corporation, through its indirect, wholly owned subsidiaries, PPL Generation, LLC ("PPL Generation") and PPL EnergyPlus, LLC ("PPL EnergyPlus") owns and operates electricity generating power plants, markets and trades this electricity and other purchased power to competitive wholesale and retail markets and acquires and develops competitive domestic generation projects. Both of these subsidiaries are direct, wholly owned subsidiaries of PPL Energy Supply. See "PPL Energy Supply, LLC" below for more information.

Pennsylvania Regulated

PPL Corporation's Pennsylvania Regulated segment includes the regulated electric delivery operations of PPL Electric. As of December 31, 2011, PPL Electric delivered electricity to approximately 1.4 million customers in eastern and central Pennsylvania. See "PPL Electric Utilities Corporation" below for more information.

Kentucky Regulated

The Kentucky Regulated segment consists of the operations of LKE, which owns and operates regulated public utilities engaged in the generation, transmission, distribution and sale of electricity and the distribution and sale of natural gas, representing primarily the activities of LG&E and KU. As of December 31, 2011, LG&E provided electric service to approximately 394,000 customers and provided natural gas service to approximately 319,000 customers in Kentucky, and KU delivered electricity to approximately 541,000 customers in Kentucky and Virginia. See "Louisville Gas and Electric Company" and "Kentucky Utilities Company," respectively, for more information.

International Regulated

The International Regulated segment consists primarily of electric distribution operations in the United Kingdom. Through its subsidiaries, as of December 31, 2011, PPL Global delivered electricity to approximately 7.8 million end-users in the United Kingdom. PPL Global is a wholly owned, indirect subsidiary of PPL Corporation.

PPL Corporation's subsidiaries, including PPL Energy Supply, PPL Electric, LKE, LG&E and KU, are separate legal entities and are not liable for the debts of PPL Corporation, and PPL Corporation is not liable for the debts of its subsidiaries (other than under the PPL Guarantees of PPL Capital Funding Debt Securities and PPL Subordinated Guarantees of PPL Capital Funding Subordinated Debt Securities). None of PPL Energy Supply, PPL Electric, LKE, LG&E or KU will guarantee or provide other credit or funding support for the Securities to be offered by PPL Corporation pursuant to this prospectus.

PPL CAPITAL FUNDING, INC.

PPL Capital Funding is a Delaware corporation and a wholly owned subsidiary of PPL Corporation. PPL Capital Funding's primary business is to provide PPL Corporation with financing for its operations. PPL Corporation will fully and unconditionally guarantee the payment of principal, premium and interest on the PPL Capital Funding Debt Securities pursuant to the PPL Guarantees and the PPL Capital Funding Subordinated Debt Securities pursuant to the PPL Subordinated Guarantees, as will be described in supplements to this prospectus.

PPL ENERGY SUPPLY, LLC

PPL Energy Supply, formed in 2000 and headquartered in Allentown, Pennsylvania, is an energy company engaged through its subsidiaries in the generation and marketing of electricity, primarily in the northeastern and northwestern power markets of the United States. PPL Energy Supply's major operating subsidiaries are PPL Generation and PPL Energy Plus. PPL Energy Supply is an indirect wholly owned subsidiary of PPL Corporation. See "PPL Corporation" above for more information.

PPL Generation and PPL EnergyPlus

At December 31, 2011, PPL Energy Supply owned or controlled, through its subsidiaries, 10,508 MW of electric power generation capacity and was implementing capital projects at certain of its existing generation facilities in Pennsylvania and Montana to provide 191 MW of additional generating capacity by the end of 2013. Generating capacity controlled by PPL Generation and other PPL Energy Supply subsidiaries includes power obtained through PPL EnergyPlus' tolling or power purchase agreements.

PPL Generation owns and operates a portfolio of competitive domestic power generating assets. Its power plants are located in Pennsylvania and Montana and are fueled by coal, uranium, natural gas, oil and water. The electricity from these plants is sold to PPL Energy Plus under FERC-jurisdictional power purchase agreements.

PPL Energy Plus sells electricity produced by PPL Generation subsidiaries, participates in wholesale market load-following auctions, and markets various energy products and commodities such as: capacity, transmission, financial transmission rights, coal, natural gas, oil, uranium, emission allowances, renewable energy credits and other commodities in competitive wholesale and competitive retail markets, primarily in the northeastern and northwestern United States.

PPL Energy Plus also provides energy-related products and services, such as engineering and mechanical contracting, construction and maintenance services, to commercial and industrial customers.

Neither PPL Corporation nor any of its subsidiaries or affiliates will guarantee or provide other credit or funding support for the Securities to be offered by PPL Energy Supply pursuant to this prospectus.

PPL ELECTRIC UTILITIES CORPORATION

PPL Electric, incorporated in 1920 and headquartered in Allentown, Pennsylvania, is a direct subsidiary of PPL Corporation and a regulated public utility. As of December 31, 2011, PPL Electric delivered electricity to approximately 1.4 million customers in eastern and central Pennsylvania. PPL Electric also provides electricity supply as a "provider of last resort," or "PLR," to retail customers in that territory that do not choose an alternative electricity provider.

Neither PPL Corporation nor any of its subsidiaries or affiliates will guarantee or provide other credit or funding support for the Securities to be offered by PPL Electric pursuant to this prospectus.

LG&E AND KU ENERGY LLC

LKE, a holding company formed in 2003, is a wholly owned subsidiary of PPL Corporation. LKE's regulated utility operations are conducted through its subsidiaries, LG&E and KU, which constitute substantially all of LKE's assets. LG&E and KU are regulated public utilities engaged in the generation, transmission, distribution and sale of electric energy. LG&E also engages in the distribution and sale of natural gas. LG&E and KU maintain their separate identities and serve customers in Kentucky under their respective names. KU also serves customers in Virginia under the Old Dominion Power name and customers in Tennessee under the KU name.

See "Louisville Gas and Electric Company" and "Kentucky Utilities Company" below for additional information about LG&E and KU.

Neither PPL Corporation nor any of its subsidiaries or affiliates will guarantee or provide other credit or funding support for the Securities to be offered by LKE pursuant to this prospectus.

LOUISVILLE GAS AND ELECTRIC COMPANY

LG&E, headquartered in Louisville, Kentucky and incorporated in Kentucky in 1913, is a regulated utility engaged in the generation, transmission, distribution and sale of electricity and the distribution and sale of natural gas in Kentucky. At December 31, 2011, LG&E owned or controlled 3,352 MW of electric power generation capacity. Subject to certain regulatory approvals, LG&E is planning capital projects at certain of its existing generation facilities to provide 483 MW of additional generating capacity by 2016. LG&E also anticipates retiring 563 MW of generating capacity by the end of 2015 to meet certain environmental regulations. As of December 31, 2011, LG&E provided electric service to approximately 394,000 customers in Louisville and adjacent areas in Kentucky, covering approximately 700 square miles in nine counties. As of December 31, 2011, LG&E provided natural gas service to approximately 319,000 customers in its electric service area and seven additional counties in Kentucky.

Neither PPL Corporation nor any of its subsidiaries or affiliates will guarantee or provide other credit or funding support for the Securities to be offered by LG&E pursuant to this prospectus.

KENTUCKY UTILITIES COMPANY

KU, headquartered in Lexington, Kentucky and incorporated in Kentucky in 1912 and Virginia in 1991, is a regulated utility engaged in the generation, transmission, distribution and sale of electricity in Kentucky, Virginia and Tennessee. At December 31, 2011, KU owned or controlled 4,833 MW of electric power generation capacity. Subject to certain regulatory approvals, KU is planning capital projects at certain of its existing generation facilities to provide 652 MW of additional generating capacity by 2016. KU also anticipates retiring 234 MW of generating capacity by the end of 2015 to meet certain environmental regulations. As of December 31, 2011, KU provided electric service to approximately 512,000 customers in 77 counties in central, southeastern and western Kentucky and approximately 29,000 customers in five counties in southwestern Virginia. As of December 31, 2011, KU's service area covered approximately 4,800 non-contiguous square miles. KU also sells wholesale electric energy to 12 municipalities in Kentucky. In Virginia, KU operates under the name Old Dominion Power Company.

Neither PPL Corporation nor any of its subsidiaries or affiliates will guarantee or provide other credit or funding support for the Securities to be offered by KU pursuant to this prospectus.

The offices of PPL Corporation, PPL Capital Funding, PPL Energy Supply and PPL Electric are located at Two North Ninth Street, Allentown, Pennsylvania 18101-1179 (Telephone number (610) 774-5151).

The offices of LKE and LG&E are located at 220 West Main Street, Louisville, Kentucky 40202 (Telephone number (502) 627-2000).

The offices of Kentucky Utilities Company are located at One Quality Street, Lexington, Kentucky 40507 (Telephone number (502) 627-2000).

The information above concerning PPL Corporation, PPL Capital Funding, PPL Energy Supply, PPL Electric, LKE, LG&E and KU and, if applicable, their respective subsidiaries is only a summary and does not purport to be comprehensive. For additional information about these companies, including certain assumptions, risks and uncertainties involved in the forward-looking statements contained or incorporated by reference in this prospectus, you should refer to the information described in "Where You Can Find More Information."

USE OF PROCEEDS

Except as otherwise described in a prospectus supplement, the net proceeds from the sale of the PPL Capital Funding Debt Securities and the PPL Capital Funding Subordinated Debt Securities will be loaned to PPL Corporation and/or its subsidiaries, and PPL Corporation and/or its subsidiaries are expected to use the proceeds of such loans, and the proceeds of the other Securities issued by PPL Corporation, for general corporate purposes, including repayment of debt. Except as otherwise described in a prospectus supplement, each of PPL Energy Supply, PPL Electric, LKE, LG&E and KU is expected to use the proceeds of the Securities it issues for general corporate purposes, including repayment of debt, and for capital expenditures related to construction costs.

RATIOS OF EARNINGS TO FIXED CHARGES AND EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

PPL Corporation

The following table sets forth PPL Corporation's ratio of earnings to fixed charges and ratio of earnings to combined fixed charges and preferred stock dividends for the periods indicated:

	Twelve Months Ended December 31,				
	2011	2010	2009	2008	2007
Ratio of earnings to fixed charges and ratio of earnings to combined fixed charges and preferred stock dividends (a)	3.1	2.7	1.9	3.1	2.8

(a) See PPL Corporation's reports on file with the SEC pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as described under "Where You Can Find More Information" for more information. PPL Corporation had no preferred securities outstanding during the periods indicated; therefore, the ratio of earnings to combined fixed charges and preferred stock dividends is the same as the ratio of earnings to fixed charges.

PPL Energy Supply

The following table sets forth PPL Energy Supply's ratio of earnings to fixed charges and ratio of earnings to combined fixed charges and preferred securities dividends for the periods indicated:

	Twelve Months Ended December 31,				
	2011	2010	2009	2008	2007
Ratio of earnings to fixed charges and ratio of earnings to combined fixed charges and preferred securities dividends (a)	5.5	2.7	0.6(b)	2.2	2.3

(a) See PPL Energy Supply's reports on file with the SEC pursuant to the Exchange Act as described under "Where You Can Find More Information" for more information. PPL Energy Supply had no preferred securities outstanding during the periods indicated; therefore, the ratio of earnings to combined fixed charges and preferred securities dividends is the same as the ratio of earnings to fixed charges.

(b) Upon reflecting the reclassification of PPL Global's operating results as Discontinued Operations, earnings were less than fixed charges for this period. See PPL Energy Supply's reports on file with the SEC pursuant to the Exchange Act for additional information. The total amount of fixed charges for this period was approximately $364 million and the total amount of earnings was approximately $206 million. The amount of the deficiency, or the amount of fixed charges in excess of earnings, was approximately $158 million.

PPL Electric

The following table sets forth PPL Electric's ratio of earnings to fixed charges and ratio of earnings to combined fixed charges and preferred stock dividends for the periods indicated:

	Twelve Months Ended December 31,				
	2011	2010	2009	2008	2007
Ratio of earnings to fixed charges (a)	3.4	2.9	2.8	3.4	2.7
Ratio of earnings to combined fixed charges and preferred stock dividends (a)	2.9	2.4	2.3	2.8	2.3

(a) See PPL Electric's reports on file with the SEC pursuant to the Exchange Act as described under "Where You Can Find More Information" for more information.

LKE

The following table sets forth LKE's ratio of earnings to fixed charges and ratio of earnings to combined fixed charges for the periods indicated. The following table includes the periods before and after PPL Corporation's acquisition of LKE on November 1, 2010, and is labeled as Predecessor or Successor.

	Successor		Predecessor			
	12 Months Ended Dec. 31, 2011	2 Months Ended Dec. 31, 2010	10 Months Ended Oct. 31, 2010	Twelve Months Ended Dec. 31		
				2009	2008	2007
Ratio of earnings to fixed charges (a)	3.7	3.9	2.7	2.3	2.5	2.9

(a) See LKE's reports on file with the SEC pursuant to the Exchange Act as described under "Where You Can Find More Information" for more information.

LG&E

The following table sets forth LG&E's ratio of earnings to fixed charges and ratio of earnings to combined fixed charges for the periods indicated. The following table includes the periods before and after PPL Corporation's acquisition of LKE, LG&E's parent, on November 1, 2010, and is labeled as Predecessor or Successor.

	Successor		Predecessor			
	12 Months Ended Dec. 31, 2011	2 Months Ended Dec. 31, 2010	10 Months Ended Oct. 31, 2010	Twelve Months Ended Dec. 31		
				2009	2008	2007
Ratio of earnings to fixed charges (a)	5.2	4.8	4.7	3.7	3.8	4.4

(a) See LG&E's reports on file with the SEC pursuant to the Exchange Act as described under "Where You Can Find More Information" for more information.

KU

The following table sets forth KU's ratio of earnings to fixed charges and ratio of earnings to combined fixed charges for the periods indicated. The following table includes the periods before and after PPL Corporation's acquisition of LKE, KU's parent, on November 1, 2010, and is labeled as Predecessor or Successor.

	Successor		Predecessor			
	12 Months Ended Dec. 31, 2011	2 Months Ended Dec. 31, 2010	10 Months Ended Oct. 31, 2010	Twelve Months Ended Dec. 31		
				2009	2008	2007
Ratio of earnings to fixed charges (a)	4.8	6.0	4.0	3.7	3.9	5.1

(a) See KU's reports on file with the SEC pursuant to the Exchange Act as described under "Where You Can Find More Information" for more information.

WHERE YOU CAN FIND MORE INFORMATION

Available Information

PPL Corporation, PPL Energy Supply, PPL Electric, LKE, LG&E and KU each file reports and other information with the SEC. You may obtain copies of this information by mail from the Public Reference Room of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. Further information on the operation of the SEC's Public Reference Room in Washington, D.C. can be obtained by calling the SEC at 1-800-SEC-0330.

PPL Corporation's Internet Web site is www.pplweb.com. On the Investor Center page of that Web site PPL Corporation provides access to all SEC filings of PPL Corporation, PPL Energy Supply, PPL Electric, LKE, LG&E and KU free of charge, as soon as reasonably practicable after filing with the SEC. The information at PPL Corporation's Internet Web site is not incorporated in this prospectus by reference, and you should not consider it a part of this prospectus. Additionally, PPL Corporation's, PPL Energy Supply's, PPL Electric's, LKE's, LG&E's and KU's filings are available at the SEC's Internet Web site (www.sec.gov).

In addition, reports, proxy statements and other information concerning PPL Corporation, PPL Energy Supply and PPL Electric can be inspected at their offices at Two North Ninth Street, Allentown, Pennsylvania 18101-1179; reports and other information concerning LKE and LG&E can be inspected at their offices at 220 West Main Street, Louisville, Kentucky 40202, and reports and other information concerning KU can be inspected at its office at One Quality Street, Lexington, Kentucky 40507.

Incorporation by Reference

Each of PPL Corporation, PPL Energy Supply, PPL Electric, LKE, LG&E and KU will "incorporate by reference" information into this prospectus by disclosing important information to you by referring you to another document that it files separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, and later information that we file with the SEC will automatically update and supersede that information. This prospectus incorporates by reference the documents set forth below that have been previously filed with the SEC. These documents contain important information about the registrants.

PPL Corporation

SEC Filings (File No. 1-11459)	Period/Date
Annual Report on Form 10-K	Year ended December 31, 2011
PPL Corporation's 2011 Notice of Annual Meeting and Proxy Statement	Filed on April 6, 2011
Current Reports on Form 8-K	Filed on January 18, 2012, January 31, 2012, February 1, 2012, February 27, 2012, February 29, 2012, March 27, 2012 and March 28, 2012
PPL Corporation's Registration Statement on Form 8-B	Filed on April 27, 1995

PPL Energy Supply

SEC Filings (File No. 1-32944)	Period/Date
Annual Report on Form 10-K	Year ended December 31, 2011
Current Reports on Form 8-K	Filed on February 27, 2012 and February 29, 2012

PPL Electric

SEC Filings (File No. 1-905)	Period/Date
Annual Report on Form 10-K	Year ended December 31, 2011
Current Reports on Form 8-K	Filed on February 29, 2012

LKE

SEC Filings (File No. 333-173665)	Period/Date
Annual Report on Form 10-K	Year ended December 31, 2011

LG&E

SEC Filings (File No. 1-2893)	Period/Date
Annual Report on Form 10-K	Year ended December 31, 2011

KU

SEC Filings (File No. 1-3464)	Period/Date
Annual Report on Form 10-K	Year ended December 31, 2011

Additional documents that PPL Corporation, PPL Energy Supply, PPL Electric, LKE, LG&E and KU file with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, between the date of this prospectus and the termination of the offering of the Securities are also incorporated herein by reference. In addition, any additional documents that PPL Corporation, PPL Energy Supply, PPL Electric, LKE, LG&E or KU file with the SEC pursuant to these sections of the Exchange Act after the date of the filing of the registration statement containing this prospectus, and prior to the effectiveness of the registration statement are also incorporated herein by reference. Unless specifically stated to the contrary, none of the information that PPL Corporation, PPL Energy Supply, PPL Electric, LKE, LG&E or KU files or discloses under Items 2.02 or 7.01 of any Current Report on Form 8-K that have been furnished or may from time to time be furnished with the SEC is or will be incorporated by reference into, or otherwise included in, this prospectus.

Each of PPL Corporation, PPL Energy Supply, PPL Electric, LKE, LG&E and KU will provide without charge to each person, including any beneficial owner, to whom a copy of this prospectus has been delivered, a copy of any and all of its filings with the SEC. You may request a copy of these filings by writing or telephoning the appropriate registrant at:

For PPL Corporation, PPL Energy Supply and PPL Electric:
Two North Ninth Street
Allentown, Pennsylvania 18101-1179
Attention: Treasurer
Telephone: 1-800-345-3085

For LKE and LG&E:
220 West Main Street
Louisville, Kentucky 40202
Attention: Treasurer
Telephone: 1-800-345-3085

For KU:
One Quality Street
Lexington, Kentucky 40507
Attention: Treasurer
Telephone: 1-800-345-3085

No separate financial statements of PPL Capital Funding are included herein or incorporated herein by reference. PPL Corporation and PPL Capital Funding do not consider those financial statements to be material to holders of the PPL Capital Funding Debt Securities or PPL Capital Funding Subordinated Debt Securities because (1) PPL Capital Funding is a wholly owned subsidiary that was formed for the primary purpose of providing financing for PPL Corporation and its subsidiaries, (2) PPL Capital Funding does not currently engage in any independent operations and (3) PPL Capital Funding does not currently plan to engage, in the future, in more than minimal independent operations. See "PPL Capital Funding." PPL Capital Funding has received a "no action" letter from the Staff of the SEC stating that the Staff would not raise any objection if PPL Capital Funding does not file periodic reports under Sections 13 and 15(d) of the Exchange Act. Accordingly, PPL Corporation and PPL Capital Funding do not expect PPL Capital Funding to file those reports.

EXPERTS

The consolidated financial statements of PPL Corporation, PPL Energy Supply, LLC and PPL Electric Utilities Corporation appearing in such companies' Annual Reports (Form 10-K) for the year ended December 31, 2011 including schedules appearing therein, and the effectiveness of PPL Corporation's internal control over financial reporting as of December 31, 2011, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in its reports thereon included therein, and incorporated herein by reference which, as to the year 2010, are based in part on the report of PricewaterhouseCoopers LLP, independent registered public accounting firm. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The audited historical financial statements of Central Networks (collectively Central Networks East plc, Central Networks Limited and certain other related assets and liabilities) included in PPL Corporation's Current Report on Form 8-K dated March 27, 2012 have been incorporated herein by reference in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of LG&E and KU Energy LLC and the financial statements of Louisville Gas and Electric Company and Kentucky Utilities Company appearing in such companies' Annual Reports (Form 10-K) for the year ended December 31, 2011 including schedules appearing therein have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in its reports included therein, and incorporated herein by reference. Such financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing. The consolidated financial statements of LG&E and KU Energy LLC and the financial statements of Louisville Gas and Electric Company and Kentucky Utilities Company as of December 31, 2010 and for the periods from January 1, 2010 to October 31, 2010, and November 1, 2010 to December 1, 2010, and for the year ended December 31, 2009 incorporated herein by reference have been so incorporated in reliance on the reports of PricewaterhouseCoopers LLP, independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

VALIDITY OF THE SECURITIES AND THE PPL GUARANTEES

Dewey & LeBoeuf LLP, New York, New York or Simpson Thacher & Bartlett LLP, New York, New York and Frederick C. Paine, Esq., Senior Counsel of PPL Services Corporation will pass upon the validity of the Securities, the PPL Guarantees and the PPL Subordinated Guarantees for PPL Corporation, PPL Capital Funding, PPL Energy Supply and PPL Electric. Dewey & LeBoeuf LLP and John P. Fendig, Esq. of LG&E and KU Energy LLC will pass upon the validity of any LKE, LG&E and KU Securities for those issuers. Sullivan & Cromwell LLP, New York, New York or Davis Polk & Wardwell LLP, New York, New York will pass upon the validity of the Securities, the PPL Guarantees and the PPL Subordinated Guarantees for any underwriters or agents. Dewey & LeBoeuf LLP, Simpson Thacher & Bartlett LLP, Sullivan & Cromwell LLP and Davis Polk & Wardwell LLP will rely on the opinion of Mr. Paine as to matters involving the law of the Commonwealth of Pennsylvania and on the opinion of Mr. Fendig as to matters involving the laws of the Commonwealths of Kentucky and Virginia and the State of Tennessee.

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(k)
Sponsoring Witness: Valerie L. Scott

Description of Filing Requirement:

The most recent Federal Energy Regulatory Commission Form 1 (electric), Federal Energy Regulatory Commission Form 2 (gas), or Public Service Commission Form T (telephone).

Response:

See attached.

THIS FILING IS		
Item 1: ☒ An Initial (Original) Submission	OR ☐	Resubmission No. ____

Form 1 Approved
OMB No. 1902-0021
(Expires 7/31/2008)
Form 1-F Approved
OMB No. 1902-0029
(Expires 6/30/2007)
Form 3-Q Approved
OMB No. 1902-0205
(Expires 6/30/2007)

FERC FINANCIAL REPORT
FERC FORM No. 1: Annual Report of Major Electric Utilities, Licensees and Others and Supplemental Form 3-Q: Quarterly Financial Report

Public Service Commission of Kentucky

These reports are mandatory under the Federal Power Act, Sections 3, 4(a), 304 and 309, and 18 CFR 141.1 and 141.400. Failure to report may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of confidential nature

Exact Legal Name of Respondent (Company)	Year/Period of Report
Kentucky Utilities Company	**End of** 2013/Q4

KENTUCKY UTILITIES COMPANY

PUBLIC SERVICE COMMISSION OF KENTUCKY

PRINCIPAL PAYMENT AND INTEREST INFORMATION
FOR THE YEAR ENDING DECEMBER 31, 2013

1. Amount of Principal Payment during calendar year $_______0.00

2. Is Principal current? (Yes) ____X_____ (No) __________

3. Is Interest current? (Yes) ____X_____ (No) __________

SERVICES PERFORMED BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Are your financial statements examined by a Certified Public Accountant?

(Yes) ____X_____ (No) __________

If yes, which service is performed?

Audit ____X____

Compilation _________

Review _________

Please enclose a copy of the accountant’s report with annual report.

KENTUCKY UTILITIES COMPANY
ADDITIONAL INFORMATION TO BE FURNISHED WITH
2013 ANNUAL REPORT

ELECTRIC UTILITIES

Please furnish the following information, for Kentucky Operations only, and attach to your Annual Report:

Number of Rural Customers (Other than Farms)	INFORMATION NOT AVAILABLE
Number of Farms Served (A farm is any agricultural operating unit consisting of 3 acres or more)	INFORMATION NOT AVAILABLE
Number of KWH sold to all Rural Customers	INFORMATION NOT AVAILABLE
Total Revenue from all Rural Customers	INFORMATION NOT AVAILABLE

LINE DATA

Total number of Miles of Wire Energized (Located in Kentucky)	31,235
Total number of Miles of Pole line (Located in Kentucky)	20,162

Name of Counties in which you furnish Electric Service:
(If additional space is required, add additional sheet)

Adair	Campbell	Fayette	Harrison	Lincoln	McLean	Russell
Anderson	Carlisle	Fleming	Hart	Livington	Nelson	Scott
Ballard	Carroll	Franklin	Henderson	Lyon	Nicholas	Shelby
Barren	Casey	Fulton	Henry	Madison	Ohio	Spencer
Bath	Christian	Gallatin	Hickman	Marion	Oldham	Taylor
Bell	Clark	Garrard	Hopkins	Mason	Owen	Trimble
Bourbon	Clay	Grant	Jessamine	Mercer	Pendleton	Union
Boyle	Crittenden	Grayson	Knox	Montgomery	Pulaski	Washington
Bracken	Daviess	Green	Larue	Muhlenberg	Robertson	Webster
Bullitt	Edmonson	Hardin	Laurel	McCracken	Rockcastle	Whitley
Caldwell	Estill	Harlan	Lee	McCreary	Rowan	Woodford

(A) Based on Standard Industrial Classification (SIC) Major Groups 01 (Agricultural Production-Crops) and 02 (Agricultural Production Livestock and Animal Specialties).

Kentucky Utilities Company
Supplemental Electric Information
Revenues, Customers and KWH Sales
For Reporting Year 2013

	Revenues	KWHs Sold	Customers
440 Residential	$ 556,652,927	6,194,856,013	420,219
442 Commercial & Industrial Sales			
Small(or Commercial)	$ 348,475,448	3,906,363,589	80,252
Large (or Industrial)	$ 386,759,083	6,842,765,223	2,734
444 Public St. & Highway Lighting	$ 10,403,529	41,021,255	1,353
445 Other Sales to Public Authorities	$ 113,424,720	1,542,331,506	7,578
446 Sales to Railroads and Railways	$ -	-	-
448 Interdepartmental Sales	$ -	-	-
TOTAL Sales to Ultimate Customers	$ 1,415,715,707	18,527,337,586	512,136
447 Sales for Resale	$ 121,032,373	2,240,177,107	23
449 Provision for Rate Refund	$ -		
TOTAL Sales of Electricity	$ 1,536,748,080	20,767,514,693	512,159

THIS PAGE MUST BE COMPLETED AND RETURNED WITH THE ANNUAL REPORT

** For Kentucky Operations Only

KENTUCKY UTILITIES
NUMBER OF ELECTRIC DEPARTMENT EMPLOYEES
SUPPLEMENTAL INFORMATION TO 2013 ANNUAL REPORT

NUMBER OF ELECTRIC DEPARTMENT EMPLOYEES

1. The data on number of employees should be reported for the payroll period ending nearest to October 31, or any payroll period ending 60 days before or after October 31.

2. If the respondent's payroll for the reporting period includes any special construction personnel, include such employees on line 3, and show the number of such special construction employees in a footnote.

The number of employees assignable to the electric department from joint functions of combination utilities may be determined by estimate, on the basis of employee equivalents. Show the estimated number of equivalent employees attributed to the electric department from joint functions.

1.	Payroll Period Ended (Date)	12/31/2013
2.	Total Regular Full-Time Employees	944
3.	Total Part-Time and Temporary Employees	3
4.	Total Employees	947

Additional Requested Information

Utility Name Kentucky Utilities Company

FEIN# (Federal Employer Identification Number)

6	1	-	0	2	4	7	5	7	0

Contact Person T. Eric Raible

Contact Person's E-Mail Address eric.raible@lge-ku.com

Utility's Web Address www.lge-ku.com

Please complete the above information, if it is available.

If there are multiple staff who may be contacts please include their names and e-mail addresses also.

THIS FILING IS		
Item 1: ☒ An Initial (Original) Submission	OR ☐	Resubmission No. ____

Form 1 Approved
OMB No.1902-0021
(Expires 12/31/2014)
Form 1-F Approved
OMB No.1902-0029
(Expires 12/31/2014)
Form 3-Q Approved
OMB No.1902-0205
(Expires 05/31/2014)

FERC FINANCIAL REPORT
FERC FORM No. 1: Annual Report of Major Electric Utilities, Licensees and Others and Supplemental Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Federal Power Act, Sections 3, 4(a), 304 and 309, and 18 CFR 141.1 and 141.400. Failure to report may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of confidential nature

Exact Legal Name of Respondent (Company)	**Year/Period of Report**
Kentucky Utilities Company	**End of** 2013/Q4

Building a better working world

Ernst & Young LLP
Suite 2400
400 West Market Street
Louisville, KY 40202

Tel: +1 502 585 1400
Fax: +1 502 584 4221
ey.com

March 24, 2014

Kent Blake
Chief Financial Officer
LG&E & KU Energy LLC
220 West Main Street
Louisville, KY 40202

Dear Mr. Blake,

Enclosed please find copies of our manually signed reports on the regulatory-basis financial statements of Louisville Gas and Electric Company and Kentucky Utilities Company as of December 31, 2013 and 2012, and for the years then ended. Please retain this letter and the enclosures in your files as evidence of our authorization to include the attached reports in the 2013 Annual Form 1 filed with the Federal Energy Regulatory Commission.

If you have any questions regarding the form or use of this report, please call me.

Regards,

Ritu Furlan

Attachment

Report of Independent Auditors

To the Board of Directors and Stockholder of Kentucky Utilities Company:

We have audited the accompanying financial statements of Kentucky Utilities Company, which comprise the comparative balance sheet as of December 31, 2013 and 2012, and the related statements of income, retained earnings and cash flows for the years then ended and the related notes to the financial statements, included on pages 110 through 123.62 in the Federal Energy Regulatory Commission ("FERC") Form No. 1.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with the financial reporting provisions of the Uniform System of Accounts prescribed by the FERC described in Note 1; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and proprietary capital of Kentucky Utilities Company at December 31, 2013 and 2012, and its income and expenses and its cash flows for the years then ended, in accordance with the Uniform System of Accounts prescribed by the FERC described in Note 1.

Regulatory Basis of Accounting

As described in Note 1 to the financial statements, the financial statements have been prepared by Kentucky Utilities Company in accordance with the Uniform System of Accounts prescribed by the FERC, which is a basis of accounting other than U.S. generally accepted accounting principles to meet the requirements of the FERC. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of FERC and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

Louisville, Kentucky
March 24, 2014

INSTRUCTIONS FOR FILING FERC FORM NOS. 1 and 3-Q

GENERAL INFORMATION

I. Purpose

FERC Form No. 1 (FERC Form 1) is an annual regulatory requirement for Major electric utilities, licensees and others (18 C.F.R. § 141.1). FERC Form No. 3-Q (FERC Form 3-Q)is a quarterly regulatory requirement which supplements the annual financial reporting requirement (18 C.F.R. § 141.400). These reports are designed to collect financial and operational information from electric utilities, licensees and others subject to the jurisdiction of the Federal Energy Regulatory Commission. These reports are also considered to be non-confidential public use forms.

II. Who Must Submit

Each Major electric utility, licensee, or other, as classified in the Commission's Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject To the Provisions of The Federal Power Act (18 C.F.R. Part 101), must submit FERC Form 1 (18 C.F.R. § 141.1), and FERC Form 3-Q (18 C.F.R. § 141.400).

Note: Major means having, in each of the three previous calendar years, sales or transmission service that exceeds one of the following:

(1) one million megawatt hours of total annual sales,
(2) 100 megawatt hours of annual sales for resale,
(3) 500 megawatt hours of annual power exchanges delivered, or
(4) 500 megawatt hours of annual wheeling for others (deliveries plus losses).

III. What and Where to Submit

(a) Submit FERC Forms 1 and 3-Q electronically through the forms submission software. Retain one copy of each report for your files. Any electronic submission must be created by using the forms submission software provided free by the Commission at its web site: http://www.ferc.gov/docs-filing/eforms/form-1/elec-subm-soft.asp. The software is used to submit the electronic filing to the Commission via the Internet.

(b) The Corporate Officer Certification must be submitted electronically as part of the FERC Forms 1 and 3-Q filings.

(c) Submit immediately upon publication, by either eFiling or mail, two (2) copies to the Secretary of the Commission, the latest Annual Report to Stockholders. Unless eFiling the Annual Report to Stockholders, mail the stockholders report to the Secretary of the Commission at:

Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

(d) For the CPA Certification Statement, submit within 30 days after filing the FERC Form 1, a letter or report (not applicable to filers classified as Class C or Class D prior to January 1, 1984). The CPA Certification Statement can be either eFiled or mailed to the Secretary of the Commission at the address above.

The CPA Certification Statement should:

a) Attest to the conformity, in all material aspects, of the below listed (schedules and pages) with the Commission's applicable Uniform System of Accounts (including applicable notes relating thereto and the Chief Accountant's published accounting releases), and

b) Be signed by independent certified public accountants or an independent licensed public accountant certified or licensed by a regulatory authority of a State or other political subdivision of the U. S. (See 18 C.F.R. §§ 41.10-41.12 for specific qualifications.)

Reference Schedules	Pages
Comparative Balance Sheet	110-113
Statement of Income	114-117
Statement of Retained Earnings	118-119
Statement of Cash Flows	120-121
Notes to Financial Statements	122-123

e) The following format must be used for the CPA Certification Statement unless unusual circumstances or conditions, explained in the letter or report, demand that it be varied. Insert parenthetical phrases only when exceptions are reported.

"In connection with our regular examination of the financial statements of _____ for the year ended on which we have reported separately under date of ___________ , we have also reviewed schedules ___________________of FERC Form No. 1 for the year filed with the Federal Energy Regulatory Commission, for conformity in all material respects with the requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases. Our review for this purpose included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Based on our review, in our opinion the accompanying schedules identified in the preceding paragraph (except as noted below) conform in all material respects with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases."

The letter or report must state which, if any, of the pages above do not conform to the Commission's requirements. Describe the discrepancies that exist.

(f) Filers are encouraged to file their Annual Report to Stockholders, and the CPA Certification Statement using eFiling. To further that effort, new selections, "Annual Report to Stockholders," and "CPA Certification Statement" have been added to the dropdown "pick list" from which companies must choose when eFiling. Further instructions are found on the Commission's website at http://www.ferc.gov/help/how-to.asp.

(g) Federal, State and Local Governments and other authorized users may obtain additional blank copies of FERC Form 1 and 3-Q free of charge from http://www.ferc.gov/docs-filing/eforms/form-1/form-1.pdf and http://www.ferc.gov/docs-filing/eforms.asp#3Q-gas .

IV. When to Submit:

FERC Forms 1 and 3-Q must be filed by the following schedule:

a) FERC Form 1 for each year ending December 31 must be filed by April 18th of the following year (18 CFR § 141.1), and

b) FERC Form 3-Q for each calendar quarter must be filed within 60 days after the reporting quarter (18 C.F.R. § 141.400).

V. Where to Send Comments on Public Reporting Burden.

The public reporting burden for the FERC Form 1 collection of information is estimated to average 1,144 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data-needed, and completing and reviewing the collection of information. The public reporting burden for the FERC Form 3-Q collection of information is estimated to average 150 hours per response.

Send comments regarding these burden estimates or any aspect of these collections of information, including suggestions for reducing burden, to the Federal Energy Regulatory Commission, 888 First Street NE, Washington, DC 20426 (Attention: Information Clearance Officer); and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503 (Attention: Desk Officer for the Federal Energy Regulatory Commission). No person shall be subject to any penalty if any collection of information does not display a valid control number (44 U.S.C. § 3512 (a)).

GENERAL INSTRUCTIONS

I. Prepare this report in conformity with the Uniform System of Accounts (18 CFR Part 101) (USofA). Interpret all accounting words and phrases in accordance with the USofA.

II. Enter in whole numbers (dollars or MWH) only, except where otherwise noted. (Enter cents for averages and figures per unit where cents are important. The truncating of cents is allowed except on the four basic financial statements where rounding is required.) The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's year to date amounts.

III Complete each question fully and accurately, even if it has been answered in a previous report. Enter the word "None" where it truly and completely states the fact.

IV. For any page(s) that is not applicable to the respondent, omit the page(s) and enter "NA," "NONE," or "Not Applicable" in column (d) on the List of Schedules, pages 2 and 3.

V. Enter the month, day, and year for all dates. Use customary abbreviations. **The "Date of Report" included in the header of each page is to be completed only for resubmissions** (see VII. below).

VI. Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive. Numbers having a sign that is different from the expected sign must be reported by enclosing the numbers in parentheses.

VII For any resubmissions, submit the electronic filing using the form submission software only. Please explain the reason for the resubmission in a footnote to the data field.

VIII. Do not make references to reports of previous periods/years or to other reports in lieu of required entries, except as specifically authorized.

IX. Wherever (schedule) pages refer to figures from a previous period/year, the figures reported must be based upon those shown by the report of the previous period/year, or an appropriate explanation given as to why the different figures were used.

Definitions for statistical classifications used for completing schedules for transmission system reporting are as follows:

FNS - Firm Network Transmission Service for Self. "Firm" means service that can not be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Network Service" is Network Transmission Service as described in Order No. 888 and the Open Access Transmission Tariff. "Self" means the respondent.

FNO - Firm Network Service for Others. "Firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Network Service" is Network Transmission Service as described in Order No. 888 and the Open Access Transmission Tariff.

LFP - for Long-Term Firm Point-to-Point Transmission Reservations. "Long-Term" means one year or longer and" firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Point-to-Point Transmission Reservations" are described in Order No. 888 and the Open Access Transmission Tariff. For all transactions identified as LFP, provide in a footnote the termination date of the contract defined as the earliest date either buyer or seller can unilaterally cancel the contract.

OLF - Other Long-Term Firm Transmission Service. Report service provided under contracts which do not conform to the terms of the Open Access Transmission Tariff. "Long-Term" means one year or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. For all transactions identified as OLF, provide in a footnote the termination date of the contract defined as the earliest date either buyer or seller can unilaterally get out of the contract.

SFP - Short-Term Firm Point-to-Point Transmission Reservations. Use this classification for all firm point-to-point transmission reservations, where the duration of each period of reservation is less than one-year.

NF - Non-Firm Transmission Service, where firm means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions.

OS - Other Transmission Service. Use this classification only for those services which can not be placed in the above-mentioned classifications, such as all other service regardless of the length of the contract and service FERC Form. Describe the type of service in a footnote for each entry.

AD - Out-of-Period Adjustments. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting periods. Provide an explanation in a footnote for each adjustment.

DEFINITIONS

I. Commission Authorization (Comm. Auth.) -- The authorization of the Federal Energy Regulatory Commission, or any other Commission. Name the commission whose authorization was obtained and give date of the authorization.

II. Respondent -- The person, corporation, licensee, agency, authority, or other Legal entity or instrumentality in whose behalf the report is made.

EXCERPTS FROM THE LAW

Federal Power Act, 16 U.S.C. § 791a-825r

Sec. 3. The words defined in this section shall have the following meanings for purposes of this Act, to with:

(3) 'Corporation' means any corporation, joint-stock company, partnership, association, business trust, organized group of persons, whether incorporated or not, or a receiver or receivers, trustee or trustees of any of the foregoing. It shall not include 'municipalities, as hereinafter defined;

(4) 'Person' means an individual or a corporation;

(5) 'Licensee, means any person, State, or municipality Licensed under the provisions of section 4 of this Act, and any assignee or successor in interest thereof;

(7) 'municipality means a city, county, irrigation district, drainage district, or other political subdivision or agency of a State competent under the Laws thereof to carry and the business of developing, transmitting, unitizing, or distributing power; ......

(11) "project' means. a complete unit of improvement or development, consisting of a power house, all water conduits, all dams and appurtenant works and structures (including navigation structures) which are a part of said unit, and all storage, diverting, or fore bay reservoirs directly connected therewith, the primary line or lines transmitting power there from to the point of junction with the distribution system or with the interconnected primary transmission system, all miscellaneous structures used and useful in connection with said unit or any part thereof, and all water rights, rights-of-way, ditches, dams, reservoirs, Lands, or interest in Lands the use and occupancy of which are necessary or appropriate in the maintenance and operation of such unit;

"Sec. 4. The Commission is hereby authorized and empowered

(a) To make investigations and to collect and record data concerning the utilization of the water 'resources of any region to be developed, the water-power industry and its relation to other industries and to interstate or foreign commerce, and concerning the location, capacity, development -costs, and relation to markets of power sites; ... to the extent the Commission may deem necessary or useful for the purposes of this Act."

"Sec. 304. (a) Every Licensee and every public utility shall file with the Commission such annual and other periodic or special* reports as the Commission may be rules and regulations or other prescribe as necessary or appropriate to assist the Commission in the -proper administration of this Act. The Commission may prescribe the manner and FERC Form in which such reports salt be made, and require from such persons specific answers to all questions upon which the Commission may need information. The Commission may require that such reports shall include, among other things, full information as to assets and Liabilities, capitalization, net investment, and reduction thereof, gross receipts, interest due and paid, depreciation, and other reserves, cost of project and other facilities, cost of maintenance and operation of the project and other facilities, cost of renewals and replacement of the project works and other facilities, depreciation, generation, transmission, distribution, delivery, use, and sale of electric energy. The Commission may require any such person to make adequate provision for currently determining such costs and other facts. Such reports shall be made under oath unless the Commission otherwise specifies*.10

"Sec. 309. The Commission shall have power to perform any and all acts, and to prescribe, issue, make, and rescind such orders, rules and regulations as it may find necessary or appropriate to carry out the provisions of this Act. Among other things, such rules and regulations may define accounting, technical, and trade terms used in this Act; and may prescribe the FERC Form or FERC Forms of all statements, declarations, applications, and reports to be filed with the Commission, the information which they shall contain, and the time within which they shall be field..."

General Penalties

The Commission may assess up to $1 million per day per violation of its rules and regulations. *See* FPA § 316(a) (2005), 16 U.S.C. § 825o(a).

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FERC FORM NO. 1/3-Q:
REPORT OF MAJOR ELECTRIC UTILITIES, LICENSEES AND OTHER

IDENTIFICATION

01 Exact Legal Name of Respondent Kentucky Utilities Company		02 Year/Period of Report End of 2013/Q4
03 Previous Name and Date of Change *(if name changed during year)* / /		
04 Address of Principal Office at End of Period *(Street, City, State, Zip Code)* One Quality Street, Lexington, KY 40507		
05 Name of Contact Person T. Eric Raible		06 Title of Contact Person Mgr-Regulatory Acct & Reprt
07 Address of Contact Person *(Street, City, State, Zip Code)* 220 West Main Street, Louisville, KY 40202		
08 Telephone of Contact Person, *Including Area Code* (502) 627-3426	09 This Report Is (1) [X] An Original (2) [ ] A Resubmission	10 Date of Report *(Mo, Da, Yr)* / /

ANNUAL CORPORATE OFFICER CERTIFICATION

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

01 Name Kent W. Blake	03 Signature Kent W. Blake	04 Date Signed *(Mo, Da, Yr)* 03/24/2014
02 Title Chief Financial Officer		

Title 18, U.S.C. 1001 makes it a crime for any person to knowingly and willingly to make to any Agency or Department of the United States any false, fictitious or fraudulent statements as to any matter within its jurisdiction.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

LIST OF SCHEDULES (Electric Utility)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

LIST OF SCHEDULES (Electric Utility) (continued)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

Line No.	Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
37	Other Deferred Credits	269	
38	Accumulated Deferred Income Taxes-Accelerated Amortization Property	272-273	None
39	Accumulated Deferred Income Taxes-Other Property	274-275	
40	Accumulated Deferred Income Taxes-Other	276-277	
41	Other Regulatory Liabilities	278	
42	Electric Operating Revenues	300-301	
43	Regional Transmission Service Revenues (Account 457.1)	302	None
44	Sales of Electricity by Rate Schedules	304	
45	Sales for Resale	310-311	
46	Electric Operation and Maintenance Expenses	320-323	
47	Purchased Power	326-327	
48	Transmission of Electricity for Others	328-330	
49	Transmission of Electricity by ISO/RTOs	331	None
50	Transmission of Electricity by Others	332	
51	Miscellaneous General Expenses-Electric	335	
52	Depreciation and Amortization of Electric Plant	336-337	
53	Regulatory Commission Expenses	350-351	
54	Research, Development and Demonstration Activities	352-353	
55	Distribution of Salaries and Wages	354-355	
56	Common Utility Plant and Expenses	356	None
57	Amounts included in ISO/RTO Settlement Statements	397	
58	Purchase and Sale of Ancillary Services	398	
59	Monthly Transmission System Peak Load	400	
60	Monthly ISO/RTO Transmission System Peak Load	400a	None
61	Electric Energy Account	401	
62	Monthly Peaks and Output	401	
63	Steam Electric Generating Plant Statistics	402-403	
64	Hydroelectric Generating Plant Statistics	406-407	
65	Pumped Storage Generating Plant Statistics	408-409	None
66	Generating Plant Statistics Pages	410-411	None

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

LIST OF SCHEDULES (Electric Utility) (continued)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

Line No.	Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
67	Transmission Line Statistics Pages	422-423	
68	Transmission Lines Added During the Year	424-425	
69	Substations	426-427	
70	Transactions with Associated (Affiliated) Companies	429	
71	Footnote Data	450	
	Stockholders' Reports Check appropriate box: [ ] Two copies will be submitted [X] No annual report to stockholders is prepared		

Name of Respondent Kentucky Utilities Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report *(Mo, Da, Yr)* / /	Year/Period of Report End of 2013/Q4

GENERAL INFORMATION

1. Provide name and title of officer having custody of the general corporate books of account and address of office where the general corporate books are kept, and address of office where any other corporate books of account are kept, if different from that where the general corporate books are kept.

Kent W. Blake, Chief Financial Officer
220 West Main Street
Louisville, KY 40202

2. Provide the name of the State under the laws of which respondent is incorporated, and date of incorporation. If incorporated under a special law, give reference to such law. If not incorporated, state that fact and give the type of organization and the date organized.

Kentucky August 17, 1912
Virginia December 1, 1991

3. If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee, (b) date such receiver or trustee took possession, (c) the authority by which the receivership or trusteeship was created, and (d) date when possession by receiver or trustee ceased.

Not Applicable

4. State the classes or utility and other services furnished by respondent during the year in each State in which the respondent operated.

Respondent furnishes electric services in Kentucky, Virginia and Tennessee.

5. Have you engaged as the principal accountant to audit your financial statements an accountant who is not the principal accountant for your previous year's certified financial statements?

(1) [ ] Yes...Enter the date when such independent accountant was initially engaged:
(2) [X] No

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

CONTROL OVER RESPONDENT

1. If any corporation, business trust, or similar organization or a combination of such organizations jointly held control over the repondent at the end of the year, state name of controlling corporation or organization, manner in which control was held, and extent of control. If control was in a holding company organization, show the chain of ownership or control to the main parent company or organization. If control was held by a trustee(s), state name of trustee(s), name of beneficiary or beneficiearies for whom trust was maintained, and purpose of the trust.

Kentucky Utilities Company (KU) is a wholly-owned subsidiary of LG&E and KU Energy LLC (LKE). LKE is a wholly-owned subsidiary of PPL Corporation (PPL), based in Allentown, PA.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

OFFICERS

1. Report below the name, title and salary for each executive officer whose salary is $50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policy making functions.
2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and the date the change in incumbency was made.

Line No.	Title (a)	Name of Officer (b)	Salary for Year (c)
1	CURRENT OFFICERS AT DECEMBER 31, 2013		
2			
3	Chairman of the Board, President and		
4	Chief Executive Officer	Victor A. Staffieri	353,126
5	Chief Administrative Officer	S. Bradford Rives	195,107
6	General Counsel, Chief Compliance Officer and		
7	Corporate Secretary	Gerald A. Reynolds	131,351
8	Chief Financial Officer	Kent W. Blake	113,674
9	Chief Operating Officer	Paul W. Thompson	197,700
10			
11	FORMER OFFICER DURING 2013		
12			
13	Senior Vice President - Energy Delivery	Chris Hermann	43,143
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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	/ /	2013/Q4

FOOTNOTE DATA

Schedule Page: 104 Line No.: 4 Column: c

Officers are employed by LKS. Amounts shown reflect the portion of their salary allocated to KU.

Schedule Page: 104 Line No.: 9 Column: b

Paul W. Thompson, Senior Vice President – Energy Services, was named Chief Operating Officer, effective February 18, 2013.

Schedule Page: 104 Line No.: 13 Column: b

Chris Hermann, Senior Vice President - Energy Delivery, retired effective May 1, 2013.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

DIRECTORS

1. Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a), abbreviated titles of the directors who are officers of the respondent.
2. Designate members of the Executive Committee by a triple asterisk and the Chairman of the Executive Committee by a double asterisk.

Line No.	Name (and Title) of Director (a)	Principal Business Address (b)
1	CURRENT BOARD OF DIRECTORS AT DECEMBER 31, 2013	
2		
3	Victor A. Staffieri, Chairman of the Board, President	
4	and Chief Executive Officer	220 West Main Street, Louisville, KY 40202
5	S. Bradford Rives, Chief Administrative Officer	220 West Main Street, Louisville, KY 40202
6	Paul W. Thompson, Chief Operating Officer	220 West Main Street, Louisville, KY 40202
7	Paul A. Farr, EVP and Chief Financial Officer of PPL	2 North Ninth Street, Allentown, PA 18101
8	William H. Spence, Chairman President and	
9	Chief Executive Officer of PPL	2 North Ninth Street, Allentown, PA 18101
10		
11	FORMER DIRECTOR DURING 2013	
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13	Chris Hermann, SVP - Energy Delivery	220 West Main Street, Louisville, KY 40202
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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	/ /	2013/Q4

FOOTNOTE DATA

Schedule Page: 105 Line No.: 6 Column: a

Paul W. Thompson, Senior Vice President – Energy Services, was named Chief Operating Officer, effective February 18, 2013.

Schedule Page: 105 Line No.: 13 Column: a

Chris Hermann, Senior Vice President - Energy Delivery, retired effective May 1, 2013.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

INFORMATION ON FORMULA RATES
FERC Rate Schedule/Tariff Number FERC Proceeding

Does the respondent have formula rates?

[X] Yes
[ ] No

1. Please list the Commission accepted formula rates including FERC Rate Schedule or Tariff Number and FERC proceeding (i.e. Docket No) accepting the rate(s) or changes in the accepted rate.

Line No.	FERC Rate Schedule or Tariff Number	FERC Proceeding
1	Various	
2		
3	Open Access Transmission Tariff (OATT)	
4	Attachment O	Docket No. ER11-2955
5		
6	OATT Schedule 1	Docket No. ER10-1509
7		
8		
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Name of Respondent Kentucky Utilities Company	This Report is: (1) X An Original (2) __ A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2013/Q4

FOOTNOTE DATA

Schedule Page: 106 Line No.: 1 Column: a

Municipal	Rate Schedule No. for amended Agreement as Filed 4/30/09
Barbourville	3rd Rev. 184
Bardstown	3rd Rev. 185
Bardwell	3rd Rev. 186
Benham	3rd Rev. 187
Berea	2nd Rev. 197
Corbin	3rd Rev. 188
Falmouth	3rd Rev. 189
Frankfort	3rd Rev. 190
Madisonville	3rd Rev. 161
Nicholasville	3rd Rev. 157
Paris	3rd Rev. 83
Providence	4th Rev. 195

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Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

INFORMATION ON FORMULA RATES
FERC Rate Schedule/Tariff Number FERC Proceeding

Does the respondent file with the Commission annual (or more frequent) filings containing the inputs to the formula rate(s)?

[X] Yes
[ ] No

2. If yes, provide a listing of such filings as contained on the Commission's eLibrary website

Line No.	Accession No.	Document Date \ Filed Date	Docket No.	Description	Formula Rate FERC Rate Schedule Number or Tariff Number
1	20130501-5355	05/01/2013	ER08-1588	Annual Updates to Generation	Various
2				Formula Rates	
3					
4					
5					
6					
7					
8					
9					
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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	/ /	2013/Q4

FOOTNOTE DATA

Schedule Page: 1061 Line No.: 1 Column: d

On September 23, 2013, KU filed, under Section 205 of the Federal Power Act, unexecuted Second Amended and Restated Contracts for Electric Service for each of the twelve municipal customers to whom KU currently provides requirements electric service. The FERC accepted the Revised Agreements for filing on November 23, 2013, assigned the filing FERC Docket No. ER13-2428 and suspended the rates for five months (until April 23, 2014). The case has been scheduled for settlement proceedings before an Administrative Law Judge.

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Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

INFORMATION ON FORMULA RATES
Formula Rate Variances

1. If a respondent does not submit such filings then indicate in a footnote to the applicable Form 1 schedule where formula rate inputs differ from amounts reported in the Form 1.
2. The footnote should provide a narrative description explaining how the "rate" (or billing) was derived if different from the reported amount in the Form 1.
3. The footnote should explain amounts excluded from the ratebase or where labor or other allocation factors, operating expenses, or other items impacting formula rate inputs differ from amounts reported in Form 1 schedule amounts.
4. Where the Commission has provided guidance on formula rate inputs, the specific proceeding should be noted in the footnote.

Line No.	Page No(s).	Schedule	Column	Line No
1				
2				
3				
4	Page 2 of 5	Schedule 10	3	2
5				
6	Page 3 of 5	Schedule 10	3	1
7				
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Name of Respondent	This Report is:	Date of Report	Year/Period of Report
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FOOTNOTE DATA

Schedule Page: 1062 Line No.: 4 Column: b

Transmission Gross Plant in Service excludes certain Virginia assets in compliance with FERC Order in Docket No. ER02-2560.

Schedule Page: 1062 Line No.: 6 Column: b

Transmission Operation and Maintenance expenses exclude the amortization of certain regulatory assets approved by the KPSC only.

Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

IMPORTANT CHANGES DURING THE QUARTER/YEAR

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none," "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration given therefore and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact.
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.
3. Purchase or sale of an operating unit or system: Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission.
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents, and other condition. State name of Commission authorizing lease and give reference to such authorization.
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements, etc.
6. Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees including issuance of short-term debt and commercial paper having a maturity of one year or less. Give reference to FERC or State Commission authorization, as appropriate, and the amount of obligation or guarantee.
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
8. State the estimated annual effect and nature of any important wage scale changes during the year.
9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
10. Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on Page 104 or 105 of the Annual Report Form No. 1, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.
11. (Reserved.)
12. If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by Instructions 1 to 11 above, such notes may be included on this page.
13. Describe fully any changes in officers, directors, major security holders and voting powers of the respondent that may have occurred during the reporting period.
14. In the event that the respondent participates in a cash management program(s) and its proprietary capital ratio is less than 30 percent please describe the significant events or transactions causing the proprietary capital ratio to be less than 30 percent, and the extent to which the respondent has amounts loaned or money advanced to its parent, subsidiary, or affiliated companies through a cash management program(s). Additionally, please describe plans, if any to regain at least a 30 percent proprietary ratio.

PAGE 108 INTENTIONALLY LEFT BLANK
SEE PAGE 109 FOR REQUIRED INFORMATION.

Name of Respondent Kentucky Utilities Company	This Report is: (1) X An Original (2) __ A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2013/Q4

IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)

1. None.

2. None.

3. None.

4. None of a material nature.

5. None.

6. KU issued long-term first mortgage bonds totaling $250 million on November 14, 2013. The bonds mature in November 2043 and have an interest rate of 4.65%. This transaction was approved by the KPSC on August 3, 2012, in Case No. 2012-00232, by the Virginia State Corporation Commission on July 27, 2012, in case No. PUE-2012-00078 and by the Tennessee Regulatory Authority on September 20, 2012, in Docket No. 12-00067. KU received FERC authorization in FERC Docket No. ES13-53-000 for up to $500 million in the form of money pool debt, commercial paper or any other type of short-term loan through November 30, 2015. KU's money pool balance was zero at December 31, 2013, and December 31, 2012, respectively. KU established a commercial paper program in February 2012, allowing issuance of up to $250 million. The program was increased to $350 million effective April 1, 2013. As of December 31, 2013, and December 31, 2012, the outstanding commercial paper balance is $150 million and $70 million, respectively.

   In April 2011, KU entered into a replacement letter of credit facility totaling $198 million. The facility is consistent with the above FERC authorization and was approved by the Kentucky Commission Order, Case No. 2008-00309 on September 16, 2008, by the Virginia Commission on August 29, 2008, in Case No. PUE-2008-00077, and by the Tennessee Regulatory Authority on September 15, 2008, in Docket No. 08-00144. The facility was amended and restated in August 2012 to allow certain payments made under the facility to be converted to loans rather than requiring immediate reimbursement. In May 2013, the letter of credit facility was amended and extended to May 1, 2016. Letters of credit totaling $198 million were outstanding under this facility at December 31, 2013, and December 31, 2012.

7. None.

8. During the first quarter of 2013, exempt and non-exempt employees received routine wage increases in accordance with annual salary reviews.

   In July 2013, union employees received a negotiated wage increase, as outlined in the KU USW contract and the KU IBEW contract.

   In July 2013, KU hourly employees received an annual increase consistent with market conditions.

9. See Notes 4 and 10 of Notes to Financial Statements on page 123.

10. None.

BLANK

Name of Respondent Kentucky Utilities Company	This Report is: (1) X An Original (2) __ A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2013/Q4

IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)

11. N/A

12. See Notes to Financial Statements on page 123.

13. On January 31, 2013, Chris Hermann, Senior Vice President – Energy Delivery, announced his retirement, effective May 1, 2013, and Paul W. Thompson, Senior Vice President – Energy Services, was named Chief Operating Officer, effective February 18, 2013. Effective February 18, 2013, Lonnie E. Bellar was named Vice President—Gas Distribution; Thomas A. Jessee, Vice President—Transmission; John P. Malloy, Vice President—Customer Services; Edwin R. Staton, Vice President—State Regulation and Rates and P. Gregory Thomas, Vice President—Electric Distribution.

14. KU is a participant in a cash pooling arrangement, but its proprietary capital ratio is above 30 percent.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	**UTILITY PLANT**			
2	Utility Plant (101-106, 114)	200-201	6,969,992,612	6,741,590,336
3	Construction Work in Progress (107)	200-201	1,138,612,872	490,181,659
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		8,108,605,484	7,231,771,995
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	2,647,410,913	2,519,600,371
6	Net Utility Plant (Enter Total of line 4 less 5)		5,461,194,571	4,712,171,624
7	Nuclear Fuel in Process of Ref., Conv.,Enrich., and Fab. (120.1)	202-203	0	0
8	Nuclear Fuel Materials and Assemblies-Stock Account (120.2)		0	0
9	Nuclear Fuel Assemblies in Reactor (120.3)		0	0
10	Spent Nuclear Fuel (120.4)		0	0
11	Nuclear Fuel Under Capital Leases (120.6)		0	0
12	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	0	0
13	Net Nuclear Fuel (Enter Total of lines 7-11 less 12)		0	0
14	Net Utility Plant (Enter Total of lines 6 and 13)		5,461,194,571	4,712,171,624
15	Utility Plant Adjustments (116)		0	0
16	Gas Stored Underground - Noncurrent (117)		0	0
17	**OTHER PROPERTY AND INVESTMENTS**			
18	Nonutility Property (121)		971,720	971,720
19	(Less) Accum. Prov. for Depr. and Amort. (122)		0	0
20	Investments in Associated Companies (123)		0	0
21	Investment in Subsidiary Companies (123.1)	224-225	250,000	250,000
22	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
23	Noncurrent Portion of Allowances	228-229	0	0
24	Other Investments (124)		0	0
25	Sinking Funds (125)		0	0
26	Depreciation Fund (126)		0	0
27	Amortization Fund - Federal (127)		0	0
28	Other Special Funds (128)		0	0
29	Special Funds (Non Major Only) (129)		0	0
30	Long-Term Portion of Derivative Assets (175)		0	0
31	Long-Term Portion of Derivative Assets – Hedges (176)		0	0
32	TOTAL Other Property and Investments (Lines 18-21 and 23-31)		1,221,720	1,221,720
33	**CURRENT AND ACCRUED ASSETS**			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		4,995,916	7,162,535
36	Special Deposits (132-134)		0	0
37	Working Fund (135)		38,530	38,530
38	Temporary Cash Investments (136)		15,653,517	13,671,874
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		123,112,411	76,011,995
41	Other Accounts Receivable (143)		11,185,718	12,332,418
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		4,383,968	2,288,955
43	Notes Receivable from Associated Companies (145)		0	0
44	Accounts Receivable from Assoc. Companies (146)		65,306	7,502,801
45	Fuel Stock (151)	227	77,808,312	88,011,247
46	Fuel Stock Expenses Undistributed (152)	227	0	0
47	Residuals (Elec) and Extracted Products (153)	227	0	0
48	Plant Materials and Operating Supplies (154)	227	36,405,243	35,604,100
49	Merchandise (155)	227	0	0
50	Other Materials and Supplies (156)	227	0	0
51	Nuclear Materials Held for Sale (157)	202-203/227	0	0
52	Allowances (158.1 and 158.2)	228-229	293,509	324,397

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Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)(Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
53	(Less) Noncurrent Portion of Allowances		0	0
54	Stores Expense Undistributed (163)	227	10,213,703	10,400,123
55	Gas Stored Underground - Current (164.1)		0	0
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		0	0
57	Prepayments (165)		5,913,625	7,672,505
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		21,219	21,219
60	Rents Receivable (172)		919,941	483,289
61	Accrued Utility Revenues (173)		94,441,382	83,946,327
62	Miscellaneous Current and Accrued Assets (174)		0	0
63	Derivative Instrument Assets (175)		0	7,142,276
64	(Less) Long-Term Portion of Derivative Instrument Assets (175)		0	0
65	Derivative Instrument Assets - Hedges (176)		0	0
66	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176		0	0
67	Total Current and Accrued Assets (Lines 34 through 66)		376,684,364	348,036,681
68	**DEFERRED DEBITS**			
69	Unamortized Debt Expenses (181)		16,110,673	15,269,984
70	Extraordinary Property Losses (182.1)	230a	0	0
71	Unrecovered Plant and Regulatory Study Costs (182.2)	230b	0	0
72	Other Regulatory Assets (182.3)	232	242,274,051	292,269,259
73	Prelim. Survey and Investigation Charges (Electric) (183)		2,370,924	5,249,306
74	Preliminary Natural Gas Survey and Investigation Charges 183.1)		0	0
75	Other Preliminary Survey and Investigation Charges (183.2)		0	0
76	Clearing Accounts (184)		0	0
77	Temporary Facilities (185)		0	0
78	Miscellaneous Deferred Debits (186)	233	733,936,999	761,460,628
79	Def. Losses from Disposition of Utility Plt. (187)		0	0
80	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
81	Unamortized Loss on Reaquired Debt (189)		9,638,316	11,174,052
82	Accumulated Deferred Income Taxes (190)	234	242,994,314	208,309,678
83	Unrecovered Purchased Gas Costs (191)		0	0
84	Total Deferred Debits (lines 69 through 83)		1,247,325,277	1,293,732,907
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		7,086,425,932	6,355,162,932

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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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FOOTNOTE DATA

Schedule Page: 110 Line No.: 63 Column: c

Decrease in balance related to settlement of interest rate swaps during September 2013.

Schedule Page: 110 Line No.: 69 Column: c

Unamortized Debt Expenses (181) Without Purchase Accounting	$ 19,877,251
Purchase Accounting Adjustment	(3,766,578)
Total for Unamortized Debt Expenses (181)	$ 16,110,673

Schedule Page: 110 Line No.: 69 Column: d

Unamortized Debt Expenses (181) Without Purchase Accounting	$ 19,463,064
Purchase Accounting Adjustment	(4,193,080)
Total for Unamortized Debt Expenses (181)	$ 15,269,984

Schedule Page: 110 Line No.: 72 Column: c

Other Regulatory Assets (182.3) Without Purchase Accounting	$237,578,508
Purchase Accounting Adjustment	4,695,543
Total for Other Regulatory Assets (182.3)	$242,274,051

Schedule Page: 110 Line No.: 72 Column: d

Other Regulatory Assets (182.3) Without Purchase Accounting	$285,920,285
Purchase Accounting Adjustment	6,348,974
Total for Other Regulatory Assets (182.3)	$292,269,259

Schedule Page: 110 Line No.: 78 Column: c

Miscellaneous Deferred Debits (186) Without Purchase Accounting	$ 38,965,723
Purchase Accounting Adjustment	694,971,276
Total for Miscellaneous Deferred Debits (186)	$733,936,999

Schedule Page: 110 Line No.: 78 Column: d

Miscellaneous Deferred Debits (186) Without Purchase Accounting	$ 39,021,595
Purchase Accounting Adjustment	722,439,033
Total for Miscellaneous Deferred Debits (186)	$761,460,628

Schedule Page: 110 Line No.: 82 Column: c

Accumulated Deferred Income Taxes (190) Without Purchase Accounting	$208,306,280
Purchase Accounting Adjustment	34,688,034
Total for Accumulated Deferred Income Taxes (190)	$242,994,314

Schedule Page: 110 Line No.: 82 Column: d

Accumulated Deferred Income Taxes (190) Without Purchase Accounting	$162,326,629
Purchase Accounting Adjustment	45,983,049
Total for Accumulated Deferred Income Taxes (190)	$208,309,678

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COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	308,139,978	308,139,978
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)		0	0
5	Stock Liability for Conversion (203, 206)		0	0
6	Premium on Capital Stock (207)		0	0
7	Other Paid-In Capital (208-211)	253	2,505,446,834	2,348,446,834
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254b	321,289	321,289
11	Retained Earnings (215, 215.1, 216)	118-119	230,346,396	125,996,241
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	0	0
13	(Less) Reaquired Capital Stock (217)	250-251	0	0
14	Noncorporate Proprietorship (Non-major only) (218)		0	0
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	674,799	1,303,817
16	Total Proprietary Capital (lines 2 through 15)		3,044,286,718	2,783,565,581
17	LONG-TERM DEBT			
18	Bonds (221)	256-257	2,100,779,405	1,850,779,405
19	(Less) Reaquired Bonds (222)	256-257	0	0
20	Advances from Associated Companies (223)	256-257	0	0
21	Other Long-Term Debt (224)	256-257	676,452	1,017,792
22	Unamortized Premium on Long-Term Debt (225)		0	0
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		10,709,837	9,552,594
24	Total Long-Term Debt (lines 18 through 23)		2,090,746,020	1,842,244,603
25	OTHER NONCURRENT LIABILITIES			
26	Obligations Under Capital Leases - Noncurrent (227)		0	0
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		2,184,308	2,330,079
29	Accumulated Provision for Pensions and Benefits (228.3)		60,166,262	164,960,206
30	Accumulated Miscellaneous Operating Provisions (228.4)		0	0
31	Accumulated Provision for Rate Refunds (229)		0	0
32	Long-Term Portion of Derivative Instrument Liabilities		0	0
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
34	Asset Retirement Obligations (230)		178,860,881	69,570,067
35	Total Other Noncurrent Liabilities (lines 26 through 34)		241,211,451	236,860,352
36	CURRENT AND ACCRUED LIABILITIES			
37	Notes Payable (231)		149,967,366	69,991,513
38	Accounts Payable (232)		172,652,307	155,544,176
39	Notes Payable to Associated Companies (233)		0	0
40	Accounts Payable to Associated Companies (234)		25,347,064	33,264,763
41	Customer Deposits (235)		25,654,974	24,810,222
42	Taxes Accrued (236)	262-263	32,514,050	26,203,000
43	Interest Accrued (237)		11,524,331	10,121,873
44	Dividends Declared (238)		0	0
45	Matured Long-Term Debt (239)		0	0

Name of Respondent Kentucky Utilities Company	This Report is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report *(mo, da, yr)* / /	Year/Period of Report end of 2013/Q4

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)(continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
46	Matured Interest (240)		0	0
47	Tax Collections Payable (241)		4,594,183	3,801,493
48	Miscellaneous Current and Accrued Liabilities (242)		16,831,456	17,677,736
49	Obligations Under Capital Leases-Current (243)		0	0
50	Derivative Instrument Liabilities (244)		0	0
51	(Less) Long-Term Portion of Derivative Instrument Liabilities		0	0
52	Derivative Instrument Liabilities - Hedges (245)		0	0
53	(Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges		0	0
54	Total Current and Accrued Liabilities (lines 37 through 53)		439,085,731	341,414,776
55	DEFERRED CREDITS			
56	Customer Advances for Construction (252)		2,882,358	2,985,265
57	Accumulated Deferred Investment Tax Credits (255)	266-267	96,736,399	98,607,657
58	Deferred Gains from Disposition of Utility Plant (256)		0	0
59	Other Deferred Credits (253)	269	35,492,183	26,658,221
60	Other Regulatory Liabilities (254)	278	238,010,086	231,527,816
61	Unamortized Gain on Reaquired Debt (257)		0	0
62	Accum. Deferred Income Taxes-Accel. Amort.(281)	272-277	0	0
63	Accum. Deferred Income Taxes-Other Property (282)		779,966,681	644,536,981
64	Accum. Deferred Income Taxes-Other (283)		118,008,305	146,761,680
65	Total Deferred Credits (lines 56 through 64)		1,271,096,012	1,151,077,620
66	TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65)		7,086,425,932	6,355,162,932

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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FOOTNOTE DATA

Schedule Page: 112 Line No.: 7 Column: c

Other Paid-in Capital (208-211) Without Purchase Accounting	$	472,858,083
Purchase Accounting Adjustment		2,032,588,751
Total for Other Paid-in Capital (208-211)	$	2,505,446,834

Schedule Page: 112 Line No.: 7 Column: d

Other Paid-in Capital (208-211) Without Purchase Accounting	$	315,858,083
Purchase Accounting Adjustment		2,032,588,751
Total for Other Paid-in Capital (208-211)	$	2,348,446,834

Schedule Page: 112 Line No.: 11 Column: c

Retained Earnings (215, 215.1, 216) Without Purchase Accounting	$	1,657,535,909
Purchase Accounting Adjustment		(1,427,189,513)
Total for Retained Earnings (215, 215.1, 216)	$	230,346,396

As of December 31, 2013, in compliance with FERC 305 Filing in Docket No. EL12-27-000, the amount in the Company's equity accounts available to be paid in the form of dividends is as follows:

Retained Earnings as of 12/31/2013 -- sum of lines 11 & 12 on page 112 (Retained Earnings and Unappropriated Undistributed Subsidiary Earnings)	$	230,346,396
Add: Stated capital account, reflecting pre-acquisition retained earnings less dividends applied to the account -- tracked in a separate purchase accounting general ledger -- a component of the amount on line 7 on page 112 (Other Paid-In Capital)		1,418,324,387
Add: Net after-tax losses attributable to amortization of pushdown accounting net assets and liabilities and impairment, if any, cumulative -- tracked on a separate purchase accounting general ledger -- a component of the amount on line 7 on page 112 (Other Paid-In-Capital)		8,865,127
Rounding		(1)
Retained Earnings as of 12/31/2013, adjusted to remove the affects of push-down accounting ("adjusted retained earnings")	$	1,657,535,909
Retained Earnings prior to the 11/1/2010 acquisition		1,418,324,387
Cumulative post-acquisition net income		586,211,522
Cumulative post-acquisition dividends		(347,000,000)
Retained Earnings as of 12/31/2013, adjusted to remove the affects of push-down accounting ("adjusted retained earnings")	$	1,657,535,909

Schedule Page: 112 Line No.: 11 Column: d

Retained Earnings (215, 215.1, 216) Without Purchase Accounting	$	1,553,520,315
Purchase Accounting Adjustment		(1,427,524,074)
Total for Retained Earnings (215, 215.1, 216)	$	125,996,241

As of December 31, 2012, in compliance with FERC 305 Filing in Docket No. EL12-27-000, the amount in the Company's equity accounts available to be paid in the form of dividends is as follows:

Retained Earnings as of 12/31/2012 -- sum of lines 11 & 12

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FOOTNOTE DATA

on page 112 (Retained Earnings and Unappropriated Undistributed Subsidiary Earnings)	$	125,996,241
Add: Stated capital account, reflecting pre-acquisition retained earnings less dividends applied to the account -- tracked in a separate purchase accounting general ledger -- a component of the amount on line 7 on page 112 (Other Paid-In Capital)		1,418,324,387
Add: Net after-tax losses attributable to amortization of pushdown accounting net assets and liabilities and impairment, if any, cumulative -- tracked on a separate purchase accounting general ledger -- a component of the amount on line 7 on page 112 (Other Paid-In-Capital)		9,199,686
Rounding		1
Retained Earnings as of 12/31/2012, adjusted to remove the affects of push-down accounting ("adjusted retained earnings")	$	1,553,520,315
Retained Earnings prior to the 11/1/2010 acquisition		1,418,324,387
Cumulative post-acquisition net income		358,195,928
Cumulative post-acquisition dividends		(223,000,000)
Retained Earnings as of 12/31/2012, adjusted to remove the affects of push-down accounting ("adjusted retained earnings")	$	1,553,520,315

Schedule Page: 112 Line No.: 15 Column: c

Accumulated Other Comprehensive Income (219) Without Purchase Accounting	$	(917,020)
Purchase Accounting Adjustment		1,591,819
Total for Accumulated Other Comprehensive Income (219)	$	674,799

Schedule Page: 112 Line No.: 15 Column: d

Accumulated Other Comprehensive Income (219) Without Purchase Accounting	$	(414,003)
Purchase Accounting Adjustment		1,717,820
Total for Accumulated Other Comprehensive Income (219)	$	1,303,817

Schedule Page: 112 Line No.: 21 Column: c

Other Long-Term Debt (224) Without Purchase Accounting	$	-
Purchase Accounting Adjustment		676,452
Total for Other Long-Term Debt (224)	$	676,452

Schedule Page: 112 Line No.: 21 Column: d

Other Long-Term Debt (224) Without Purchase Accounting	$	-
Purchase Accounting Adjustment		1,017,792
Total for Other Long-Term Debt (224)	$	1,017,792

Schedule Page: 112 Line No.: 34 Column: c

AROs were revalued primarily due to updates in the estimated cash flows for ash ponds and CCR surface impoundments based on updated cost estimates.

Schedule Page: 112 Line No.: 59 Column: c

Other Deferred Credits (253) Without Purchase Accounting	$	34,563,218
Purchase Accounting Adjustment		928,965
Total for Other Deferred Credits (253)	$	35,492,183

Schedule Page: 112 Line No.: 59 Column: d

Other Deferred Credits (253) Without Purchase Accounting	$	24,502,327

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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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FOOTNOTE DATA

Purchase Accounting Adjustment		2,155,894
Total for Other Deferred Credits (253)	$	26,658,221

Schedule Page: 112 Line No.: 60 Column: c

Other Regulatory Liabilities (254) Without Purchase Accounting	$	150,443,179
Purchase Accounting Adjustment		87,566,907
Total for Other Regulatory Liabilities (254)	$	238,010,086

Schedule Page: 112 Line No.: 60 Column: d

Other Regulatory Liabilities (254) Without Purchase Accounting	$	116,493,151
Purchase Accounting Adjustment		115,034,665
Total for Other Regulatory Liabilities (254)	$	231,527,816

Schedule Page: 112 Line No.: 64 Column: c

Accumulated Deferred Income Taxes - Other (283) Without Purchase Accounting	$	83,583,411
Purchase Accounting Adjustment		34,424,894
Total for Accumulated Deferred Income Taxes - Other (283)	$	118,008,305

Schedule Page: 112 Line No.: 64 Column: d

Accumulated Deferred Income Taxes - Other (283) Without Purchase Accounting	$	101,174,552
Purchase Accounting Adjustment		45,587,128
Total for Accumulated Deferred Income Taxes - Other (283)	$	146,761,680

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

STATEMENT OF INCOME

Quarterly
1. Report in column (c) the current year to date balance. Column (c) equals the total of adding the data in column (g) plus the data in column (i) plus the data in column (k). Report in column (d) similar data for the previous year. This information is reported in the annual filing only.
2. Enter in column (e) the balance for the reporting quarter and in column (f) the balance for the same three month period for the prior year.
3. Report in column (g) the quarter to date amounts for electric utility function; in column (i) the quarter to date amounts for gas utility, and in column (k) the quarter to date amounts for other utility function for the current year quarter.
4. Report in column (h) the quarter to date amounts for electric utility function; in column (j) the quarter to date amounts for gas utility, and in column (l) the quarter to date amounts for other utility function for the prior year quarter.
5. If additional columns are needed, place them in a footnote.

Annual or Quarterly if applicable
5. Do not report fourth quarter data in columns (e) and (f)
6. Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility columnin a similar manner to a utility department. Spread the amount(s) over lines 2 thru 26 as appropriate. Include these amounts in columns (c) and (d) totals.
7. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.

Line No.	Title of Account (a)	(Ref.) Page No. (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
1	UTILITY OPERATING INCOME					
2	Operating Revenues (400)	300-301	1,634,793,983	1,523,825,929		
3	Operating Expenses					
4	Operation Expenses (401)	320-323	874,937,229	841,062,283		
5	Maintenance Expenses (402)	320-323	111,758,016	142,533,486		
6	Depreciation Expense (403)	336-337	178,119,813	185,668,424		
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-337		3,257,773		
8	Amort. & Depl. of Utility Plant (404-405)	336-337	7,636,867	8,042,642		
9	Amort. of Utility Plant Acq. Adj. (406)	336-337				
10	Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407)					
11	Amort. of Conversion Expenses (407)					
12	Regulatory Debits (407.3)					
13	(Less) Regulatory Credits (407.4)			6,451,229		
14	Taxes Other Than Income Taxes (408.1)	262-263	32,726,804	31,089,947		
15	Income Taxes - Federal (409.1)	262-263	52,507,128	-19,049,875		
16	- Other (409.1)	262-263	11,627,536	-1,698,913		
17	Provision for Deferred Income Taxes (410.1)	234, 272-277	333,042,086	279,062,849		
18	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	263,034,507	163,993,416		
19	Investment Tax Credit Adj. - Net (411.4)	266				
20	(Less) Gains from Disp. of Utility Plant (411.6)					
21	Losses from Disp. of Utility Plant (411.7)					
22	(Less) Gains from Disposition of Allowances (411.8)		360	887		
23	Losses from Disposition of Allowances (411.9)					
24	Accretion Expense (411.10)			3,193,456		
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		1,339,320,612	1,302,716,540		
26	Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117,line 27		295,473,371	221,109,389		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

STATEMENT OF INCOME FOR THE YEAR (Continued)

9. Use page 122 for important notes regarding the statement of income for any account thereof.
10. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in material refund to the utility with respect to power or gas purchases. State for each year effected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power or gas purchases.
11 Give concise explanations concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purches, and a summary of the adjustments made to balance sheet, income, and expense accounts.
12. If any notes appearing in the report to stokholders are applicable to the Statement of Income, such notes may be included at page 122.
13. Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also, give the appropriate dollar effect of such changes.
14. Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports.
15. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles report the information in a footnote to this schedule.

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY		
Current Year to Date (in dollars) (g)	Previous Year to Date (in dollars) (h)	Current Year to Date (in dollars) (i)	Previous Year to Date (in dollars) (j)	Current Year to Date (in dollars) (k)	Previous Year to Date (in dollars) (l)	Line No.
						1
1,634,793,983	1,523,825,929					2
						3
874,937,229	841,062,283					4
111,758,016	142,533,486					5
178,119,813	185,668,424					6
	3,257,773					7
7,636,867	8,042,642					8
						9
						10
						11
						12
	6,451,229					13
32,726,804	31,089,947					14
52,507,128	-19,049,875					15
11,627,536	-1,698,913					16
333,042,086	279,062,849					17
263,034,507	163,993,416					18
						19
						20
						21
360	887					22
						23
	3,193,456					24
1,339,320,612	1,302,716,540					25
295,473,371	221,109,389					26

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

STATEMENT OF INCOME FOR THE YEAR (continued)

Line No.	Title of Account (a)	(Ref.) Page No. (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
27	Net Utility Operating Income (Carried forward from page 114)		295,473,371	221,109,389		
28	Other Income and Deductions					
29	Other Income					
30	Nonutilty Operating Income					
31	Revenues From Merchandising, Jobbing and Contract Work (415)		13,520	11,683		
32	(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)		11,077	6,469		
33	Revenues From Nonutility Operations (417)		25,093	41,750		
34	(Less) Expenses of Nonutility Operations (417.1)		-12,435	12,435		
35	Nonoperating Rental Income (418)					
36	Equity in Earnings of Subsidiary Companies (418.1)	119		-16,738,210		
37	Interest and Dividend Income (419)		72,553	92,416		
38	Allowance for Other Funds Used During Construction (419.1)		484,691	50,407		
39	Miscellaneous Nonoperating Income (421)		1,485,705	2,141,193		
40	Gain on Disposition of Property (421.1)		4,381	27,136		
41	TOTAL Other Income (Enter Total of lines 31 thru 40)		2,087,301	-14,392,529		
42	Other Income Deductions					
43	Loss on Disposition of Property (421.2)			73,177		
44	Miscellaneous Amortization (425)					
45	Donations (426.1)		1,245,988	1,111,220		
46	Life Insurance (426.2)		-1,888,158	-1,984,550		
47	Penalties (426.3)		158,962	50,199		
48	Exp. for Certain Civic, Political & Related Activities (426.4)		1,230,159	1,123,921		
49	Other Deductions (426.5)		1,093,115	18,047,864		
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)		1,840,066	18,421,831		
51	Taxes Applic. to Other Income and Deductions					
52	Taxes Other Than Income Taxes (408.2)	262-263	10,000	2,004		
53	Income Taxes-Federal (409.2)	262-263	-1,504,144	-803,716		
54	Income Taxes-Other (409.2)	262-263	-241,103	338,764		
55	Provision for Deferred Inc. Taxes (410.2)	234, 272-277	1,082,247	2,627,156		
56	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234, 272-277	68,935	15,924,393		
57	Investment Tax Credit Adj.-Net (411.5)					
58	(Less) Investment Tax Credits (420)		1,871,258	2,800,111		
59	TOTAL Taxes on Other Income and Deductions (Total of lines 52-58)		-2,593,193	-16,560,296		
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		2,840,428	-16,254,064		
61	Interest Charges					
62	Interest on Long-Term Debt (427)		61,783,714	60,973,879		
63	Amort. of Debt Disc. and Expense (428)		2,994,154	3,189,818		
64	Amortization of Loss on Reaquired Debt (428.1)		1,853,432	605,065		
65	(Less) Amort. of Premium on Debt-Credit (429)					
66	(Less) Amortization of Gain on Reaquired Debt-Credit (429.1)					
67	Interest on Debt to Assoc. Companies (430)		4,085	9,611		
68	Other Interest Expense (431)		3,500,390	3,972,850		
69	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		172,131	14,025		
70	Net Interest Charges (Total of lines 62 thru 69)		69,963,644	68,737,198		
71	Income Before Extraordinary Items (Total of lines 27, 60 and 70)		228,350,155	136,118,127		
72	Extraordinary Items					
73	Extraordinary Income (434)					
74	(Less) Extraordinary Deductions (435)					
75	Net Extraordinary Items (Total of line 73 less line 74)					
76	Income Taxes-Federal and Other (409.3)	262-263				
77	Extraordinary Items After Taxes (line 75 less line 76)					
78	Net Income (Total of line 71 and 77)		228,350,155	136,118,127		

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FOOTNOTE DATA

Schedule Page: 114 Line No.: 7 Column: c

In August 2013, year-to-date regulatory offsets for depreciation on asset retirement cost assets were reclassed from Regulatory Credits (407.4) to Depreciation Expense for Asset Retirement Costs (403.1).

Schedule Page: 114 Line No.: 7 Column: g

In August 2013, year-to-date regulatory offsets for depreciation on asset retirement cost assets were reclassed from Regulatory Credits (407.4) to Depreciation Expense for Asset Retirement Costs (403.1).

Schedule Page: 114 Line No.: 13 Column: c

In August 2013, year-to-date regulatory offsets for depreciation on asset retirement cost assets and ARO liability accretion were reclassed from Regulatory Credits (407.4) to Depreciation Expense for Asset Retirement Costs (403.1) and Accretion Expense (411.10).

Schedule Page: 114 Line No.: 13 Column: g

In August 2013, year-to-date regulatory offsets for depreciation on asset retirement cost assets and ARO liability accretion were reclassed from Regulatory Credits (407.4) to Depreciation Expense for Asset Retirement Costs (403.1) and Accretion Expense (411.10).

Schedule Page: 114 Line No.: 17 Column: c

Provision for Deferred Income Taxes (410.1) Without Purchase Accounting	$	320,534,726
Amortization of Purchase Accounting Adjustment		12,507,360
Total for Provision for Deferred Income Taxes (410.1)	$	333,042,086

Schedule Page: 114 Line No.: 17 Column: d

Provision for Deferred Income Taxes (410.1) Without Purchase Accounting	$	266,280,843
Amortization of Purchase Accounting Adjustment		12,782,006
Total for Provision for Deferred Income Taxes (410.1)	$	279,062,849

Schedule Page: 114 Line No.: 17 Column: g

Provision for Deferred Income Taxes (410.1) Without Purchase Accounting	$	320,534,726
Amortization of Purchase Accounting Adjustment		12,507,360
Total for Provision for Deferred Income Taxes (410.1)	$	333,042,086

Schedule Page: 114 Line No.: 17 Column: h

Provision for Deferred Income Taxes (410.1) Without Purchase Accounting	$	266,280,843
Amortization of Purchase Accounting Adjustment		12,782,006
Total for Provision for Deferred Income Taxes (410.1)	$	279,062,849

Schedule Page: 114 Line No.: 18 Column: c

Provision for Deferred Income Taxes (411.1) Without Purchase Accounting	$	250,659,929
Amortization of Purchase Accounting Adjustment		12,374,578
Total for Provision for Deferred Income Taxes (411.1)	$	263,034,507

Schedule Page: 114 Line No.: 18 Column: d

Provision for Deferred Income Taxes (411.1) Without Purchase Accounting	$	151,237,203
Amortization of Purchase Accounting Adjustment		12,756,213
Total for Provision for Deferred Income Taxes (411.1)	$	163,993,416

Schedule Page: 114 Line No.: 18 Column: g

Provision for Deferred Income Taxes (411.1) Without Purchase Accounting	$	250,659,929
Amortization of Purchase Accounting Adjustment		12,374,578

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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FOOTNOTE DATA

Total for Provision for Deferred Income Taxes (411.1)	$	263,034,507

Schedule Page: 114 Line No.: 18 Column: h

Provision for Deferred Income Taxes (411.1) Without Purchase Accounting	$	151,237,203
Amortization of Purchase Accounting Adjustment		12,756,213
Total for Provision for Deferred Income Taxes (411.1)	$	163,993,416

Schedule Page: 114 Line No.: 24 Column: c

In August 2013, year-to-date regulatory offsets for ARO liability accretion were reclassed from Regulatory Credits (407.4) to Accretion Expense (411.10).

Schedule Page: 114 Line No.: 24 Column: g

In August 2013, year-to-date regulatory offsets for ARO liability accretion were reclassed from Regulatory Credits (407.4) to Accretion Expense (411.10).

Schedule Page: 114 Line No.: 36 Column: c

This balance is zero in 2013 as a result of the EEI investment that was fully impaired during the fourth quarter of 2012.

Schedule Page: 114 Line No.: 36 Column: d

Equity in Earnings of Subsidiary Companies (418.1) Without Purchase Accounting	$	(16,355,595)
Amortization of Purchase Accounting Adjustment		(382,615)
Total for Equity in Earnings of Subsidiary Companies (418.1)	$	(16,738,210)

Schedule Page: 114 Line No.: 39 Column: c

Miscellaneous Nonoperating Income (421) Without Purchase Accounting	$	1,279,483
Amortization of Purchase Accounting Adjustment		206,222
Total for Miscellaneous Nonoperating Income (421)	$	1,485,705

Schedule Page: 114 Line No.: 43 Column: d

Sale of office building and associated land in 2012.

Schedule Page: 114 Line No.: 46 Column: c

The balance includes the increase in the cash surrender value less the monthly premium amounts that are paid from the cash surrender value balance.

Schedule Page: 114 Line No.: 46 Column: d

The balance includes the increase in the cash surrender value less the monthly premium amounts that are paid from the cash surrender value balance.

Schedule Page: 114 Line No.: 49 Column: d

Included in the Other Deductions (426.5) is the impairment of the EEI investment totaling $25,376,909.

2012 Impairment of Purchase Accounting Adjustment	$	15,875,674
2012 Impairment of EEI Equity Investment		9,531,774
Accumulated Other Comprehensive Income (219) - Loss on Asset Impairment		(13,354)
Accumulated Other Comprehensive Income (219) - Purchase Accounting Adjustment Amortization		(17,185)
Total for the Impairment of the EEI Investment	$	25,376,909

Schedule Page: 114 Line No.: 54 Column: d

This amount is the result of an increase in state tax due to a ASC 740-10 reserve for KU's recycle credit recorded in 2012.

Schedule Page: 114 Line No.: 55 Column: c

Provision for Deferred Income Taxes (410.2) Without Purchase Accounting	$	975,476
Amortization of Purchase Accounting Adjustment		106,771
Total for Provision for Deferred Income Taxes (410.2)	$	1,082,247

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FOOTNOTE DATA

Schedule Page: 114 Line No.: 55 Column: d

Provision for Deferred Income Taxes (410.2) Without Purchase Accounting	$	664,769
Amortization of Purchase Accounting Adjustment		1,962,387
Total for Provision for Deferred Income Taxes (410.2)	$	2,627,156

Schedule Page: 114 Line No.: 56 Column: c

Provision for Deferred Income Taxes (411.2) Without Purchase Accounting	$	42,384
Amortization of Purchase Accounting Adjustment		26,551
Total for Provision for Deferred Income Taxes (411.2)	$	68,935

Schedule Page: 114 Line No.: 56 Column: d

Provision for Deferred Income Taxes (411.2) Without Purchase Accounting	$	7,644,216
Amortization of Purchase Accounting Adjustment		8,280,177
Total for Provision for Deferred Income Taxes (411.2)	$	15,924,393

Schedule Page: 114 Line No.: 62 Column: c

Interest on Long-Term Debt (427) Without Purchase Accounting	$	62,125,055
Amortization of Purchase Accounting Adjustment		(341,341)
Total for Interest on Long-Term Debt (427)	$	61,783,714

Schedule Page: 114 Line No.: 62 Column: d

Interest on Long-Term Debt (427) Without Purchase Accounting	$	61,040,185
Amortization of Purchase Accounting Adjustment		(66,306)
Total for Interest on Long-Term Debt (427)	$	60,973,879

Name of Respondent Kentucky Utilities Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2013/Q4

STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216)			
1	Balance-Beginning of Period		125,996,241	88,297,104
2	Changes			
3	Adjustments to Retained Earnings (Account 439)			
4				
5				
6				
7				
8				
9	TOTAL Credits to Retained Earnings (Acct. 439)			
10				
11				
12				
13				
14				
15	TOTAL Debits to Retained Earnings (Acct. 439)			
16	Balance Transferred from Income (Account 433 less Account 418.1)		228,350,155	137,199,137
17	Appropriations of Retained Earnings (Acct. 436)			
18				
19				
20				
21				
22	TOTAL Appropriations of Retained Earnings (Acct. 436)			
23	Dividends Declared-Preferred Stock (Account 437)			
24				
25				
26				
27				
28				
29	TOTAL Dividends Declared-Preferred Stock (Acct. 437)			
30	Dividends Declared-Common Stock (Account 438)			
31	Without Par Value		-124,000,000	(99,500,000)
32				
33				
34				
35				
36	TOTAL Dividends Declared-Common Stock (Acct. 438)		-124,000,000	(99,500,000)
37	Transfers from Acct 216.1, Unapprop. Undistrib. Subsidiary Earnings			
38	Balance - End of Period (Total 1,9,15,16,22,29,36,37)		230,346,396	125,996,241
	APPROPRIATED RETAINED EARNINGS (Account 215)			
39				
40				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
41				
42				
43				
44				
45	TOTAL Appropriated Retained Earnings (Account 215)			
	APPROP. RETAINED EARNINGS - AMORT. Reserve, Federal (Account 215.1)			
46	TOTAL Approp. Retained Earnings-Amort. Reserve, Federal (Acct. 215.1)			
47	TOTAL Approp. Retained Earnings (Acct. 215, 215.1) (Total 45,46)			
48	TOTAL Retained Earnings (Acct. 215, 215.1, 216) (Total 38, 47) (216.1)		230,346,396	125,996,241
	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account			
	Report only on an Annual Basis, no Quarterly			
49	Balance-Beginning of Year (Debit or Credit)			1,081,010
50	Equity in Earnings for Year (Credit) (Account 418.1)			(16,738,210)
51	(Less) Dividends Received (Debit)			
52				15,657,200
53	Balance-End of Year (Total lines 49 thru 52)			

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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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FOOTNOTE DATA

Schedule Page: 118 Line No.: 48 Column: c

See footnote data detail on Schedule Page: 112, Line No.: 11, Column: c.

Schedule Page: 118 Line No.: 48 Column: d

See footnote data detail on Schedule Page: 112, Line No.: 11, Column: d.

Schedule Page: 118 Line No.: 50 Column: d

Equity in Earnings for Year (418.1) Without Purchase Accounting	$	(16,355,595)
2012 Amortization of Purchase Accounting Adjustment - EEI Investment		(812,244)
2012 Amortization of Purchase Accounting Adjustment - Other Comprehensive Income		429,629
Equity in Earnings for Year (418.1)	$	(16,738,210)

Schedule Page: 118 Line No.: 52 Column: d

The balance in Unappropriated Undistributed Subsidiary Earnings (216.1) was not adjusted for the Purchase Accounting Amortization Adjustment that was reflected in the Equity in Earnings for Year (418.1). This adjustment represents the amortization of KU’s Purchase Accounting Adjustment related to KU’s investment in EEI and corresponding Other Comprehensive Income which are not Unappropriated Undistributed Subsidiary Earnings (216.1) of EEI:

2012 Amortization of Purchase Accounting Adjustment - EEI Investment	$	812,244
2012 Amortization of Purchase Accounting Adjustment - Other Comprehensive Income		(429,629)
2012 Reversal of Purchase Accounting Adjustment due to Impairment		14,240,820
2012 Reversal of Amortization of Purchase Accounting Adjustment		1,033,765
Total for Purchase Accounting Amortization Adjustment	$	15,657,200

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STATEMENT OF CASH FLOWS

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.
(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
1	Net Cash Flow from Operating Activities:		
2	Net Income (Line 78(c) on page 117)	228,350,155	136,118,127
3	Noncash Charges (Credits) to Income:		
4	Depreciation and Depletion	178,119,813	188,926,197
5	Amortization of Plant	7,636,867	8,042,642
6			
7			
8	Deferred Income Taxes (Net)	71,787,808	110,598,084
9	Investment Tax Credit Adjustment (Net)	-1,800,158	-2,729,011
10	Net (Increase) Decrease in Receivables	-46,316,818	-4,074,981
11	Net (Increase) Decrease in Inventory	9,588,213	6,680,901
12	Net (Increase) Decrease in Allowances Inventory	30,888	126,065
13	Net Increase (Decrease) in Payables and Accrued Expenses	28,578,964	27,483,566
14	Net (Increase) Decrease in Other Regulatory Assets	-2,239,436	-18,298,708
15	Net Increase (Decrease) in Other Regulatory Liabilities	80,869,720	8,500,470
16	(Less) Allowance for Other Funds Used During Construction	312,560	36,382
17	(Less) Undistributed Earnings from Subsidiary Companies		-7,455,393
18	Other (provide details in footnote):	-72,369,372	14,493,586
19	Change in Other Deferred Debits	2,638,286	-1,243,545
20	Change in Other Deferred Credits	10,247,039	17,620,955
21			
22	Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21)	494,809,409	499,663,359
23			
24	Cash Flows from Investment Activities:		
25	Construction and Acquisition of Plant (including land):		
26	Gross Additions to Utility Plant (less nuclear fuel)	-841,952,008	-465,741,722
27	Gross Additions to Nuclear Fuel		
28	Gross Additions to Common Utility Plant		
29	Gross Additions to Nonutility Plant		
30	(Less) Allowance for Other Funds Used During Construction	-312,559	-36,382
31	Other (provide details in footnote):	-13,528,745	-14,381,278
32			
33			
34	Cash Outflows for Plant (Total of lines 26 thru 33)	-855,168,194	-480,086,618
35			
36	Acquisition of Other Noncurrent Assets (d)		
37	Proceeds from Disposal of Noncurrent Assets (d)		22,756
38			
39	Investments in and Advances to Assoc. and Subsidiary Companies		
40	Contributions and Advances from Assoc. and Subsidiary Companies		
41	Disposition of Investments in (and Advances to)		
42	Associated and Subsidiary Companies		
43			
44	Purchase of Investment Securities (a)		
45	Proceeds from Sales of Investment Securities (a)		

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STATEMENT OF CASH FLOWS

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.
(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
46	Loans Made or Purchased		
47	Collections on Loans		
48			
49	Net (Increase) Decrease in Receivables		
50	Net (Increase) Decrease in Inventory		
51	Net (Increase) Decrease in Allowances Held for Speculation		
52	Net Increase (Decrease) in Payables and Accrued Expenses		
53	Other (provide details in footnote):	2,057,088	45,500
54			
55			
56	Net Cash Provided by (Used in) Investing Activities		
57	Total of lines 34 thru 55)	-853,111,106	-480,018,362
58			
59	Cash Flows from Financing Activities:		
60	Proceeds from Issuance of:		
61	Long-Term Debt (b)	245,116,721	-420,720
62	Preferred Stock		
63	Common Stock		
64	Other (provide details in footnote):		
65			
66	Net Increase in Short-Term Debt (c)	80,000,000	69,970,318
67	Other (provide details in footnote):		
68			
69			
70	Cash Provided by Outside Sources (Total 61 thru 69)	325,116,721	69,549,598
71			
72	Payments for Retirement of:		
73	Long-term Debt (b)		
74	Preferred Stock		
75	Common Stock		
76	Other (provide details in footnote):	157,000,000	
77			
78	Net Decrease in Short-Term Debt (c)		
79			
80	Dividends on Preferred Stock		
81	Dividends on Common Stock	-124,000,000	-99,500,000
82	Net Cash Provided by (Used in) Financing Activities		
83	(Total of lines 70 thru 81)	358,116,721	-29,950,402
84			
85	Net Increase (Decrease) in Cash and Cash Equivalents		
86	(Total of lines 22,57 and 83)	-184,976	-10,305,405
87			
88	Cash and Cash Equivalents at Beginning of Period	20,834,409	31,139,814
89			
90	Cash and Cash Equivalents at End of period	20,649,433	20,834,409

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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FOOTNOTE DATA

Schedule Page: 120 Line No.: 18 Column: b

Other operating cash flows:

Other changes in Net Utility Plant	$	(93,717,330)
Accumulated Provision for Uncollectible Accounts - Credit		(2,705,111)
Proceeds for Key Man Life Insurance		4,902,229
Amortization of Debt Expenses and Losses on Bonds		4,204,829
Unamortized Discount on Long-Term Debt - Debit		642,757
Unamortized Discount on Short-Term Debt - Debit		(24,147)
Net decrease in Prepayments and other assets		8,294,751
Net decrease in Other Deferred Debits		101,124
Net increase in Other Comprehensive Income		(503,017)
Net decrease in Customer Advances for Construction		(102,907)
Net increase in Asset Retirement Obligations		109,290,814
Net decrease in the Provision for Pension and Postretirement Benefits		(39,193,843)
Pension and Postretirement Funding		(65,667,869)
Net increase in Other Liabilities		2,766,640
Reserve for Depreciation		(323,734)
Change in Deferred Income Taxes - purchase accounting		132,782
Change in Unappropriated Undistributed Subsidiary Earnings - purchase accounting		(126,001)
Change in Pollution Control Bonds - purchase accounting		(341,341)
Rounding		2
Total	$	(72,369,372)

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Other operating cash flows:

Other changes in Net Utility Plant	$	(14,847,014)
Accumulated Provision for Uncollectible Accounts - Credit		(4,694,519)
Proceeds for Key Man Life Insurance		(4,902,229)
Amortization of Debt Expenses and Losses on Bonds		3,159,633
Unamortized Discount on Long-Term Debt - Debit		635,250
Unamortized Discount on Short-Term Debt - Debit		21,195
Net increase in Prepayments and other assets		(4,433,846)
Net decrease in Other Deferred Debits		275,771
Net decrease in Other Comprehensive Income		2,043,898
Net decrease in Customer Advances for Construction		(170,675)
Net increase in Asset Retirement Obligations		7,780,485
Net increase in the Provision for Pension and Postretirement Benefits		27,238,491
Pension and Postretirement Funding		(20,800,800)
Net decrease in Other Liabilities		(1,163,605)
Reserve for Depreciation		8,295,498
Investment in subsidiary and other investments		6,173,252
Change in Deferred Income Taxes - purchase accounting		25,793
Change in Unappropriated Undistributed Subsidiary Earnings - purchase accounting		9,923,315
Change in Debt - purchase accounting		(66,306)
Rounding		(1)
Total	$	14,493,586

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Other plant investing cash flows:

Costs incurred related to Asset Retirement Obligations	$	(13,528,745)

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FOOTNOTE DATA

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Other investing cash flows:

Costs incurred related to Asset Retirement Obligations	$	(14,381,278)

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Other investing cash flows:

Proceeds for Key Man Life Insurance	$	2,057,088

Schedule Page: 120 Line No.: 53 Column: c

Other investing cash flows:

Proceeds for Key Man Life Insurance	$	45,500

Schedule Page: 120 Line No.: 76 Column: b

Other financing cash flows:

LG&E and KU Energy LLC Equity Contribution	$	157,000,000

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Cash and cash equivalents is comprised of the following amounts:

Cash (131)	$	4,995,916
Temporary Cash Investments (136)		15,653,517
Total Cash and Cash Equivalents at the End of Period	$	20,649,433

Schedule Page: 120 Line No.: 90 Column: c

Cash and cash equivalents are comprised of the following amounts:

Cash (131)	$	7,162,535
Temporary Cash Investments (136)		13,671,874
Total Cash and Cash Equivalents at the End of Period	$	20,834,409

Name of Respondent Kentucky Utilities Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report / /	Year/Period of Report End of 2013/Q4

NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Cormmission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

PAGE 122 INTENTIONALLY LEFT BLANK
SEE PAGE 123 FOR REQUIRED INFORMATION.

Name of Respondent Kentucky Utilities Company	This Report is: (1) X An Original (2) __ A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2013/Q4

GLOSSARY OF TERMS AND ABBREVIATIONS

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 LKE and other subsidiaries.

Other terms and abbreviations

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

AOCI **-** accumulated other comprehensive income or loss.

ARO **-** asset retirement obligation.

BREC **-** Big Rivers Electric Corporation, a power-generating rural electric cooperative in western Kentucky.

Cane Run Unit 7 **-** a natural gas combined-cycle unit under construction in Kentucky, jointly owned by LG&E and KU, which is expected to provide additional electric generating capacity of 640 MW (141 MW and 499 MW to LG&E and KU) in 2015.

CAIR **-** the EPA's Clean Air Interstate Rule.

CCR **-** Coal Combustion Residuals. 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.

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.

CSAPR **-** Cross-State Air Pollution Rule.

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NOTES TO FINANCIAL STATEMENTS (Continued)

Dodd-Frank Act **-** the Dodd-Frank Wall Street Reform and Consumer Protection Act that was signed into law in July 2010.

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.

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

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

EEI **-** Electric Energy, Inc., owns and operates a coal-fired plant and a natural gas facility in southern Illinois. KU's 20% ownership interest in EEI is accounted for as an equity method investment.

EPA **-** Environmental Protection Agency, a U.S. government agency.

E.W. Brown **-** a generating station in Kentucky with capacity of 1,594 MW.

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.

Fitch **-** Fitch, Inc., a credit rating agency.

GAAP **-** Generally Accepted Accounting Principles in the U.S.

GHG - greenhouse gas(es).

Green River Unit 5 **-** a natural gas combined-cycle unit proposed to be built in Kentucky, jointly owned by LG&E and KU, which is expected to provide additional electric generating capacity of 700MW (280 MW and 420 MW to LG&E and KU) in 2018.

IBEW – International Brotherhood of Electrical Workers.

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

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

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

kWh **-** kilowatt-hour, basic unit of electrical energy.

LIBOR **-** London Interbank Offered Rate.

MATS **-** Mercury and Air Toxics Standards.

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

MW **-** megawatt, one thousand kilowatts.

MWh **-** megawatt-hour, one thousand kilowatt-hours.

NERC **-** North American Electric Reliability Corporation.

NGCC **-** Natural gas-fired combined-cycle turbine.

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

OCI **-** other comprehensive income or loss.

Opacity **-** the degree to which emissions reduce the transmission of light and obscure the view of an object in the background. There are emission regulations that limit the opacity of power plant stack gas emissions.

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.

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

PP&E **-** property, plant and equipment.

RFC **-** Reliability*First* 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.

S&P **-** Standard & Poor's Ratings Services, a credit rating agency.

SCR **-** selective catalytic reduction, a pollution control process for the removal of nitrogen oxide from exhaust gases.

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.

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

TC2 **-** Trimble County Unit 2, a coal-fired plant located in Kentucky with a net summer capacity of 732 MW. LKE indirectly owns a 75% interest (consists of LG&E's 14.25% and KU's 60.75% interests) in TC2, or 549 MW of the capacity.

TRA – Tennessee Regulatory Authority, the state agency that has jurisdiction over the regulation of rates and service of utilities in Tennessee.

Tolling agreement **-** agreement whereby the owner of an electricity generating facility agrees to use that facility to convert fuel provided by a third party into electricity for delivery back to the third party.

VEBA **-** Voluntary Employee Benefit Association Trust, accounts for health and welfare plans for future benefit payments for employees, retirees or their beneficiaries.

VIE **-** variable interest entity.

Volumetric risk – the risk that the actual load volumes provided under full requirement arrangements could vary significantly from forecasted volumes.

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

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NOTES TO FINANCIAL STATEMENTS (Continued)

As permitted by the FERC for the Year Ended December 31, 2013 Form 1, the Notes to Financial Statements set forth below are principally from the Respondent's SEC Form 10-K for the Year Ended December 31, 2013, which was filed with the SEC on February 24, 2014. Accordingly, these Notes do not reflect updated information since this filing date.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

General

Capitalized terms and abbreviations appearing in the notes to financial statements are defined in the glossary. Dollars are in millions, unless otherwise noted.

Business and Consolidation

KU is engaged in the regulated generation, transmission, distribution and sale of electricity. KU also serves customers in Virginia (under the Old Dominion Power name) and in Tennessee under the KU name.

The financial statements of KU include the company's own accounts as well as the accounts of all entities in which the company has a controlling financial interest. Entities for which a controlling financial interest is not demonstrated through voting interests are evaluated based on accounting guidance for VIEs. KU has no controlling interest in a VIE. Investments in entities in which a company has the ability to exercise significant influence but does not have a controlling financial interest are accounted for under the equity method. All other investments are carried at cost or fair value. All significant intercompany transactions have been eliminated. Any noncontrolling interests are reflected in the financial statements.

The financial statements of KU include its share of any undivided interests in jointly owned facilities, as well as its share of the related operating costs of those facilities. See Note 9 for additional information.

Regulation

KU is a cost-based rate-regulated utility for which rates are set by regulators to enable KU to recover the costs of providing electric service and to provide a reasonable return to shareholders. Rates are generally established based on a test period adjusted to exclude unusual or nonrecurring items. As a result, the financial statements are subject to the accounting for certain types of regulation as prescribed by GAAP and reflect the effects of regulatory actions. Regulatory assets are recognized for the effect of transactions or events where future recovery of underlying costs is probable in regulated customer rates. The effect of such accounting is to defer certain or qualifying costs that would otherwise currently be charged to expense. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates. In certain cases, regulatory liabilities are recorded based on an understanding or agreement with the regulator that rates have been set to recover costs that are expected to be incurred in the future, and the regulated entity is accountable for any amounts charged pursuant to such rates and not yet expended for the intended purpose. The accounting for regulatory assets and regulatory liabilities is based on specific ratemaking decisions or precedent for each transaction or event as prescribed by the FERC or the applicable state regulatory commissions. See Note 4 for additional details regarding regulatory matters.

Accounting Records

The system of accounts for KU is maintained in accordance with the Uniform System of Accounts prescribed by the FERC and adopted by the applicable state regulatory commissions.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Loss Accruals

Potential losses are accrued when (1) information is available that indicates it is "probable" that a loss has been incurred, given the likelihood of the uncertain future events and (2) the amount of the loss can be reasonably estimated. Accounting guidance defines "probable" as cases in which "the future event or events are likely to occur." KU continuously assesses potential loss contingencies for environmental remediation, litigation claims, regulatory penalties and other events. Loss accruals for environmental remediation are discounted when appropriate.

The accrual of contingencies that might result in gains is not recorded, unless realization is assured.

Price Risk Management

Energy and energy-related contracts are used to hedge the variability of expected cash flows associated with the generating units and marketing activities. Interest rate contracts are used to hedge exposures to changes in the fair value of debt instruments and to hedge exposures to variability in expected cash flows associated with existing floating-rate debt instruments or forecasted fixed-rate issuances of debt. Similar derivatives may receive different accounting treatment, depending on management's intended use and documentation.

Certain energy and energy-related contracts meet the definition of a derivative, while others do not meet the definition of a derivative because they lack a notional amount or a net settlement provision. In cases where there is no net settlement provision, markets are periodically assessed to determine whether market mechanisms have evolved that would facilitate net settlement. Certain derivative energy contracts have been excluded from the requirements of derivative accounting treatment because NPNS has been elected. These contracts are accounted for using accrual accounting. All other contracts that have been classified as derivative contracts are reflected on the Balance Sheets at fair value. These contracts are recorded as "Price risk management assets" and "Price risk management liabilities" on the Balance Sheets. The portion of derivative positions that deliver within a year are included in "Current Assets" and "Current Liabilities," while the portion of derivative positions that deliver beyond a year are recorded in "Other Noncurrent Assets" and "Deferred Credits and Other Noncurrent

Liabilities."

Energy and energy-related contracts are assigned a strategy and accounting classification. Processes exist that allow for subsequent review and validation of the contract information. See Note 14 for more information. The accounting department provides the traders and the risk management department with guidelines on appropriate accounting classifications for various contract types and strategies. Some examples of these guidelines include, but are not limited to:

- Physical coal, limestone, lime, uranium, electric transmission, gas transportation, gas storage and renewable energy credit contracts not traded on an exchange are not derivatives due to the lack of net settlement provisions.

- Only contracts where physical delivery is deemed probable throughout the entire term of the contract can qualify for NPNS.

- Physical transactions that permit cash settlement and financial transactions do not qualify for NPNS because physical delivery cannot be asserted; however, these transactions can receive cash flow hedge treatment if they effectively hedge the volatility in the future cash flows for energy-related commodities.

- Certain purchased option contracts or net purchased option collars may receive cash flow hedge treatment.

- Derivative transactions that do not qualify for NPNS or cash flow hedge treatment, or for which NPNS or cash flow hedge treatment is not elected, are recorded at fair value through earnings.

A similar process is also followed by the treasury department as it relates to interest rate derivatives. Examples of accounting guidelines provided to the treasury department staff include, but are not limited to:

- Transactions to lock in an interest rate prior to a debt issuance can be designated as cash flow hedges; to the extent the forecasted debt issuances remain probable of occurring.

- Derivative transactions that do not qualify for cash flow or net investment hedge treatment are marked to fair value through earnings.

- Derivative transactions may be marked to fair value through regulatory assets/liabilities if approved by the appropriate regulatory body. These transactions generally include the effect of interest rate swaps that are included in customer rates.

Cash inflows and outflows related to derivative instruments are included as a component of operating, investing or financing activities on the Statements of Cash Flows, depending on the classification of the hedged items.

KU has elected not to offset net derivative positions against the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) under master netting arrangements.

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NOTES TO FINANCIAL STATEMENTS (Continued)

See Notes 13 and 14 for additional information on derivatives.

Revenue

Revenue Recognition

Operating revenues are recorded based on energy deliveries through the end of the calendar month. Unbilled retail revenues result because customers' meters are read and bills are rendered throughout the month, rather than all being read at the end of the month. Unbilled revenues for a month are calculated by multiplying an estimate of unbilled kWh by the estimated average cents per kWh. Unbilled wholesale energy revenues are recorded at month-end to reflect estimated amounts until actual dollars and MWhs are confirmed and invoiced. Any difference between estimated and actual revenues is adjusted the following month.

Accounts Receivable

Accounts receivable are reported on the Balance Sheets at the gross outstanding amount adjusted for an allowance for doubtful accounts. Accounts receivable that are acquired are initially recorded at fair value on the date of acquisition.

Allowance for Doubtful Accounts

Accounts receivable collectability is evaluated using a combination of factors, including past due status based on contractual terms, trends in write-offs, the age of the receivable, counterparty creditworthiness and economic conditions. Specific events, such as bankruptcies, are also considered. Adjustments to the allowance for doubtful accounts are made when necessary based on the results of analysis, the aging of receivables and historical and industry trends.

Accounts receivable are written off in the period in which the receivable is deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when it is known they will be received.

The changes in the allowance for doubtful accounts at December 31 were:

		Additions			
	Balance at Beginning of Period	Charged to Income	Charged to Other Accounts (a)	Deductions (b)	Balance at End of Period
2013	$ 2	$ 3	$ 3	$ 4	$ 4
2012	2	4	-	4	2

(a) Primarily related to capital projects, thus the provision was recorded as an adjustment to construction work in progress.

(b) Primarily related to uncollectible accounts written off.

Cash

Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

Restricted Cash and Cash Equivalents

Bank deposits and other cash equivalents that are restricted by agreement or that have been clearly designated for a specific purpose are classified as restricted cash and cash equivalents. The change in restricted cash and cash equivalents is reported as an investing activity on the Statements of Cash Flows. On the Balance Sheets, the current portion of restricted cash and cash equivalents is shown in "Other current assets" while the noncurrent portion is included in "Other noncurrent assets". At December 31, 2013 and 2012, the balances of restricted cash and cash equivalents were insignificant.

Fair Value Measurements

KU values certain financial and nonfinancial assets and liabilities at fair value. Generally, the most significant fair value measurements relate to price risk management assets and liabilities and cash and cash equivalents. KU uses, as appropriate, a market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models) and/or a cost approach (generally, replacement cost) to measure the fair value of an asset or liability. These valuation approaches incorporate inputs such as observable, independent market data and/or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk.

KU classifies fair value measurements within one of three levels in the fair value hierarchy. The level assigned to a fair value measurement is based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are as follows:

- **Level 1 -** quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

- **Level 2 -** inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for substantially the full term of the asset or liability.

- **Level 3 -** unobservable inputs that management believes are predicated on the assumptions market participants would use to measure the asset or liability at fair value.

Assessing the significance of a particular input requires judgment that considers factors specific to the asset or liability. As such, KU's assessment of the significance of a particular input may affect how the assets and liabilities are classified within the fair value hierarchy.

Investments

Generally, the original maturity date of an investment and management's intent and ability to sell an investment prior to its original maturity determine the classification of investments as either short-term or long-term. Investments that would otherwise be classified as short-term, but are restricted as to withdrawal or use for other than current operations or are clearly designated for expenditure in the acquisition or construction of noncurrent assets or for the liquidation of long-term debts, are classified as long-term.

Short-term Investments

Short-term investments generally include certain deposits as well as securities that are considered highly liquid or provide for periodic reset of interest rates. Investments with original maturities greater than three months and less than a year, as well as investments with original maturities of greater than a year that management has the ability and intent to sell within a year, are included in "Other current assets" on the Balance Sheets.

Equity Method Investment

Investments in entities over which KU has the ability to exercise significant influence, but not control, are accounted for using the equity method of accounting and are reported in "Other noncurrent assets" on its Balance Sheets. In accordance with the accounting guidance for equity method investments, the recoverability of the investment is periodically assessed. If an identified event or change in circumstances requires an impairment evaluation, the fair value of the investment is assessed. The difference between the carrying amount of the investment and its estimated fair value is recognized as an impairment loss when the loss in value is deemed other-than-temporary and such loss is included in "Other-Than-Temporary Impairments" on the Statements of Income.

KU owns 20% of the common stock of EEI, which is accounted for as an equity method investment. During 2012, KU recorded losses of $8 million from its share of EEI's operating results. In December 2012, KU concluded that an other-than-temporary decline in the value of its investment in EEI had occurred. KU recorded an impairment charge of $25 million ($15 million, after-tax) which reduced the investment balance to zero, the estimated fair value at December 31, 2013 and 2012. See Note 13 for additional information.

Cost Method Investment

KU has an investment in OVEC, which is accounted for using the cost method. The investment is recorded in "Other noncurrent assets" on the Balance Sheets. KU and 11 other electric utilities are equity owners of OVEC. OVEC's power is currently supplied to KU and 12 other companies affiliated with the various owners. KU owns 2.5% of OVEC's common stock. Pursuant to a power purchase agreement, KU is contractually entitled to its ownership percentage of OVEC's output, which is approximately 53 MW.

KU's investment in OVEC is not significant. The direct exposure to loss as a result of KU's involvement with OVEC is generally limited to the value of its investment; however, KU may be conditionally responsible for a pro-rata share of certain OVEC obligations. As part of PPL's acquisition of LKE, the value of the power purchase contract was recorded as an intangible asset with an offsetting regulatory liability, both of which are being amortized using the units-of-production method until March 2026, the expiration date of the agreement. See Notes 10 and 15 for additional discussion on the power purchase agreement.

Long-Lived and Intangible Assets

Property, Plant and Equipment

PP&E is recorded at original cost, unless impaired. PP&E acquired in business combinations is recorded at fair value at the time of acquisition, which establishes its original cost. If impaired, the asset is written down to fair value at that time, which becomes the new cost basis of the asset. Original cost for constructed assets includes material, labor, contractor costs, certain overheads and financing costs, where applicable. The cost of repairs and minor replacements are charged to expense as incurred. KU records costs associated with planned major maintenance projects in the period in which the costs are incurred. No costs associated with planned major maintenance projects are accrued in advance of the period in which the work is performed. KU accrues costs of removal net of estimated salvage value through depreciation, which is included in the calculation of customer rates over the assets' depreciable lives in accordance with regulatory practices. Cost of removal amounts accrued through depreciation rates are accumulated as a regulatory liability until the removal costs are incurred. See "Asset Retirement Obligations" below and Note 4 for additional information.

Depreciation

Depreciation is recorded over the estimated useful lives of property using various methods including the straight-line, composite and group methods. When a component of PP&E that was depreciated under the composite or group method is retired, the original cost is charged to accumulated depreciation. When all or a significant portion of an operating unit that was depreciated under the composite or group method is retired or sold, the property and the related accumulated depreciation account is reduced and any gain or loss is included in income, unless otherwise required by regulators. KU’s weighted-average rates of depreciation for regulated utility plant were 3.77% and 4.06% at December 31, 2013 and 2012.

The KPSC approved new lower depreciation rates for KU as part of the rate-case settlement agreement reached in November 2012. The new rates became effective January 1, 2013 and resulted in lower depreciation of approximately $14 million in 2013, exclusive of net additions to PP&E.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price paid over the fair value of the identifiable net assets acquired in a business combination.

Other acquired intangible assets are initially measured based on their fair value. Intangibles that have finite useful lives are amortized over their useful lives based upon the pattern in which the economic benefits of the intangible assets are consumed or otherwise used. Costs incurred to obtain an initial license and renew or extend terms of licenses are capitalized as intangible assets.

When determining the useful life of an intangible asset, including intangible assets that are renewed or extended, KU considers the expected use of the asset; the expected useful life of other assets to which the useful life of the intangible asset may relate; legal, regulatory, or contractual provisions that may limit the useful life; the company's historical experience as evidence of its ability to support renewal or extension; the effects of obsolescence, demand, competition, and other economic factors; and the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

KU accounts for emission allowances as intangible assets. KU is allocated emission allowances by states based on its generation facilities' historical emissions experience, and have purchased emission allowances generally when it is expected that additional allowances will be needed. The carrying value of allocated emission allowances is initially recorded at zero value and purchased allowances are initially recorded based on their purchase price. When consumed or sold, emission allowances are removed from the Balance Sheets at their weighted-average carrying value. Since the economic benefits of emission allowances are not diminished until they are consumed, emission allowances are not amortized; rather, they are expensed when consumed or a gain or loss is recognized when sold. Such expense is included in "Fuel" on the Statements of Income. Gains and losses on the sale of emission allowances are included in "Other operation and maintenance" on the Statements of Income.

Asset Impairment (Excluding Investments)

KU reviews long-lived assets that are subject to depreciation or amortization, including finite-lived intangibles, for impairment when events or circumstances indicate carrying amounts may not be recoverable. See Note 13 for a discussion of impairments related to certain intangible assets.

A long-lived asset classified as held and used is impaired when the carrying amount of the asset exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If impaired, the asset's carrying value is written down to its fair value.

A long-lived asset classified as held for sale is impaired when the carrying amount of the asset (disposal group) exceeds its fair value less cost to sell. If impaired, the asset's (disposal group's) carrying value is written down to its fair value less cost to sell.

Goodwill is reviewed for impairment at the reporting unit level annually or more frequently when events or circumstances indicate that the carrying amount of a reporting unit may be greater than the unit's fair value. Additionally, goodwill must be tested for impairment in circumstances when a portion of goodwill has been allocated to a business to be disposed. KU is a single reporting unit.

KU may elect either to initially make a qualitative evaluation about the likelihood of an impairment of goodwill or to bypass the qualitative evaluation and test goodwill for impairment using a two-step quantitative test. If the qualitative evaluation (referred to as "step zero") is elected and the assessment results in a determination that it is not more likely than not that the fair value of a reporting unit is less than the carrying amount, the two-step quantitative impairment test is not necessary. However, the quantitative impairment test is required if management concludes it is more likely than not that the fair value of a reporting unit is less than the carrying amount based on the step zero assessment.

If the carrying amount of the reporting unit, including goodwill, exceeds its fair value, the implied fair value of goodwill must be calculated in the same manner as goodwill in a business combination. The fair value of a reporting unit is allocated to all assets and liabilities of that unit as if the reporting unit had been acquired in a business combination. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying amount, goodwill is written down to its implied fair value.

KU elected to perform the qualitative step zero evaluation of goodwill in the fourth quarter of 2013 and determined that it was not more likely than not that the fair value of its goodwill was less than its carrying value.

Asset Retirement Obligations

KU records liabilities to reflect various legal obligations associated with the retirement of long-lived assets. Initially, this obligation is measured at fair value and offset with an increase in the value of the capitalized asset, which is depreciated over the asset's useful life. Until the obligation is settled, the liability is increased through the recognition of accretion expense classified within "Other operation and maintenance" on the Statements of Income to reflect changes in the obligation due to the passage of time. The accretion and depreciation expenses recorded by KU are recorded as a regulatory asset, such that there is no earnings impact.

Estimated ARO costs and settlement dates, which affect the carrying value of the ARO and the related capitalized asset, are reviewed periodically to ensure that any material changes are incorporated into the latest estimate of the ARO. Any change to the capitalized asset, positive or negative, is generally amortized over the remaining life of the associated long-lived asset. See Note 16 for additional information on AROs.

Compensation and Benefits

Defined Benefits

KU does not directly sponsor any defined benefit plan. KU participates in defined benefit pension and other postretirement plans. These plans are sponsored by LKE. LKE allocates a portion of the liability and net periodic defined benefit pension and other postretirement costs of certain plans to KU based on its participation. An asset or liability is recorded to recognize the funded status of all defined benefit plans with an offsetting entry to regulatory assets or liabilities. Consequently, the funded status of all defined benefit plans is fully recognized on the Balance Sheets.

The expected return on plan assets is determined based on a market-related value of plan assets, which is calculated by rolling forward the prior year market-related value with contributions, disbursements and long-term expected return on investments. One-fifth of the difference between the actual value and the expected value is added (or subtracted if negative) to the expected value to determine the new market-related value.

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LKE uses an accelerated amortization method for the recognition of gains and losses for its defined benefit pension plans. Under the accelerated method, actuarial gains and losses in excess of 30% of the plan's projected benefit obligation are amortized on a straight-line basis over one-half of the expected average remaining service of active plan participants. Actuarial gains and losses in excess of 10% of the greater of the plan's projected benefit obligation or the market-related value of plan assets and less than 30% of the plan's projected benefit obligation are amortized on a straight-line basis over the expected average remaining service period of active plan participants.

See Note 8 for a discussion of defined benefits.

Taxes

Income Taxes

KU is included in PPL's consolidated U.S. federal income tax return.

Significant management judgment is required in developing KU's provision for income taxes, primarily due to the uncertainty related to tax positions taken or expected to be taken in tax returns and valuation allowances on deferred tax assets.

Significant management judgment is also required to determine the amount of benefit to be recognized in relation to an uncertain tax position. KU uses a two-step process to evaluate tax positions. The first step requires KU to determine whether, based on the technical merits supporting a particular tax position, it is more likely than not (greater than a 50% chance) that the tax position will be sustained. This determination assumes that the relevant taxing authority will examine the tax position and is aware of all the relevant facts surrounding the tax position. The second step requires KU to recognize in the financial statements the benefit of a tax position that meets the more-likely-than-not recognition criterion. The benefit recognized is measured at the largest amount of benefit that has a likelihood of realization, upon settlement, that exceeds 50%. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements of KU in future periods.

Deferred income taxes reflect the net future tax effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their basis for income tax purposes, as well as the tax effects of net operating losses and tax credit carryforwards.

KU records valuation allowances to reduce deferred tax assets to the amounts that are more likely than not to be realized. KU considers the reversal of temporary differences, future taxable income and ongoing prudent and feasible tax planning strategies in initially recording and subsequently reevaluating the need for valuation allowances. If KU determines that it is able to realize deferred tax assets in the future in excess of recorded net deferred tax assets, adjustments to the valuation allowances increase income by reducing tax expense in the period that such determination is made. Likewise, if KU determines that it is not able to realize all or part of net deferred tax assets in the future, adjustments to the valuation allowances would decrease income by increasing tax expense in the period that such determination is made.

KU defers investment tax credits when the credits are utilized and amortizes the deferred amounts over the average lives of the related assets.

KU recognizes interest and penalties in "Income Taxes" on its Statements of Income.

See Note 3 for additional discussion regarding income taxes.

The provision for KU's deferred income taxes for regulated assets is based upon the ratemaking principles reflected in rates established by the regulators. The difference in the provision for deferred income taxes for regulated assets and the amount that otherwise would be recorded under GAAP is deferred and included on the Balance Sheets in noncurrent "Regulatory assets" or "Regulatory liabilities."

The income tax provision for KU is calculated in accordance with an intercompany tax sharing agreement which provides that taxable income be calculated as if KU filed a separate return. Tax benefits are not shared between companies. A tax benefit inures only to the entity that gave rise to said benefit. The effect of PPL filing a consolidated tax return is taken into account in the settlement of current taxes and the recognition of deferred taxes. KU had intercompany tax payables of $27 million and $15 million at December 31, 2013 and 2012.

Taxes, Other Than Income

KU presents sales taxes in "Other current liabilities" on the Balance Sheets. These taxes are not separately reflected on the Statements of Income. See Note 3 for details on taxes included in "Taxes, other than income" on the Statements of Income.

Other

Leases

KU evaluates whether arrangements entered into contain leases for accounting purposes. See Note 7 for a discussion of arrangements under which KU is a lessee for accounting purposes.

Fuel, Materials and Supplies

Fuel, materials and supplies are valued at the lower of cost or market using the average cost method. Fuel costs for electric generation are charged to expense as used. See Note 4 for further discussion of the fuel adjustment clause.

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"Fuel, materials and supplies" on the Balance Sheets consisted of the following at December 31.

	2013	2012
Fuel	$ 77	$ 88
Materials and supplies	47	46
Total	$ 124	$ 134

Guarantees

Generally, the initial measurement of a guarantee liability is the fair value of the guarantee at its inception. However, there are certain guarantees excluded from the scope of accounting guidance and other guarantees that are not subject to the initial recognition and measurement provisions of accounting guidance that only require disclosure. See Note 10 for further discussion of recorded and unrecorded guarantees.

New Accounting Guidance Adopted

Improving Disclosures about Offsetting Balance Sheet Items

Effective January 1, 2013, KU retrospectively adopted accounting guidance issued to enhance disclosures about derivative instruments that either (1) offset on the balance sheet or (2) are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset on the balance sheet.

The adoption of this guidance resulted in enhanced disclosures but did not have a significant impact on KU. See Note 14 for the new disclosures.

Testing Indefinite-Lived Intangible Assets for Impairment

Effective January 1, 2013, KU prospectively adopted accounting guidance that allows an entity to elect the option to first make a qualitative evaluation about the likelihood of an impairment of an indefinite-lived intangible asset. If, based on this assessment, the entity determines that it is more likely than not that the fair value of the indefinite-lived intangible asset exceeds the carrying amount, a quantitative impairment test does not need to be performed. If the entity concludes otherwise, a quantitative impairment test must be performed by determining the fair value of the asset and comparing it with the carrying value. The entity would record an impairment charge, if necessary.

The adoption of this guidance did not have a significant impact on KU.

Reporting Amounts Reclassified Out of AOCI

Effective January 1, 2013, KU prospectively adopted accounting guidance issued to improve the reporting of reclassifications out of AOCI. KU is required to provide information about the effects on net income of significant amounts reclassified out of AOCI by its respective statement of income line item, if the item is required to be reclassified to net income in its entirety. For items not reclassified to net income in their entirety, KU is required to reference other disclosures that provide greater detail about these reclassifications.

The adoption of this guidance resulted in enhanced disclosures but did not have a significant impact on KU.

2. Preferred Securities

KU is authorized to issue up to 5,300,000 shares of preferred stock and 2,000,000 shares of preference stock without par value. KU had no preferred or preference stock issued or outstanding in 2013 or 2012.

3. Income and Other Taxes

The provision for KU's deferred income taxes for regulated assets and liabilities is based upon the ratemaking principles reflected in rates established by the KPSC, VSCC, TRA and the FERC. The difference in the provision for deferred income taxes for regulated assets and liabilities and the amount that otherwise would be recorded under GAAP is deferred and included in "Regulatory assets" or "Regulatory liabilities" on the Balance Sheets.

Significant components of KU's deferred income tax assets and liabilities were as follows at December 31.

	2013	2012
Deferred Tax Assets		
Regulatory liabilities	$ 47	$ 45
Deferred investment tax credits	38	38
Net operating loss carryforward	23	20
Income taxes due to customers	4	5
Accrued pension costs	-	(5)
Other	8	7
Total deferred tax assets	120	110
Deferred Tax Liabilities		
Plant - net	721	623
Regulatory assets	50	65
Other	4	5
Total deferred tax liabilities	775	693
Net deferred tax liability	$ 655	$ 583

KU expects to have adequate levels of taxable income to realize its recorded deferred income tax assets.

At December 31, 2013, KU had $65 million of federal net operating loss carryforwards that expire in 2032.

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Details of the components of income tax expense, a reconciliation of federal income taxes derived from statutory tax rates applied to "Income Before Income Taxes" to income taxes for reporting purposes, and details of "Taxes, other than income" at December 31 were:

	2013	2012
Income Tax Expense (Benefit)		
Current - Federal	$ 51	$ (20)
Current - State	12	(1)
Total Current Expense	63	(21)
Deferred - Federal	66	111
Deferred - State	8	11
Total Deferred Expense, excluding operating loss carryforwards	74	122
Investment tax credit, net - Federal	(2)	(3)
Tax benefit of operating loss carryforwards		
Deferred - Federal	(3)	(20)
Total Tax Benefit of Operating Loss Carryforwards	(3)	(20)
Total income tax expense (a)	$ 132	$ 78
Total income tax expense - Federal	$ 112	$ 68
Total income tax expense - State	20	10
Total income tax expense (a)	$ 132	$ 78

(a) Excludes deferred federal and state tax (benefit) recorded to OCI of less than $1 million in 2013 and $1 million in 2012.

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	2013	2012
Reconciliation of Income Taxes		
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 126	$ 75
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	14	6
Amortization of investment tax credit	(2)	(3)
Other	(6)	-
Total increase	6	3
Total income tax expense	$ 132	$ 78
Effective income tax rate	36.7%	36.3%

	2013	2012
Taxes, other than income		
Property and other	$ 24	$ 23
Total	$ 24	$ 23

Unrecognized Tax Benefits

KU's unrecognized tax benefits and changes in those unrecognized tax benefits are insignificant at December 31, 2013 and 2012. At December 31, 2013, no significant changes in unrecognized tax benefits are projected over the next 12 months. At December 31, 2013 and 2012, the total unrecognized tax benefits and related indirect effects that, if recognized, would decrease the effective tax rate were insignificant.

At December 31, 2013 and 2012, receivable (payable) balances were recorded for interest related to tax positions. The amounts were insignificant. The interest expense (benefit) was recognized in income taxes. The amounts were insignificant.

The income tax provisions for KU are calculated in accordance with an intercompany tax sharing agreement which provides that taxable income be calculated as if each domestic subsidiary filed a separate consolidated return. Based on this tax sharing agreement, KU indirectly files tax returns in two major tax jurisdictions. With few exceptions, at December 31, 2013, these jurisdictions, as well as the tax years that are no longer subject to examination, were as follows:

U.S. (federal) (a)	10/31/2010 and prior
Kentucky (state)	2010 and prior

(a) The ten month period ending October 31, 2010 remains open under the standard three year statute of limitations; however, the IRS has completed its audit of these periods under the Compliance Assurance Process, effectively closing them to audit adjustments. No issues remain outstanding.

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4. Utility Rate Regulation

Regulatory Assets and Liabilities

As discussed in Note 1 and summarized below, KU reflects the effects of regulatory actions in the financial statements for its cost-based rate-regulated utility operations. Regulatory assets and liabilities are classified as current if, upon initial recognition, the entire amount related to that item will be recovered or refunded within a year of the balance sheet date.

KU is subject to the jurisdiction of the KPSC, FERC, VSCC and TRA.

KU's Kentucky base rates are calculated based on a return on capitalization (common equity, long-term debt and short-term debt) including adjustments for certain net investments and costs recovered separately through other means. As such, KU generally earns a return on regulatory assets.

As a result of purchase accounting requirements, certain fair value amounts related to contracts that had favorable or unfavorable terms relative to market were recorded on the Balance Sheets with an offsetting regulatory asset or liability. KU recovers in customer rates the cost of coal contracts, power purchases and emission allowances. As a result, management believes the regulatory assets and liabilities created to offset the fair value amounts at LKE's acquisition date meet the recognition criteria established by existing accounting guidance and eliminate any rate-making impact of the fair value adjustments. KU's customer rates will continue to reflect the original contracted prices for these contracts.

KU's Virginia base rates are calculated based on a return on rate base (net utility plant plus working capital less deferred taxes and miscellaneous deductions). All regulatory assets and liabilities, except the levelized fuel factor, are excluded from the return on rate base utilized in the calculation of Virginia base rates. Therefore, no return is earned on the related assets.

KU's rates to municipal customers for wholesale requirements are calculated based on annual updates to a rate formula that utilizes a return on rate base (net utility plant plus working capital less deferred taxes and miscellaneous deductions). All regulatory assets and liabilities are excluded from the return on rate base utilized in the development of municipal rates. Therefore, no return is earned on the related assets.

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The following tables provide information about the regulatory assets and liabilities of cost-based rate-regulated utility operations at December 31.

		2013		2012
Current Regulatory Assets:				
Environmental cost recovery	$	5		-
Demand side management		5		-
Total current regulatory assets	$	10	$	-
Noncurrent Regulatory Assets:				
Defined benefit plans	$	88	$	136
Storm costs		43		50
Unamortized loss on debt		10		11
AROs		23		11
Other		7		22
Total noncurrent regulatory assets	$	171	$	230

		2013		2012
Current Regulatory Liabilities:				
Environmental cost recovery	$	-	$	4
Fuel adjustment clause		4		1
Other		1		-
Total current regulatory liabilities	$	5	$	5
Noncurrent Regulatory Liabilities:				
Coal contracts (a)	$	55	$	80
Power purchase agreement - OVEC (a)		31		33
Net deferred tax assets		4		6
Defined benefit plans		26		17
Interest rate swaps		43		7
Other		3		6
Total noncurrent regulatory liabilities	$	162	$	149

(a) These liabilities were recorded as offsets to certain intangible assets that were recorded at fair value upon the acquisition of LKE.

Following is an overview of selected regulatory assets and liabilities detailed in the preceding tables. Specific developments with respect to certain of these regulatory assets and liabilities are discussed in "Regulatory

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Matters."

Defined Benefit Plans

Defined benefit plan regulatory assets and liabilities represent the portion of unrecognized transition obligation, prior service cost and net actuarial losses that will be recovered in defined benefit plans expense through future base rates based upon established regulatory practices and generally, are amortized over the average remaining service lives of plan participants. These regulatory assets and liabilities are adjusted at least annually or whenever the funded status of defined benefit plans is re-measured. Of the regulatory asset and liability balances recorded, costs of $6 million are expected to be amortized into net periodic defined benefit costs in 2014.

Storm Costs

KU has the ability to request from the KPSC and VSCC the authority to treat expenses related to specific extraordinary storms as a regulatory asset and defer and amortize such costs for regulatory accounting and reporting purposes. Once such authority is granted, KU can request recovery of those expenses in a base rate case.

Unamortized Loss on Debt

Unamortized loss on reacquired debt represents losses on long-term debt reacquired or redeemed that have been deferred and will be amortized and recovered over either the original life of the extinguished debt or the life of the replacement debt (in the case of refinancing). Such costs are being amortized through 2040.

Environmental Cost Recovery

Kentucky law permits KU to recover the costs, including a return of operating expenses and a return of and on capital invested, of complying with the Clean Air Act and those federal, state or local environmental requirements which apply to coal combustion wastes and by-products from coal-fired electric generating facilities. The KPSC requires reviews of the past operations of the environmental surcharge for six-month and two-year billing periods to evaluate the related charges, credits and rates of return, as well as to provide for the roll-in of ECR amounts to base rates each two-year period. The ECR regulatory asset or liability represents the amount that has been under- or over-recovered due to timing or adjustments to the mechanism and is typically recovered within 12 months. As a result of the settlement agreement in the 2012 rate case, beginning in 2013, KU will receive a 10.25% return on equity for all ECR projects included in the 2009 and 2011 compliance plans. In 2012 KU was authorized to receive a 10.63% return on equity for projects associated with the 2009 compliance plan and a 10.10% return on equity for projects associated with the 2011 compliance plan.

Fuel Adjustment Clauses

KU's retail electric rates contain a fuel adjustment clause, whereby variances in the cost of fuel to generate electricity, including transportation costs, from the costs embedded in base rates are adjusted in KU's rates. The KPSC requires public hearings at six-month intervals to examine past fuel adjustments and at two-year intervals to review past operations of the fuel adjustment clause and, to the extent appropriate, reestablish the fuel charge

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included in base rates. The regulatory assets or liabilities represent the amounts that have been under- or over-recovered due to timing or adjustments to the mechanism and are typically recovered within 12 months.

KU also employs a levelized fuel factor mechanism for Virginia customers using an average fuel cost factor based primarily on projected fuel costs. The Virginia levelized fuel factor allows fuel recovery based on projected fuel costs for the coming year plus an adjustment for any under- or over-recovery of fuel expenses from the prior year. The regulatory assets or liabilities represent the amounts that have been under- or over-recovered due to timing or adjustments to the mechanism and are typically recovered within 12 months.

Demand Side Management

KU's DSM programs consist of energy efficiency programs which are intended to reduce peak demand and delay the investment in additional power plant construction, provide customers with tools and information to become better managers of their energy usage and prepare for potential future legislation governing energy efficiency. KU's rates contain a DSM provision which includes a rate recovery mechanism that provides for concurrent recovery of DSM costs, and allows for the recovery of DSM revenues from lost sales associated with the DSM programs. Additionally, KU earns an approved return on equity for capital expenditures associated with the residential and commercial load management/demand conservation programs. The cost of DSM programs is assigned only to the class or classes of customers that benefit from the programs.

Interest Rate Swaps

In November 2012 and April 2013, KU entered into forward-starting interest rate swaps with PPL that hedged the interest payments on new debt that was expected to be issued in 2013. In September 2013, these hedges were terminated and KU entered into new forward-starting interest rate swaps with PPL, effectively extending the start date of the prior hedges from September 2013 to December 2013. All of these swaps had terms identical to forward-starting swaps entered into by PPL with third parties. New debt totaling $250 million was issued in November 2013 and the hedges issued in September were terminated in November 2013. Net cash settlements of $43 million were received on the swaps that were terminated in September and November, which are included in "Cash Flows from Operating Activities" on the Statements of Cash Flows. Net realized gains on these swaps will be returned through regulated rates. As such, the net settlements were reclassified from AOCI to regulatory liabilities and are being recognized in "Interest Expense" on the Statements of Income over the life of the newly issued debt. For the year ended December 31, 2013, there was no hedge ineffectiveness recorded for the interest rate derivatives. See Note 14 for additional information related to the forward-starting interest rate swaps.

AROs

As discussed in Note 1, the accretion and depreciation expenses related to KU's AROs are recorded as a regulatory asset, such that there is no earnings impact. When an asset with an ARO is retired, the related ARO regulatory asset is offset against the associated cost of removal regulatory liability, PP&E and ARO liability.

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Coal Contracts

As a result of purchase accounting associated with PPL's acquisition of LKE, KU's coal contracts were recorded at fair value on the Balance Sheets with offsets to regulatory assets for those contracts with unfavorable terms relative to current market prices and offsets to regulatory liabilities for those contracts with favorable terms relative to current market prices. These regulatory assets and liabilities are being amortized over the same terms as the related contracts, which expire at various times through 2016.

Power Purchase Agreement - OVEC

As a result of purchase accounting associated with PPL's acquisition of LKE, the fair value of the OVEC power purchase agreement was recorded on the balance sheets with an offset to regulatory liabilities. The regulatory liabilities are being amortized using the units-of-production method until March 2026, the expiration date of the agreement at the date of the acquisition.

Regulatory Liability Associated with Net Deferred Tax Assets

KU's regulatory liabilities associated with net deferred tax assets represent the future revenue impact from the reversal of deferred income taxes required primarily for unamortized investment tax credits. These regulatory liabilities are recognized when the offsetting deferred tax assets are recognized. For general-purpose financial reporting, these regulatory liabilities and the deferred tax assets are not offset; rather, each is displayed separately.

Regulatory Matters

Rate Case Proceedings

In December 2012, the KPSC approved a rate case settlement agreement providing for increases in annual base electricity rates of $51 million and authorized a 10.25% return on equity. The approved rates became effective January 1, 2013.

CPCN Filings

In January 2014, KU and LG&E filed an application for a CPCN with the KPSC requesting approval to build a NGCC generating unit at KU's Green River generating site and a solar generating facility at the E. W. Brown generating site.

Federal Matters

FERC Formula Rates

In May 2013, KU submitted to the FERC the annual adjustments to the formula rate, which incorporated certain proposed increases. These rates became effective as of July 1, 2013.

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In September 2013, KU filed an application with the FERC to adjust the formula rate under which KU provides wholesale requirements power sales to 12 municipal customers. Among other changes, the application requests an amended formula whereby KU would charge cost-based rates with a subsequent true-up to actual costs, replacing the current formula which does not include such a true-up. KU's application proposed an authorized return on equity of 10.7%. Subject to regulatory approval, the new formula rate may become effective during the second quarter of 2014.

5. Financing Activities

Credit Arrangements and Short-term Debt

KU maintains credit facilities to enhance liquidity, provide credit support and provide a backup to its commercial paper program. The amounts borrowed below are recorded as "Short-term debt" on the Balance Sheets. The following credit facilities were in place at:

	December 31, 2013				
	Expiration Date	Capacity	Borrowed	Letters of Credit Issued and Commercial Paper Backup	Unused Capacity
Syndicated Credit Facility (a) (b)	Nov. 2017	$ 400	-	$ 150	$ 250
Letter of Credit Facility (a) (b) (c)	May 2016	198	-	198	-
Total KU Credit Facilities		$ 598	-	$ 348	$ 250

	December 31, 2012	
	Borrowed	Letters of Credit Issued and Commercial Paper Backup
Syndicated Credit Facility (a) (b)	-	$ 70
Letter of Credit Facility (a) (b) (c)	-	198
Total KU Credit Facilities	-	$ 268

(a) KU pays customary fees under its facilities and borrowings generally bear interest at LIBOR-based rates

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plus an applicable margin.

(b) The facilities contain a financial covenant requiring debt to total capitalization not to exceed 70% as calculated in accordance with the facilities and other customary covenants. Additionally, as it relates to the Syndicated Credit Facility and subject to certain conditions, KU may request up to a $100 million increase in its facility's capacity.

(c) KU's letter of credit facility agreement allows for certain payments under the letter of credit facility to be converted to loans rather than requiring immediate payment.

KU maintains a commercial paper program 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 KU’s Syndicated Credit Facility. The following commercial paper program was in place at:

December 31, 2013			
Weighted - Average Interest Rate	**Capacity**	**Commercial Paper Issuances**	**Unused Capacity**
0.32%	$ 350	$ 150	$ 200

December 31, 2012	
Weighted - Average Interest Rate	**Commercial Paper Issuances**
0.42%	$ 70

See Note 11 for discussion of intercompany borrowings.

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Long-term Debt

	Weighted-Average Rate	Maturities	December 31, 2013
Senior Secured Notes/First Mortgage Bonds (a) (b)	3.44%	2015 - 2043	$ 2,101
Fair market value adjustments			1
Unamortized discount			(11)
Total Long-term Debt			$ 2,091

			December 31, 2012
Senior Secured Notes/First Mortgage Bonds (a) (b)	3.30%	2015 - 2040	$ 1,851
Fair market value adjustments			1
Unamortized discount			(10)
Total Long-term Debt			$ 1,842

(a) KU's first mortgage bonds are secured by the lien of the KU 2010 Mortgage Indenture which creates a lien, subject to certain exceptions and exclusions, on substantially all of KU's real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity. The aggregate carrying value of the property subject to the lien was $5.1 billion and $4.4 billion at December 31, 2013 and 2012.

(b) Includes KU's series of first mortgage bonds that were issued to the respective trustees of tax-exempt revenue bonds to secure its respective obligations to make payments with respect to each series of bonds. The first mortgage bonds were issued in the same principal amount, contain payment and redemption provisions that correspond to and bear the same interest rate as such tax-exempt revenue bonds. These first mortgage bonds were issued under the KU 2010 Mortgage Indenture and are secured as noted in (a) above. The related tax-exempt revenue bonds were issued by various governmental entities, principally counties in Kentucky, on behalf of KU. The related revenue bond documents allow KU to convert the interest rate mode on the bonds from time to time to a commercial paper rate, daily rate, weekly rate, term rate of at least one year or, in some cases, an auction rate or a LIBOR index rate.

At December 31, 2013, the aggregate tax-exempt revenue bonds issued on behalf of KU that were in a term rate mode totaled $27 million. At December 31, 2013, the aggregate tax-exempt revenue bonds issued on behalf of KU that were in a variable rate mode totaled $324 million.

Several series of the tax-exempt revenue bonds are insured by monoline bond insurers whose ratings were reduced due to exposures relating to insurance of sub-prime mortgages. Of the bonds outstanding, $96 million are in the form of insured auction rate securities, wherein interest rates are reset every 35 days via an auction process. Beginning in late 2007, the interest rates on these insured bonds began to increase due to investor concerns about the creditworthiness of the bond insurers. During 2008, interest rates increased, and KU experienced failed auctions when there were insufficient bids for the bonds. When a failed auction occurs, the interest rate is set pursuant to a formula stipulated in the indenture. As noted above, the instruments governing these auction rate bonds permit KU to convert the bonds to other interest rate modes.

Certain variable rate tax-exempt revenue bonds totaling $228 million at December 31, 2013, are subject to tender for purchase by KU at the option of the holder and to mandatory tender for purchase by KU upon the occurrence of certain events.

None of the outstanding debt securities noted above have sinking fund requirements. The aggregate maturities of long-term debt for the periods 2014 through 2018 and thereafter are $250 million in 2015 and $1,851 million after 2018.

Long-term Debt and Equity Securities Activities

In November 2013, KU issued $250 million of 4.65% First Mortgage Bonds due 2043. KU received proceeds of $246 million, net of discounts and underwriting fees, which were used for repayment of short-term debt, including commercial paper, for capital expenditures and for other general corporate purposes.

Legal Separateness

The subsidiaries of PPL are separate legal entities. PPL's subsidiaries are not liable for the debts of PPL. Accordingly, creditors of PPL may not satisfy their debts from the assets of PPL's subsidiaries absent a specific contractual undertaking by a subsidiary to pay PPL's creditors or as required by applicable law or regulation. Similarly, PPL is not liable for the debts of its subsidiaries, nor are its subsidiaries liable for the debts of one another. Accordingly, creditors of PPL's subsidiaries may not satisfy their debts from the assets of PPL or its other subsidiaries absent a specific contractual undertaking by PPL or its other subsidiaries to pay the creditors or as required by applicable law or regulation.

Similarly, the subsidiaries of LKE are each separate legal entities. These subsidiaries are not liable for the debts of LKE. Accordingly, creditors of LKE may not satisfy their debts from the assets of their subsidiaries absent a specific contractual undertaking by a subsidiary to pay the creditors or as required by applicable law or regulation. Similarly, LKE is not liable for the debts of its subsidiaries, nor are its subsidiaries liable for the debts of one another. Accordingly, creditors of these subsidiaries may not satisfy their debts from the assets of LKE (or their other subsidiaries) absent a specific contractual undertaking by that parent or other subsidiary to pay such creditors or as required by applicable law or regulation.

Distributions, Capital Contributions and Related Restrictions

KU is subject to Section 305(a) of the Federal Power Act, which makes it unlawful for a public utility to make or pay a dividend from any funds "properly included in capital account." The meaning of this limitation has never been clarified under the Federal Power Act. KU believes, however, that this statutory restriction, as applied to its circumstances, would not be construed or applied by the FERC to prohibit the payment from

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retained earnings of dividends that are not excessive and are for lawful and legitimate business purposes. In February 2012, KU petitioned the FERC requesting authorization to pay dividends in the future based on retained earnings balances calculated without giving effect to the impact of purchase accounting adjustments for the acquisition of LKE by PPL. In May 2012, FERC approved the petition with the further condition that KU may not pay dividends if such payment would cause its adjusted equity ratio to fall below 30% of total capitalization. Accordingly, at December 31, 2013, net assets of $1.5 billion were restricted for purposes of paying dividends to LKE, and net assets of $1.5 billion were available for payment of dividends to LKE. KU believes it will not be required to change its current dividend practices as a result of the foregoing requirement. In addition, under Virginia law, KU is prohibited from making loans to affiliates without the prior approval of the VSCC. There are no comparable statutes under Kentucky law applicable to KU. Orders from the KPSC require KU to obtain prior consent or approval before lending amounts to PPL.

During the year, KU paid dividends of $124 million to its parent, LKE, and received capital contributions of $157 million from LKE.

6. Acquisitions, Development and Divestitures

KU from time to time evaluates 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 the projects, sell, cancel or expand them, execute tolling agreements or pursue other options. Any resulting transactions may impact future financial results.

Development

Cane Run Unit 7 Construction

In September 2011, LG&E and KU filed an application for a CPCN with the KPSC requesting approval to build Cane Run Unit 7. In May 2012, the KPSC issued an order approving the request. LG&E will own a 22% undivided interest, and KU will own a 78% undivided interest in the new NGCC generating unit. A formal request for recovery of the costs associated with the construction was not included in the CPCN application but certain Cane Run Unit 7 construction work in progress has been included in base rates and the remaining capital costs are expected to be included in future rate proceedings. LG&E and KU commenced preliminary construction activities in the third quarter of 2012 and project construction is expected to be completed by May 2015. The project, which includes building a natural gas supply pipeline and related transmission projects, has an estimated cost of approximately $600 million.

In conjunction with this construction and to meet new, more stringent EPA regulations with a 2015 compliance date, KU anticipates retiring two older coal-fired electric generating units at the Green River plant, which have a combined summer capacity rating of 161 MW. In addition, KU retired a 12 MW unit at the Haefling plant in December 2013 and the remaining 71 MW unit at the Tyrone plant in February 2013. There were no significant gains or losses related to the 2013 retirements.

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Future Capacity Needs

In January 2014, LG&E and KU filed an application for a CPCN with the KPSC requesting approval to construct a NGCC unit at KU's Green River generating site (Green River Unit 5) and a solar generating facility at the E. W. Brown generating site. Subject to finalizing details, regulatory applications, permitting and construction schedules, Green River Unit 5 is expected to have approximately 700 MW of capacity at an estimated cost of $700 million and is planned to be operational in 2018. Green River Unit 5 will be jointly owned by LG&E and KU, with LG&E owning a 40% undivided interest and KU owning a 60% undivided interest. The solar generating facility is expected to have approximately 10 MW of capacity at an estimated cost of $36 million and is planned to be operational in 2016. The solar generating facility will be jointly owned by LG&E and KU, with LG&E owning a 36% undivided interest and KU owning a 64% undivided interest.

7. Leases

KU has entered into various agreements for the lease of office space, vehicles, land, gas storage and other equipment.

Rent expense for operating leases was $10 million at December 31, 2013 and 2012.

Total future minimum rental payments for all operating leases are estimated to be:

2014	$	10
2015		8
2016		5
2017		4
2018		3
Thereafter		15
Total	$	45

8. Retirement and Postemployment Benefits

Defined Benefits

Although KU does not directly sponsor any defined benefit plans, the majority of employees are eligible for pension benefits under a non-contributory defined benefit plan sponsored by LKE. KU is allocated a portion of the funded status and costs of the plans sponsored by LKE based on its participation in those plans, which management believes are reasonable. The LKE plan was closed to new salaried and bargaining unit employees hired after December 31, 2005. Employees hired after December 31, 2005 receive additional company contributions above the standard matching contributions to their savings plans. The majority of employees are eligible for certain health care and life insurance benefits upon retirement through a contributory plan. Postretirement health benefits may be paid from 401(h) accounts established as part of the LKE plan within the PPL Services Corporation Master Trust, funded VEBA trusts and company funds.

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The estimated amounts to be amortized from regulatory assets/liabilities into net periodic defined benefit costs in 2014 are $6 million ($1 million of prior service cost and $5 million of actuarial loss).

Allocations to KU for net periodic defined benefit costs charged to operating expense, excluding amounts charged to construction and other non-expense accounts, for pension benefits were $9 million and $8 million in 2013 and 2012. Net periodic defined benefits costs charged to operating expense, excluding amounts charged to construction and other non-expense accounts, for other postretirement benefits were $2 million and $3 million in 2013 and 2012.

The actuarially determined obligations of current active employees and retired employees of KU are used as a basis to allocate total plan activity, including active and retiree costs and obligations. Allocations to KU for pension benefits resulted in a liability of $11 million and $104 million at December 31, 2013 and 2012. Allocations to KU for other postretirement benefits resulted in a liability of $42 million and $53 million at December 31, 2013 and 2012.

Plan Assets - Pension Plans

The pension plans sponsored by LKE are invested in the PPL Services Corporation Master Trust (the Master Trust) that also includes 401(h) accounts that are restricted for certain other postretirement benefit obligations. The investment strategy for the Master Trust is to achieve a risk-adjusted return on a mix of assets that, in combination with the Company’s funding policy, will ensure that sufficient assets are available to provide long-term growth and liquidity for benefit payments, while also managing the duration of the assets to complement the duration of the liabilities. The Master Trust benefits from a wide diversification of asset types, investment fund strategies and external investment fund managers, and therefore has no significant concentration of risk.

The investment policy of the Master Trust outlines investment objectives and defines the responsibilities of the EBPB, external investment managers, investment advisor and trustee and custodian. The investment policy is reviewed annually by PPL's Board of Directors.

The EBPB created a risk management framework around the trust assets and pension liabilities. This framework considers the trust assets as being composed of three sub-portfolios: growth, immunizing and liquidity portfolios. The growth portfolio is comprised of investments that generate a return at a reasonable risk, including equity securities, certain debt securities and alternative investments. The immunizing portfolio consists of debt securities, generally with long durations, and derivative positions. The immunizing portfolio is designed to offset a portion of the change in the pension liabilities due to changes in interest rates. The liquidity portfolio consists primarily of cash and cash equivalents.

Target allocation ranges have been developed for each portfolio on a plan basis based on input from external consultants with a goal of limiting funded status volatility. The EBPB monitors the investments in each portfolio on a plan basis, and seeks to obtain a target portfolio that emphasizes reduction of risk of loss from market volatility. In pursuing that goal, the EBPB establishes revised guidelines from time to time. EBPB investment guidelines on a plan basis, as well as the weighted average of such guidelines, as of the end of 2013 are presented below.

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The asset allocation for the trust and the target allocation by portfolio, at December 31, are as follows:

	Percentage of Trust Assets	2013 Target Asset Allocation (a)	
	2013 (a)	**Weighted Average**	**LKE Plans**
Growth Portfolio	**59%**	**55%**	**55%**
Equity securities	30%		
Debt securities (b)	17%		
Alternative investments	12%		
Immunizing Portfolio	**39%**	**43%**	**43%**
Debt securities (b)	40%		
Derivatives	(1)%		
Liquidity Portfolio	**2%**	**2%**	**2%**
Total	100%	100%	100%

	Percentage of Trust Assets
	2012
Growth Portfolio	**58%**
Equity securities	31%
Debt securities (b)	18%
Alternative investments	9%
Immunizing Portfolio	**41%**
Debt securities (b)	34%
Derivatives	1%
Liquidity Portfolio	**1%**
Total	100%

(a) Allocations exclude consideration of a guaranteed annuity contract held by the LG&E and KU Retirement Plan.
(b) Includes commingled debt funds, which the Company treats as debt securities for asset allocation purposes.

LKE's pension plan's assets are invested solely in the PPL Services Corporation Master Trust, which is fully disclosed below. The fair value of this plan's assets of $1.2 billion and $1.1 billion at December 31, 2013 and 2012 represents an interest of approximately 29% and 26% in the Master Trust.

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The fair value of net assets in the pension plan trusts by asset class and level within the fair value hierarchy was:

	December 31, 2013			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 120	$ 120	$ -	$ -
Equity securities				
U.S.:				
Large-cap	480	134	346	-
Small-cap	137	137	-	-
Commingled debt	749	13	736	-
International	630	163	467	-
Debt securities:				
U.S. Treasury and U.S. government sponsored agency	617	563	54	-
Residential/commercial backed securities	12	-	11	1
Corporate	963	-	940	23
Other	24	-	24	-
International	7	-	7	-
Alternative investements				
Commodities	108	-	108	-
Real estate	134	-	134	-
Private equity	80	-	210	80
Hedge funds	210	-	-	-
Derivatives:				
Interest rate swaps and swapations	(49)	-	(49)	-
Other	12	-	12	-
Insurance contracts	37	-	-	37
PPL Services Corporation Master Trust assets, at fair value	$ 4,271	$ 1,130	$ 3,000	$ 141
Receivables and payables, net (a)	-	-	-	-
401(h) account restricted for other postretirement benefit obligations	(115)	-	-	-
Total PPL Services Corporation Master Trust pension assets	$ 4,156			

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	December 31, 2012			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 84	$ 84	$ -	$ -
Equity securities				
U.S.:				
Large-cap	558	206	352	-
Small-cap	124	124	-	-
Commingled debt	676	56	620	-
International	557	184	373	-
Debt securities:				
U.S. Treasury and U.S. government sponsored agency	704	634	70	-
Residential/commercial backed securities	12	-	11	1
Corporate	874	-	847	27
Other	24	-	23	1
International	7	-	7	-
Alternative investements				
Commodities	59	-	59	-
Real estate	93	-	93	-
Private equity	75	-	-	75
Hedge funds	125	-	125	-
Derivatives:				
Interest rate swaps and swapations	36	-	36	-
Other	2	-	2	-
Insurance contracts	42	-	-	42
PPL Services Corporation Master Trust assets,at fair value	$ 4,052	$ 1,288	$ 2,618	$ 146
Receivables and payables, net (a)	(11)	-	-	-
401(h) account restricted for other postretirement benefit obligations	(102)	-	-	-
Total PPL Services Corporation Master Trust pension assets	$ 3,939			

(a) Receivables and payables represent amounts for investments sold/purchased but not yet settled along with interest and dividends earned but not yet received.

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A reconciliation of pension trust assets classified as Level 3 at December 31, 2013 is as follows:

	Residential/ commercial backed securities	Corporate debt	Private equity	Insurance contracts	Other debt	Total
Balance at beginning of period	$ 1	$ 27	$ 75	$ 42	$ 1	$ 146
Actual return on plan assets	-	-	-	-	-	-
Relating to assets still held at the reporting date	-	-	3	2	-	5
Relating to assets sold the period during	-	5	-	-	-	5
Purchases, sales and settlements	-	(9)	2	(7)	-	(14)
Transfers from level 2 to level 3	-	-	-	-	-	-
Transfers from level 3 to level 2	-	-	-	-	(1)	(1)
Balance at end of period	$ 1	$ 23	$ 80	$ 37	$ -	$ 141

A reconciliation of pension trust assets classified as Level 3 at December 31, 2012 is as follows:

	Residential/ commercial backed securities	Corporate debt	Private equity	Insurance contracts	Other debt	Total
Balance at beginning of period	$ -	$ 7	$ 45	$ 46	$ -	$ 98
Actual return on plan assets	-	-	-	-	-	-
Relating to assets still held at the reporting date	-	1	10	3	-	14
Relating to assets sold the period during	-	2	-	-	-	2
Purchases, sales and settlements	1	21	20	(7)	-	35
Transfers from level 2 to level 3	-	-	-	-	1	1
Transfers from level 3 to level 2	-	(4)	-	-	-	(4)
Balance at end of period	$ 1	$ 27	$ 75	$ 42	$ 1	$ 146

The fair value measurements of cash and cash equivalents are based on the amounts on deposit.

The market approach is used to measure fair value of equity securities. The fair value measurements of equity securities (excluding commingled funds), which are generally classified as Level 1, are based on quoted prices in active markets. These securities represent actively and passively managed investments that are managed against various equity indices.

Investments in commingled equity and debt funds are categorized as equity securities. These investments are classified as Level 2, except for exchange-traded funds, which are classified as Level 1 based on quoted prices in active markets. The fair value measurements for Level 2 investments are based on firm quotes of net asset values per share, which are not considered obtained from a quoted price in an active market. Investments in commingled equity funds include funds that invest in U.S. and international equity securities. Investments in commingled debt funds include funds that invest in a diversified portfolio of emerging market debt obligations, as well as funds that invest in investment grade long-duration fixed-income securities.

The fair value measurements of debt securities are generally based on evaluated prices that reflect observable market information, such as actual trade information for identical securities or for similar securities, adjusted for observable differences. The fair value of debt securities is generally measured using a market approach, including the use of pricing models which incorporate observable inputs. Common inputs include benchmark yields, reported trades, broker/dealer bid/ask prices, benchmark securities and credit valuation adjustments. When necessary, the fair value of debt securities is measured using the income approach, which incorporates similar observable inputs as well as monthly payment data, future predicted cash flows, collateral performance and new issue data. For the PPL Services Corporation Master Trust, these securities represent investments in securities issued by U.S. Treasury and U.S. government sponsored agencies; investments securitized by residential mortgages, auto loans, credit cards and other pooled loans; investments in investment grade and non-investment grade bonds issued by U.S. companies across several industries; investments in debt securities issued by foreign governments and corporations; and exchange traded funds.

Investments in commodities represent ownership of units of a commingled fund that is invested as a long-only, unleveraged portfolio of exchange-traded futures and forward contracts in tangible commodities to obtain broad exposure to all principal groups in the global commodity markets, including energies, agriculture and metals (both precious and industrial) using proprietary commodity trading strategies. The fund has daily liquidity with a specified notification period. The fund's fair value is based upon a unit value as calculated by the fund's trustee.

Investments in real estate represent an investment in a partnership whose purpose is to manage investments in core U.S. real estate properties diversified geographically and across major property types (e.g., office, industrial, retail, etc.). The manager is focused on properties with high occupancy rates with quality tenants. This results in a focus on high income and stable cash flows with appreciation being a secondary factor. Core real estate generally has a lower degree of leverage when compared with more speculative real estate investing strategies. The partnership has limitations on the amounts that may be redeemed based on available cash to fund redemptions. Additionally, the general partner may decline to accept redemptions when necessary to avoid adverse consequences for the partnership, including legal and tax implications, among others. The fair value of the investment is based upon a partnership unit value.

Investments in private equity represent interests in partnerships in multiple early-stage venture capital funds and private equity fund of funds that use a number of diverse investment strategies. Four of the partnerships have limited lives of ten years, while the fifth has a life of 15 years, after which liquidating distributions will be received. Prior to the end of each partnership's life, the investment cannot be redeemed with the partnership; however, the interest may be sold to other parties, subject to the general partner's approval. The PPL Services Corporation Master Trust has unfunded commitments of $76 million that may be required during the lives of the partnerships. Fair value is based on an ownership interest in partners' capital to which a proportionate share of

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net assets is attributed.

Investments in hedge funds represent investments in three hedge fund of funds. Hedge funds seek a return utilizing a number of diverse investment strategies. The strategies, when combined aim to reduce volatility and risk while attempting to deliver positive returns under all market conditions. Major investment strategies for the hedge fund of funds include long/short equity, market neutral, distressed debt, and relative value. Generally, shares may be redeemed with 65 to 95 days prior written notice. The funds are subject to short term lockups and have limitations on the amount that may be withdrawn based on a percentage of the total net asset value of the fund, among other restrictions. All withdrawals are subject to the general partner's approval. The fair value for two of the funds has been estimated using the net asset value per share and the third fund's fair value is based on an ownership interest in partners' capital to which a proportionate share of net assets is attributed.

The fair value measurements of derivative instruments utilize various inputs that include quoted prices for similar contracts or market-corroborated inputs. In certain instances, these instruments may be valued using models, including standard option valuation models and standard industry models. These securities primarily represent investments in interest rate swaps and swaptions (the option to enter into an interest rate swap) which are valued based on the swap details, such as swap curves, notional amount, index and term of index, reset frequency, volatility and payer/receiver credit ratings.

Insurance contracts, classified as Level 3, represent an investment in an immediate participation guaranteed group annuity contract. The fair value is based on contract value, which represents cost plus interest income less distributions for benefit payments and administrative expenses.

Plan Assets – Other Postretirement Benefit Plans

LKE’s postretirement benefit plan is invested primarily in a 401(h) account, with insignificant amounts invested in money market funds within VEBA trusts for liquidity. LKE’s other postretirement benefit plan was invested primarily in a 401(h) account as disclosed in the PPL Services Corporation Master Trusts.

Expected Cash Flows - Defined Benefit Plans

LKE’s defined benefit plans have the option to utilize available prior year credit balances to meet current and future contribution requirements. However, KU contributed $2 million to LKE’s pension plan on behalf of KU employees in January 2014.

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The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the LKE plan for KU retirees.

	Pensions
2014	$ 18
2015	18
2016	19
2017	20
2018	20
2019-2023	118

Savings Plans

Substantially all employees of KU are eligible to participate in a 401(k) deferred savings plan. Employer contributions to the plans were $6 million for the years ended December 31, 2013 and 2012.

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9. Jointly Owned Facilities

At December 31, 2013 and 2012, the Balance Sheets reflect the owned interests in the facilities listed below.

	Ownership Interest	Electric Plant	Accumulated Depreciation	Construction Work in Progress
December 31, 2013				
Generating Plants				
E.W. Brown Units 6-7	62.00%	$ 64	$ 11	$ 2
Paddy's Run Unit 13 & E.W. Brown Unit 5	47.00%	42	4	1
Trimble County Unit 2	60.75%	780	83	22
Trimble County Units 5-6	71.00%	70	8	-
Trimble County Units 7-10	63.00%	118	12	2
Cane Run Unit 7	78.00%	-	-	317
Green River Unit 5	60.00%	-	-	2
December 31, 2012				
Generating Plants				
E.W. Brown Units 6-7	62.00%	$ 64	$ 7	$ 1
Paddy's Run Unit 13 & E.W. Brown Unit 5	47.00%	42	2	-
Trimble County Unit 2	60.75%	777	65	20
Trimble County Units 5-6	71.00%	70	4	-
Trimble County Units 7-10	63.00%	116	10	2
Cane Run Unit 7	78.00%	-	-	53

KU provides its own funding for its share of each of the above facilities. KU receives a portion of the total output of the generating plants equal to its percentage ownership. The share of fuel and other operating costs associated with the plants is included in the corresponding operating expenses on the Statements of Income.

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10. Commitments and Contingencies

Energy Purchases, Energy Sales and Other Commitments

Energy Purchase Commitments

KU and LG&E enter into purchase contracts to supply the coal and natural gas requirements for generation facilities. These contracts include the following commitments:

Contract Type	Maximum Maturity Date
Coal	2019
Coal Transportation and Fleeting Services	2024
Natural Gas Storage	2024
Natural Gas Transportation	2024

KU has a power purchase agreement with OVEC expiring in June 2040. See "Guarantees and Other Assurances" below for information on the OVEC power purchase contract. Future obligations for power purchases from OVEC are unconditional demand payments, comprised of annual minimum debt service payments, as well as contractually required reimbursement of plant operating, maintenance and other expenses as follows:

2014	$	8
2015		8
2016		8
2017		8
2018		9
Thereafter		224
	$	265

In addition, KU had total energy purchases under the OVEC power purchase agreement of $8 million and $9 million during 2013 and 2012.

Legal Matters

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

Regulatory Issues

See Note 4 for information on regulatory matters related to utility rate regulation.

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Enactment of Financial Reform Legislation

The Dodd-Frank Act became effective in July 2010 and includes provisions that impose derivative transaction reporting requirements and require most over-the-counter derivative transactions to be executed through an exchange and to be centrally cleared. The Dodd-Frank Act also provides that the U.S. Commodity Futures Trading Commission (CFTC) may impose collateral and margin requirements for over-the-counter derivative transactions, as well as capital requirements for certain entity classifications. The CFTC is establishing final rules on major provisions in the Dodd-Frank Act through its rulemaking process. Several final rules providing for the definition of the terms "swap", "swap dealer", and "major swap participant" became effective in October 2012. The entity classification thresholds and requirements set forth in these final rules do not require KU to register as either a swap dealer or major swap participant. Consequently, as commercial end users, KU is not subject to the heightened regulatory requirements applicable to swap dealers or major swap participants, including Business Conduct Standards, enhanced recordkeeping and reporting, clearing and exchange trading of CFTC-mandated swaps and other complex requirements under other CFTC regulations. The Dodd-Frank Act and its implementing regulations, however, have imposed on KU significant additional and costly recordkeeping, reporting and documentation requirements.

KU could face significantly higher operating costs or may be required to post additional collateral if it or its counterparties are subject to capital or margin requirements as ultimately adopted in the implementing regulations of the Dodd-Frank Act. Additionally, the burden that the Dodd-Frank Act and implementing regulations impose on all market participants could cause decreased liquidity in the bilateral swap market as financial entities discontinue their proprietary trading operations. Decreased liquidity could increase costs for KU to successfully meet hedge targets. KU will continue to evaluate the provisions of the Dodd-Frank Act and its implementing regulations, but could incur significant costs related to compliance with the Act and regulations.

FERC Market-Based Rate Authority

In 1998, the FERC authorized KU and LG&E to make wholesale sales of electricity and related products at market-based rates. In that order, the FERC directed KU and LG&E to file an updated market analysis within three years after the order, and every three years thereafter. Since then, periodic market-based rate filings with the FERC have been made by KU and LG&E. In June 2011, FERC approved PPL’s market-based rate update for the Southeast region, including KU and LG&E. Also, in June 2011, the FERC issued an order approving KU's and LG&E’s request for a determination that they no longer be deemed to have market power in the BREC balancing area and removing restrictions on their market-based rate authority in such region. KU cannot predict the ultimate outcome of these update filings at this time.

Electricity - Reliability Standards

The NERC is responsible for establishing and enforcing mandatory reliability standards (Reliability Standards) regarding the bulk power system. 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 power

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electricity system, including electric utility companies, generators and marketers. Under the Federal Power Act, the FERC may assess civil penalties of up to $1 million per day, per violation, for certain violations.

KU monitors its compliance with the Reliability Standards and continues to self-report potential violations of certain applicable reliability requirements and submit accompanying mitigation plans, as required. The resolution of a number of potential violations is pending. 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 its programs to ensure compliance with the Reliability Standards by KU, certain other instances of potential non-compliance may be identified from time to time. KU cannot predict the outcome of these matters, and cannot estimate a range of reasonably possible losses, if any, other than the amounts currently recorded.

In October 2012, the FERC initiated its consideration of proposed changes to Reliability Standards to address the impacts of Geomagnetic Disturbances on the reliable operation of the bulk-power system, which might, among other things, lead to a requirement to install equipment that blocks geo-magnetically induced currents on implicated transformers. On May 16, 2013, FERC issued Order No. 779, requiring NERC to submit two types of Reliability Standards for FERC's approval in twelve month intervals. The first type would require certain owners and operators of the nation's electricity infrastructure, such as KU, to develop and implement operational procedures to mitigate the effects of Geomagnetic Disturbances on the bulk-power system. This NERC proposed standard was filed by NERC with FERC for approval in January of 2014, with a comment due date of March 24, 2014. The second type is to require owners and operators of the bulk-power system to assess certain Geomagnetic Disturbance events and develop and implement plans to protect the bulk-power system from those events and must be filed by NERC with FERC for approval by January 22, 2015. KU may be required to make significant expenditures in new equipment or modifications to its facilities to comply with the new requirements. KU is unable to predict the amount of any expenditures that may be required as a result of the adoption of any Reliability Standards for Geomagnetic Disturbances.

Environmental Matters

Due to the environmental issues discussed below or other environmental matters, it may be necessary for KU 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 impact of these permits and rules.

KU is 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 which are 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 KU are subject to rate recovery before its state regulatory authorities, or the FERC. KU can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

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Air

CSAPR (formerly Clean Air Transport Rule) and CAIR

In July 2011, the EPA adopted the CSAPR. The CSAPR replaced the EPA's previous CAIR which was invalidated in July 2008 by the U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit Court). CAIR subsequently was effectively reinstated by the D.C. Circuit Court in December 2008, pending finalization of the CSAPR. Like CAIR, CSAPR targeted sources in the eastern U.S. and would have required reductions in sulfur dioxide and nitrogen oxides in two phases (2012 and 2014).

In December 2011, the D.C. Circuit Court stayed implementation of the CSAPR and left CAIR in effect pending a final decision on the validity of the rule. In August 2012, the D.C. Circuit Court issued a ruling invalidating CSAPR, remanding the rule to the EPA for further action, and leaving CAIR in place during the interim. In June 2013, the U.S. Supreme Court granted the EPA's petition for review of the D.C. Circuit Court's August 2012 decision. Oral arguments before the U.S. Supreme Court were held in December 2013. Prior to a revised transport rule from the EPA, coal-fired generating plants could face tighter emission limitations on nitrogen oxides through state action.

The Kentucky fossil-fueled generating plants can meet the CAIR sulfur dioxide emission requirements by utilizing sulfur dioxide allowances (including banked allowances and optimizing existing controls). To meet standards for nitrogen oxides under the CAIR, KU will need to buy allowances and/or make operational changes. KU does not currently anticipate that the costs of meeting these reinstated CAIR standards will be significant.

National Ambient Air Quality Standards

KU’s fossil-fueled generating plants may face further reductions in emissions as a result of more stringent national ambient air quality standards for ozone, nitrogen oxides, sulfur dioxide and/or fine particulates.

In 2010, the EPA finalized a new one-hour standard 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 part of Jefferson County in Kentucky. Attainment must be achieved by 2018. States are working on designations for other areas.

In December 2012, the EPA issued final rules that strengthen the fine particulate standards. Under the final rules, states and the EPA have until 2015 to identify non-attainment areas, and states have until 2020 to achieve attainment for those areas.

KU anticipates that some of the measures required for compliance with the CAIR, or the MATS, or the Regional Haze requirements (as discussed below), such as upgraded or new sulfur dioxide scrubbers at certain plants and the previously announced retirement of coal-fired generating units at the Green River and Tyrone plants, will help to achieve compliance with the new one-hour sulfur dioxide standard. If additional reductions were to be required, the financial impact could be significant.

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Until particulate matter and sulfur dioxide maintenance and compliance plans are developed by the EPA and state or local agencies, including identification and finalization of attainment designations for particulate matter, KU cannot predict the impact of the new standards.

MATS

In May 2011, the EPA published a proposed regulation requiring stringent reductions of mercury and other hazardous air pollutants from power plants. In February 2012, the EPA published the final rule, known as the MATS, with an effective date of April 2012. The rule is being challenged by industry groups and states in the D.C. Circuit Court, where oral arguments were held in December 2013. The rule provides for a three-year compliance deadline with the potential for a one-year extension as provided under the statute. KU has received compliance extensions for certain plants. KU is considering extension requests for other plants as well.

At the time the MATS rule was proposed, KU filed requests with the KPSC for environmental cost recovery based on its expected need to install environmental controls including chemical additive and fabric-filter baghouses to remove air pollutants. Recovery of the cost of certain controls was granted by the KPSC in December 2011. KU's anticipated retirement of certain coal-fired electricity generating units located at Green River is in response to MATS and other environmental regulations. KU is continuing to assess whether any revisions of its approved compliance plans will be necessary.

KU is continuing to conduct in-depth reviews of the MATS, including the potential implications to scrubber wastewater discharges. See the discussion of effluent limitations guidelines and standards below.

Regional Haze and Visibility

The EPA's regional haze programs were developed under the Clean Air Act to eliminate man-made visibility degradation by 2064. Under the programs, states are required to take action via state plans to make reasonable progress every decade, including the application of Best Available Retrofit Technology (BART) on power plants commissioned between 1962 and 1977.

The primary power plant emissions affecting visibility are sulfur dioxide, nitrogen oxides and particulates. To date, the focus of regional haze activity has been the western U.S. because the EPA had determined that the regional trading program in the eastern U.S. under CSAPR satisfied BART requirements to reduce sulfur dioxide and nitrogen oxides. However, the D.C. Circuit Court's August 2012 decision to vacate and remand CSAPR and to implement CAIR in its place on an interim basis leaves power plants located in the eastern U.S., including KU’s plants, exposed to reductions in sulfur dioxide and nitrogen oxides as required by BART, unless the D.C. Circuit Court's decision, now pending before the U.S. Supreme Court, is overturned.

New Source Review (NSR)

The EPA has continued its NSR enforcement efforts targeting coal-fired generating plants. The EPA has asserted that modification of these plants has increased their emissions and, consequently, that they are subject to stringent NSR requirements under the Clean Air Act.

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In March 2009, KU received an EPA notice alleging that KU violated certain provisions of the Clean Air Act's rules governing NSR and prevention of significant deterioration by installing sulfur dioxide scrubbers and SCR controls at its Ghent plant without assessing potential increased sulfuric acid mist emissions. KU contends that the projects in question were pollution control projects, and therefore exempt from the requirements cited by the EPA. In December 2009, the EPA issued an information request on this matter. In September 2012, the parties reached a tentative settlement addressing the Ghent NSR matter that seeks to resolve a September 2007 notice of violation alleging opacity violations at the plant. The parties subsequently entered into a consent decree which was approved by the court on September 11, 2013. The consent decree requires the incurrence of non-material costs that have already been accrued.

In August 2007, KU received requests for the Ghent plant, but has received no further communications from the EPA since providing its responses. KU cannot predict the outcome of these matters, and cannot estimate a range of reasonably possible losses, if any.

States and environmental groups also have commenced litigation alleging violations of the NSR regulations by coal-fired generating plants across the nation. If KU is found to have violated NSR regulations by significantly increasing pollutants through a major plant modification, it would, among other things, be required to meet stringent permit limits reflecting Best Available Control Technology (BACT) for pollutants meeting the National Ambient Air Quality Standards (NAAQS) in the area and reflecting Lowest Achievable Emission Rates (LAER) for pollutants not meeting the NAAQS in the area. The costs to meet such limits, including installation of technology at certain units, could be significant.

TC2 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 TC2 baseload 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 KDAQ. 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, KU cannot predict the outcome of this matter or the potential impact on the capital costs of this project, if any.

GHG Regulations and Tort Litigation

As a result of the April 2007 U.S. Supreme Court decision that the EPA has authority under the Clean Air Act to regulate GHG emissions from new motor vehicles, in April 2010, the EPA and the U.S. Department of Transportation issued new light-duty vehicle emissions standards that applied beginning with 2012 model year vehicles. The EPA also clarified that this standard, beginning in 2011, authorized regulation of GHG emissions from stationary sources under the NSR and Title V operating permit provisions of the Clean Air Act. As a result, any new sources or major modifications to existing GHG sources causing a net significant emissions increase now require adherence to the BACT permit limits for GHGs. The rules were challenged, and in June 2012 the D.C. Circuit Court upheld the EPA's regulations. In December 2012, the D.C. Circuit Court denied petitions for rehearing pertaining to its June 2012 opinion. On October 15, 2013, the U.S. Supreme Court

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granted certiorari for several petitions to decide whether the NSR provisions of the Clean Air Act require the EPA to regulate GHG emissions from stationary sources, such as power plants.

In June 2013, President Obama released his Climate Action Plan which reiterates the goal of reducing greenhouse gas emissions in the U.S. "in the range of" 17% below 2005 levels by 2020 through such actions as regulating power plant emissions, promoting increased use of renewables and clean energy technology, and establishing tighter energy efficiency standards. Also, by Presidential Memorandum the EPA was directed to issue a revised proposal for new power plants (a prior proposal was issued in 2012) by September 20, 2013, with a final rule in a timely fashion thereafter, and to issue proposed standards for existing plants by June 1, 2014 with a final rule to be issued by June 1, 2015. The EPA was further directed to require that states develop implementation plans for existing plants by June 2016. Regulation of existing plants could have a significant industry-wide impact depending on the structure and stringency of the final rule and the state implementation plans. The Administration's recent increase in its estimate of the "social cost of carbon" (which is used to calculate benefits associated with proposed regulations) from $23.80 to $38 per metric ton in 2015 may also lead to more costly regulatory requirements; the White House Office of Management and Budget (OMB) has opened this issue for public comment. Additionally, the Climate Action Plan requirements related to preparing the U.S. for the impacts of climate change could affect KU and others in the industry as modifications to electricity delivery systems to improve the ability to withstand major storms may be needed in order to meet those requirements.

The EPA issued its revised proposal for new sources on September 20, 2013 as directed by the White House. This proposal was published in the Federal Register on January 8, 2014, with comments due on March 10, 2014. Unlike the EPA's prior proposal, the EPA's revised proposal established separate emission standards for coal and 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 revised proposal effectively precludes the construction of new coal plants. The EPA proposed the same standard for NGCC power plants as was proposed in 2012 and may not be consistently achievable. In addition, the EPA deleted the explicit exemption previously proposed for simple-cycle natural gas plants.

In November 2008, the Governor of Kentucky issued a comprehensive energy plan including non-binding targets aimed at promoting improved energy efficiency, development of alternative energy, development of carbon capture and sequestration projects, and other actions to reduce GHG emissions. In December 2009, the Kentucky Climate Action Plan Council was established to develop an action plan addressing potential GHG reductions and related measures. In November 2011, the Council issued a final report to the Secretary of Kentucky's Energy and Environment Cabinet for his consideration. The final report acknowledged that the recommendations would require additional review and analysis prior to implementation, and that many of the recommendations would likely require, in part, further legislative or regulatory actions. The impact of any such plan is not now determinable, but the costs to comply with the plan could be significant.

A number of lawsuits have been filed asserting common law claims including nuisance, trespass and negligence against various companies with GHG emitting plants and, although the decided cases to date have not sustained claims brought on the basis of these theories of liability, the law remains unsettled on these claims. In September 2009, the U.S. Court of Appeals for the Second Circuit in the case of AEP v. Connecticut reversed a federal district court's decision and ruled that several states and public interest groups, as well as the City of

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New York, could sue five electric utility companies under federal common law for allegedly causing a public nuisance as a result of their emissions of GHGs. In June 2011, the U.S. Supreme Court overturned the Second Circuit and held that such federal common law claims were displaced by the Clean Air Act and regulatory actions of the EPA. In addition, in Comer v. Murphy Oil (Comer case), the U.S. Court of Appeals for the Fifth Circuit (Fifth Circuit) declined to overturn a district court ruling that plaintiffs did not have standing to pursue state common law claims against companies that emit GHGs. The complaint in the Comer case named the previous indirect parent of LKE as a defendant based upon emissions from the Kentucky plants. In January 2011, the Supreme Court denied a petition to reverse the Fifth Circuit's ruling. In May 2011, the plaintiffs in the Comer case filed a substantially similar complaint in federal district court in Mississippi against 87 companies, including KU and three other indirect subsidiaries of LKE, under a Mississippi statute that allows the re-filing of an action in certain circumstances. In March 2012, the Mississippi federal district court granted defendants' motions to dismiss the state common law claims. Plaintiffs appealed to the U.S. Court of Appeals for the Fifth Circuit, and in May 2013, the Fifth Circuit affirmed the district court's dismissal of the case. Additional litigation in federal and state courts over such issues is continuing. KU cannot predict the outcome of these lawsuits or estimate a range of reasonably possible losses, if any.

In 2013, KU and its jointly owned power plants emitted approximately 19 million tons of carbon dioxide compared with 17 million tons in 2012. All tons are U.S. short tons (2,000 pounds/ton).

Renewable Energy Legislation

There has been interest in renewable energy legislation at both the state and federal levels. Federal legislation on renewable energy is not expected to be enacted this year.

KU believes there are financial, regulatory and logistical uncertainties related to the implementation of renewable energy mandates that will need to be resolved before the impact of such requirements on them can be estimated. Such uncertainties, among others, include the need to provide back-up supply to augment intermittent renewable generation, potential generation over-supply and downward pressure on energy prices that could result from such renewable generation and back-up, impacts to PJM's capacity market and the need for substantial changes to transmission and distribution systems to accommodate renewable energy sources. These uncertainties are not directly addressed by proposed legislation. KU cannot predict at this time the effect of renewable energy mandates that may be adopted, although the costs to implement and comply with any such requirements could be significant.

Water/Waste

Coal Combustion Residuals (CCRs)

In June 2010, the EPA proposed two approaches to regulating the disposal and management of CCRs (as either hazardous or non-hazardous) under the Resource Conservation and Recovery Act (RCRA). CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes. Regulating CCRs as a hazardous waste under Subtitle C of the RCRA would materially increase costs and result in early retirements of many coal-fired plants, as it would require plants to retrofit their operations to comply with full hazardous waste requirements for the generation of CCRs and associated waste waters through generation, transportation and disposal. This would also have a

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negative impact on the beneficial use of CCRs and could eliminate existing markets for CCRs. The EPA's proposed approach to regulate CCRs as non-hazardous waste under Subtitle D of the RCRA would mainly affect disposal and most significantly affect any wet disposal operations. Under this approach, many of the current markets for beneficial uses would not be affected. Currently, KU expects that several of its plants could be significantly impacted by the EPA's proposed non-hazardous waste regulations, as these plants are using surface impoundments for management and disposal of CCRs.

The EPA has issued information requests on CCR management practices at numerous plants throughout the power industry as it considers whether or not to regulate CCRs as hazardous waste. KU has provided information on CCR management practices at most of its plants in response to the EPA's requests. In addition, the EPA has conducted follow-up inspections to evaluate the structural stability of CCR management facilities at several plants and has implemented or is implementing certain actions in response to recommendations from these inspections.

The EPA is continuing to evaluate the unprecedented number of comments it received on its June 2010 proposed regulations. In October 2011, the EPA issued a Notice of Data Availability (NODA) requesting comments on selected documents it received during the comment period for the proposed regulations. In September 2013, in response to the proposed Effluent Limitation Guidelines, PPL submitted comments on the proposed CCR regulations. Also, in September 2013, PPL commented on a second CCR NODA seeking comment on additional information related to the EPA's proposal.

A coalition of environmental groups and two CCR recycling companies have filed lawsuits against the EPA seeking a deadline for final rulemaking and, in settlement of that litigation, the EPA has agreed to issue its final rulemaking by the end of 2014.

In July 2013, the U.S. House of Representatives passed House Bill H.R. 2218, the Coal Residuals and Reuse Management Act of 2013, which would preempt the EPA from issuing final CCR regulations and would set non-hazardous CCR standards under RCRA and authorize state permit programs. It remains uncertain whether similar legislation will likely be passed by the U.S. Senate. KU cannot predict at this time the final requirements of the EPA's CCR regulations or potential changes to the RCRA and what impact they would have on its facilities, but the financial and operational impact is expected to be material if CCRs are regulated as hazardous waste and significant if regulated as non-hazardous.

Trimble County Landfill Permit

In May 2011, LG&E submitted an application for a special waste landfill permit to handle coal combustion residuals generated at the Trimble County plant. After extensive review of the permit application in May 2013, the Kentucky Division of Waste Management denied the permit application on the grounds that the proposed facility would violate the Kentucky Cave Protection Act because it would eliminate an on-site karst feature considered to be a cave. After assessing additional options for managing coal combustion residuals, in January 2014, LG&E submitted to the Kentucky Division of Waste Management a landfill permit application for an alternate site adjacent to the plant. KU and LG&E are unable to determine the precise impact of this matter until a landfill permit is issued and any resulting legal challenges are concluded.

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Seepages and Groundwater Infiltration

Seepages or groundwater infiltration has been detected at active and retired wastewater basins and landfills at various plants. KU has completed or is completing assessments of seepages or groundwater infiltration at various facilities and has completed or is working with agencies to implement assessment or abatement measures, where required. A range of reasonably possible losses cannot currently be estimated.

Clean Water Act 316(b)

The EPA published proposed rule 316(b) for existing facilities in April 2011. The EPA has been evaluating the comments it received to the proposed rule and meeting with industry groups to discuss options. The proposed rule contains two requirements to reduce impact to aquatic organisms at cooling water intake structures. The first requires all existing facilities to meet standards for the reduction of mortality of aquatic organisms that become trapped against water intake screens (impingement) regardless of the levels of mortality actually occurring or the cost to achieve the standards. The second requirement is to determine and install the best technology available to reduce mortality of aquatic organisms pulled through a plant's cooling water system (entrainment). A form of cost-benefit analysis is allowed for this second requirement involving a site-specific evaluation based on nine factors, including impacts to energy delivery reliability and the remaining useful life of the plant. The final rule is expected by April 17, 2014. Until the final rule is issued, KU cannot estimate a range of reasonably possible costs, if any, that would be required to comply with such a regulation.

Effluent Limitations Guidelines (ELGs) and Standards

In June 2013, the EPA published proposed regulations to revise discharge limitations for steam electric generation wastewater permits. The proposed limitations are based on the EPA review of available treatment technologies and their capacity for reducing pollutants and include new requirements for fly ash and bottom ash transport water and metal cleaning waste waters, as well as new limits for scrubber wastewater and landfill leachate. The EPA's proposed ELG regulations contain requirements that would affect the inspection and operation of CCR facilities, if finalized. The EPA has indicated that it will coordinate these regulations with the regulation of CCRs discussed above. The proposal contains alternative approaches, some of which could significantly impact KU’s coal-fired plants. KU worked with industry groups to comment on the proposed regulation on September 20, 2013. The final regulation is expected to be issued in May 2014 but it may be delayed. At the present time, KU is unable to predict the outcome of this matter or estimate a range of reasonably possible costs, but the costs could be significant. Pending finalization of the ELGs, certain states and environmental groups (including Kentucky) are proposing more stringent technology-based limits in permit renewals. Depending on the final limits imposed, the costs of compliance could be significant and costs could be imposed ahead of federal timelines.

Other Issues

The EPA is reassessing its polychlorinated biphenyls (PCB) regulations under the Toxic Substance Control Act, which currently allow certain PCB articles to remain in use. In April 2010, the EPA issued an Advanced Notice of Proposed Rulemaking for changes to these regulations. This rulemaking could lead to a phase-out of all or some PCB-containing equipment. The EPA is planning to propose the revised regulations in November 2014.

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PCBs are found, in varying degrees, in KU's operations. KU cannot predict at this time the outcome of these proposed EPA regulations and what impact, if any, they would have on its facilities, but the costs could be significant.

In May 2010, the Kentucky Waterways Alliance and other environmental groups filed a petition with the Kentucky Energy and Environment Cabinet 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 Cabinet issued a final order upholding the permit. In December 2010, the environmental groups appealed the order to the Trimble Circuit Court, but the case was subsequently transferred to the Franklin Circuit Court. In September 2013, the court reversed the Cabinet order upholding the permit and remanded the permit to the agency for further proceedings. In October 2013, LG&E filed a notice of appeal with the Kentucky Court of Appeals. KU is unable to predict the outcome of this matter or estimate a range of reasonably possible losses, if any.

The EPA and the Army Corps of Engineers are working on a guidance document that will expand the federal government's interpretation of what constitutes "waters of the U.S." subject to regulation under the Clean Water Act. This change has the potential to affect generation and delivery operations, with the most significant effect being the potential elimination of the existing regulatory exemption for plant waste water treatment systems. The costs that may be imposed on KU as a result of any eventual expansion of this interpretation cannot reliably be estimated at this time but could be significant.

Superfund and Other Remediation

KU is remediating or has completed the remediation of several sites that were not addressed under a regulatory program such as Superfund, but for which KU may be liable for remediation. These include a number of former coal gas manufacturing plants previously owned or operated or currently owned by predecessors or affiliates of KU. There are additional sites, formerly owned or operated by KU predecessors or affiliates, for which KU lacks information on current site conditions and is therefore unable to predict what, if any, potential liability they may have.

Depending on the outcome of investigations at sites where investigations have not begun or been completed or developments at sites for which KU currently lacks information, the costs of remediation and other liabilities could be material. KU cannot estimate a range of reasonably possible losses, if any, related to these matters.

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 KU to take more extensive assessment and remedial actions at former coal gas manufacturing plants. KU cannot estimate a range of reasonably possible losses, if any, related to these matters.

From time to time, KU undertakes remedial action in response to spills or other releases at various on-site and off-site locations, negotiates with the EPA and state and local agencies regarding actions necessary for compliance with applicable requirements, negotiates with property owners and other third parties alleging impacts from KU's operations and undertakes similar actions necessary to resolve environmental matters which 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 KU’s operations.

Future cleanup or remediation work at sites currently under review, or at sites not currently identified, may result in significant additional costs for KU.

Other

Labor Unions

In 2014, certain labor agreement negotiations are scheduled to begin. For KU, the agreement with the IBEW includes a wage reopener in July 2014 and the current agreement expires in August 2015. Additionally, KU's negotiations with the United Steelworkers of America labor union will begin in July 2014 and the current agreement expires in August 2014. KU cannot predict the outcome of the union labor negotiations.

The labor agreement expiring in 2014 covered 73 employees at December 31, 2013, which is 7% of KU’s total workforce.

Guarantees and Other Assurances

In the normal course of business, KU enters into agreements that provide financial performance assurance to third parties. 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.

Pursuant to the OVEC power purchase contract, KU is obligated to pay for its share of OVEC's excess debt service, post-retirement and decommissioning costs, as well as any shortfall from amounts currently included within a demand charge designed to cover these costs over the term of the contract. KU’s proportionate share of OVEC's outstanding debt was $40 million at December 31, 2013. The maximum exposure and the expiration date of these potential obligations are not presently determinable. See "Energy Purchases Commitments" above for additional information on the OVEC power purchase contract.

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

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11. Related Party Transactions

Wholesale Sales and Purchases

LG&E and KU jointly dispatch their generation units with the lowest cost generation used to serve their retail customers. When LG&E has excess generation capacity after serving its own retail customers and its generation cost is lower than that of KU, KU purchases electricity from LG&E. When KU has excess generation capacity after serving its own retail customers and its generation cost is lower than that of LG&E, LG&E purchases electricity from KU. These transactions are reflected in the Statements of Income as "Electric revenue from affiliate" and "Energy purchases from affiliate" and are recorded at a price equal to the seller's fuel cost. Savings realized from such intercompany transactions are shared equally between both companies. The volume of energy each company has to sell to the other is dependent on its retail customers' needs and its available generation.

Support Costs

LKS provides KU with administrative, management and support services. Where applicable, the costs of these services are charged to KU as direct support costs. General costs that cannot be directly attributed to KU are allocated and charged as indirect support costs. LKS bases its indirect allocations on KU’s number of employees, total assets, revenues, number of customers and/or other statistical information. LKS charged the following amounts for the years ended December 31, and believe these amounts are reasonable, including amounts applied to accounts that are further distributed between capital and expense.

2013	2012
$ 207	$ 161

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 KU are reimbursed through LKS.

Intercompany Derivatives

Periodically, KU enters into forward-starting interest rate swaps with PPL. These hedging instruments have terms identical to forward-starting swaps entered into by PPL with third parties. See Note 14 for additional information on intercompany derivatives.

Other

See Note 1 for discussions regarding the intercompany tax sharing agreement and Note 5 for a discussion regarding capital transactions by KU. See Note 8 for discussions regarding intercompany allocations associated

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with defined benefits.

12. Other Income (Expense) – net

The components of "Other Income (Expense) - net" for 2013 for KU were not significant. "Other Income (Expense) - net" for 2012 for KU was primarily losses from an equity method investment.

13. Fair Value Measurements and Credit Concentration

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 2013 and 2012, there were no transfers between Level 1 and Level 2. See Note 1 for information on the levels in the fair value hierarchy.

Recurring Fair Value Measurements

The assets and liabilities measured at fair value were:

	December 31, 2013			
	Total	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 21	$ 21	$ -	$ -
Total assets	$ 21	$ 21	$ -	$ -

	December 31, 2012			
	Total	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 21	$ 21	$ -	$ -
Price rist management assets:				
Interest rate swaps	7	-	7	-
Total assets	$ 28	$ 21	$ 7	$ -

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Price Risk Management Assets/Liabilities - Interest Rate Swaps

To manage interest rate risk, KU uses interest rate contracts such as forward-starting swaps. 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) 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. Accounting personnel, who report to the CFO, interpret analysis quarterly to classify the contracts in the fair value hierarchy. Valuation techniques are evaluated periodically.

Nonrecurring Fair Value Measurements

The following nonrecurring fair value measurements occurred during the reporting periods, resulting in asset impairments.

	Carrying	Measurements Using		
	Amount (a)	Level 2	Level 3	Loss (b)
Equity investments in EEI:				
2012	$ 25	$ -	$ -	$ 25

(a) Represents carrying value before fair value measurement.
(b) The loss on the EEI investment was recorded included in "Other-Than-Temporary Impairments" on the Statement of Income.

The significant unobservable inputs used in and the quantitative information about the nonrecurring fair value measurement of assets and liabilities classified as Level 3 are as follows:

	Quantitative Information about Level 3 Fair Value Measurements			
	Fair Value, net Asset (Liability)	Valuation Technique	Unobservable Input(s)	Range (Weighted Average)
Equity investments in EEI: December 31, 2012	$ -	Discounted cash flow	Long-term forward price curves and capital expenditure projections	100% (100%)

Equity Investment in EEI

During the fourth quarter 2012, KU recorded an other-than-temporary decline in the value of its equity investment in EEI. KU performed an internal analysis using an income approach based on discounted cash flows to assess the current fair value of its investment based on several factors. KU considered the following factors: long-dated forward power and fuel price curves, the cost of compliance with environmental standards, and the majority owner and operator's announcement in the fourth quarter 2012 to exit from the merchant generation business. Assumptions used in the fair value assessment were forward energy price curves, expectations for capacity (demand) for energy in EEI's market, and expected capital expenditures used in the calculation that were comparable to assumptions used by KU for internal budgeting and forecasting purposes. Through this analysis, KU determined the fair value to be zero.

Financial Instruments Not Recorded at Fair Value

The carrying amounts of long-term debt on the Balance Sheets and its 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 KU. These instruments are classified as Level 2. The effect of third-party credit enhancements is not included in the fair value measurement.

	December 31, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 2,091	$ 2,155	$ 1,842	$ 2,056

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.

Credit Concentration Associated with Financial Instruments

Contracts are entered into with many entities for the purchase and sale of energy. When NPNS is elected, the fair value of these contracts is not reflected in the financial statements. However, the fair value of these contracts is considered when committing to new business from a credit perspective. See Note 14 for information on credit policies used to manage credit risk, including master netting arrangements and collateral requirements.

At December 31, 2013, KU's credit exposure was not significant.

14. Derivative Instruments and Hedging Activities

Risk Management Objectives

PPL has a risk management policy approved by the Board of Directors to manage market risk (including price, liquidity and volumetric risk) and credit risk (including non-performance risk and payment default risk). Senior 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 and market prices, verification of risk and transaction limits.

Market Risk

Market risk includes the potential loss that may be incurred as a result of price changes associated with a

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particular financial or commodity instrument as well as market liquidity and volumetric risks. Forward contracts and swaps are utilized as part of risk management strategies to minimize unanticipated fluctuations in earnings caused by changes in commodity prices and interest 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 table below summarizes the market risks that affect KU.

Commodity price risk (including basis and volumetric risk)	M
Interest rate risk:	
Debt issuances	M
Defined benefit plans	M
Equity securities price risk:	
Defined benefit plans	M

M = The regulatory environment, by definition, significantly mitigates market risk.

Commodity price risk

KU's rates include certain mechanisms for fuel, gas supply and environmental expenses. These mechanisms generally provide for timely recovery of market price and volumetric fluctuations associated with these expenses.

Interest rate risk

KU is exposed to interest rate risk associated with forecasted fixed-rate and existing floating-rate debt issuances. KU utilizes forward starting interest rate swaps to hedge changes in benchmark interest rates in connection with future debt issuances.

Credit Risk

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

The majority of KU's credit risk stems from energy sales and purchases. In the event a supplier of KU defaults on its obligation, it would be required to seek replacement power or replacement fuel in the market. In general, incremental costs incurred by KU would be recoverable from customers in future rates, thus mitigating the financial risk for these entities.

KU has 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. KU 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.

KU had not posted any cash collateral under master netting arrangements at December 31, 2013 and 2012.

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

Interest Rate Risk

KU issues debt to finance its operations, which exposes it to interest rate risk. Various financial derivative instruments are utilized to adjust the mix of fixed and floating interest rates in its 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 the 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.

Cash Flow Hedges

In November 2012 and April 2013, KU entered into forward-starting interest rate swaps with PPL that hedged the interest payments on new debt that was expected to be issued in 2013. In September 2013, these hedges were terminated and KU entered into new forward-starting interest rate swaps with PPL, effectively extending the start date of the prior hedges from September 2013 to December 2013. All of these swaps had terms identical to forward-starting swaps entered into by PPL with third parties. New debt totaling $250 million was issued in November 2013 and the hedges issued in September were terminated in November 2013. Net cash settlements of $43 million were received on the swaps that were terminated in September and November, which are included in "Cash Flows from Operating Activities" on the Statement of Cash Flows. Realized gains and losses on these swaps are probable of recovery through regulated rates; as such, the net settlements were reclassified from AOCI to regulatory liabilities and are being recognized in "Interest Expense" on the Statements of Income over the life of the newly issued debt. For 2013, there was no hedge ineffectiveness recorded for the interest rate derivatives.

Accounting and Reporting

All derivative instruments are recorded at fair value on the Balance Sheets as an asset or liability unless NPNS is elected. Changes in the fair value of derivatives not designated as NPNS are recognized currently in earnings unless specific hedge accounting criteria are met and designated as such, except for the change in fair value of KU's interest rate swaps that are recognized as regulatory assets or regulatory liabilities. See Note 4 for amounts recorded in regulatory assets and regulatory liabilities at December 31, 2013 and 2012.

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See Note 1 for additional information on accounting policies related to derivative instruments.

The following table presents the fair value and the location on the Balance Sheets of derivative instruments designated as cash flow hedges.

	December 31, 2013		December 31, 2012	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management Assets/Liabilities (a):				
Interest rate swaps	$ -	$ -	$ 7	$ -

(a) Represents the location on the Balance Sheets.

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory liabilities.

Derivative Instruments	Location of Gain (Loss)	2013	2012
Interest rate swaps	Regulatory liabilities - noncurrent	$ 36	$ 7

Offsetting Derivative Instruments

KU has master netting arrangements or similar agreements in place including derivative clearing agreements with futures commission merchants (FCMs) to permit the trading of cleared derivative products on one or more futures exchanges. The clearing arrangements permit an FCM to use and apply any property in its possession as a set off to pay amounts or discharge obligations owed by a customer upon default of the customer and typically do not place any restrictions on the FCM's use of collateral posted by the customer. KU also enters into agreements pursuant to which it trades certain energy and other products. Under the agreements, upon termination of the agreement as a result of a default or other termination event, the non-defaulting party typically would have a right to setoff 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.

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NOTES TO FINANCIAL STATEMENTS (Continued)

KU has 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			
		Eligible for Offset		
	Gross	Derivative Instruments	Cash Collateral Received	Net
December 31, 2012				
Treasury derivatives	$ 7	$ -	$ -	$ 7

Credit Risk-Related Contingent Features

Certain derivative contracts contain credit risk-related contingent features which, when in a net liability position, would permit the counterparties to require the transfer of additional collateral upon a decrease in the credit ratings of KU. Most of these features would require the transfer of additional collateral or permit the counterparty to terminate the contract if the applicable credit rating were to fall below investment grade. Some of these features also would allow the counterparty to require additional collateral upon each downgrade in the credit rating at levels that remain above investment grade. In either case, if the applicable credit rating were to fall below investment grade (i.e., below BBB- for S&P or Fitch, or Baa3 for Moody's), 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 KU's obligation under the contract. 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.

At December 31, 2013, KU had no derivative contracts that contain credit risk-related contingent features.

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NOTES TO FINANCIAL STATEMENTS (Continued)

15. Other Intangible Assets

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2013		December 31, 2012	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Coal contracts (a)	$ 145	$ 90	$ 145	$ 66
Land and transmission rights	13	1	10	-
Emission allowances (b)	3	-	3	-
OVEC power purchase agreement (c)	39	8	39	4
Total subject to amortization	$ 200	$ 99	$ 197	$ 70

(a) Gross carrying amount represents the fair value at the acquisition date of coal contracts with terms favorable to market recognized as a result of the 2010 acquisition by PPL. An offsetting regulatory liability was recorded related to these contracts, which is being amortized over the same period as the intangible assets, eliminating any income statement impact. See Note 4 for additional information.
(b) Represents the fair value at the acquisition date of emission allowances recognized as a result of the 2010 acquisition by PPL. An offsetting regulatory liability is recorded related to these emission allowances, which is being amortized as the emission allowances are consumed, eliminating any income statement impact. Consumption related to these emission allowances was insignificant in 2013 and in 2012.
(c) Gross carrying amount represents the fair value at the acquisition date of the OVEC power purchase contract recognized as a result of the 2010 acquisition by PPL. See Note 4 for additional information.

Current intangible assets are included in "Other current assets" on the Balance Sheets. Long-term intangible assets are presented as "Other intangibles" on the Balance Sheets.

Amortization expense, excluding consumption of emission allowances, was as follows:

	2013	2012
Intangible assets with no regulatory offset	$ 1	
Intangible assets with regulatory offset	28	$ 24
Total	$ 29	$ 24

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NOTES TO FINANCIAL STATEMENTS (Continued)

Amortization expense for each of the next five years, excluding consumption of emission allowances, is estimated to be:

	2014	2015	2016	2017	2018
Intangibles with regulatory offset	$ 24	$ 26	$ 13	$ 3	$ 3

16. Asset Retirement Obligations

KU's AROs are primarily related to the final retirement of assets associated with generating units. KU's transmission and distribution lines largely operate under perpetual property easement agreements which do not generally require restoration upon removal of the property. Therefore, no material AROs are recorded for transmission and distribution assets. As described in Notes 1 and 4, KU's accretion and depreciation expense are recorded as a regulatory asset, such that there is no earnings impact. In 2013, AROs were revalued primarily due to updates in the estimated cash flows for ash ponds and CCR surface impoundments based on updated cost estimates.

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

	2013	2012
ARO at beginning of period	$ 69	$ 61
Accretion expense	4	3
Obligations incurred	-	6
Changes in estimated cash flow or settlement date	105	10
Obligations settled		(11)
ARO at end of period	$ 178	$ 69

Substantially all of the ARO balances are classified as noncurrent at December 31, 2013 and 2012.

17. New Accounting Guidance Pending Adoption

Accounting for Obligations Resulting from Joint and Several Liability Arrangements

Effective January 1, 2014, KU will retrospectively adopt accounting guidance for the recognition, measurement and disclosure of certain obligations resulting from joint and several liability arrangements when the amount of the obligation is fixed at the reporting date. If the obligation is determined to be in the scope of this guidance, it will be measured as the sum of the amount the reporting entity agreed to pay on the basis of its arrangements among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. This guidance also requires additional disclosures for these obligations.

The adoption of this guidance is not expected to have a significant impact on KU.

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NOTES TO FINANCIAL STATEMENTS (Continued)

Presentation of Unrecognized Tax Benefits When Net Operating Loss Carryforwards, Similar Tax Losses, or Tax Credit Carryforwards Exist

Effective January 1, 2014, KU will prospectively adopt accounting guidance that requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position, or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets.

The adoption of this guidance is not expected to have a significant impact on KU.

18. Notes to Statement of Cash Flows

Supplemental disclosures of cash flow information

	December 31, 2013	December 31, 2012
Cash paid during the period for:		
Income taxes	$ 47	$ (39)
Interest on borrowed money	61	61
Other cash paid for interest	-	1

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STATEMENTS OF ACCUMULATED COMPREHENSIVE INCOME, COMPREHENSIVE INCOME, AND HEDGING ACTIVITIES

1. Report in columns (b),(c),(d) and (e) the amounts of accumulated other comprehensive income items, on a net-of-tax basis, where appropriate.
2. Report in columns (f) and (g) the amounts of other categories of other cash flow hedges.
3. For each category of hedges that have been accounted for as "fair value hedges", report the accounts affected and the related amounts in a footnote.
4. Report data on a year-to-date basis.

Line No.	Item (a)	Unrealized Gains and Losses on Available-for-Sale Securities (b)	Minimum Pension Liability adjustment (net amount) (c)	Foreign Currency Hedges (d)	Other Adjustments (e)
1	Balance of Account 219 at Beginning of Preceding Year				(467,077)
2	Preceding Qtr/Yr to Date Reclassifications from Acct 219 to Net Income				(281,162)
3	Preceding Quarter/Year to Date Changes in Fair Value				2,052,056
4	Total (lines 2 and 3)				1,770,894
5	Balance of Account 219 at End of Preceding Quarter/Year				1,303,817
6	Balance of Account 219 at Beginning of Current Year				1,303,817
7	Current Qtr/Yr to Date Reclassifications from Acct 219 to Net Income				(629,018)
8	Current Quarter/Year to Date Changes in Fair Value				
9	Total (lines 7 and 8)				(629,018)
10	Balance of Account 219 at End of Current Quarter/Year				674,799

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Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

STATEMENTS OF ACCUMULATED COMPREHENSIVE INCOME, COMPREHENSIVE INCOME, AND HEDGING ACTIVITIES

Line No.	Other Cash Flow Hedges Interest Rate Swaps (f)	Other Cash Flow Hedges [Specify] (g)	Totals for each category of items recorded in Account 219 (h)	Net Income (Carried Forward from Page 117, Line 78) (i)	Total Comprehensive Income (j)
1			(467,077)	[redacted]	[redacted]
2			(281,162)	[redacted]	[redacted]
3			2,052,056	[redacted]	[redacted]
4			1,770,894	136,118,127	137,889,021
5			1,303,817	[redacted]	[redacted]
6			1,303,817	[redacted]	[redacted]
7			(629,018)	[redacted]	[redacted]
8				[redacted]	[redacted]
9			(629,018)	228,350,155	227,721,137
10			674,799	[redacted]	[redacted]

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Name of Respondent	This Report is:	Date of Report	Year/Period of Report
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FOOTNOTE DATA

Schedule Page: 122(a)(b) Line No.: 5 Column: e

See footnote data detail on Schedule Page: 112, Line No: 15, Column: d.

Schedule Page: 122(a)(b) Line No.: 10 Column: e

See footnote data detail on Schedule Page: 112, Line No: 15, Column: c.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS
FOR DEPRECIATION. AMORTIZATION AND DEPLETION

Report in Column (c) the amount for electric function, in column (d) the amount for gas function, in column (e), (f), and (g) report other (specify) and in column (h) common function.

Line No.	Classification (a)	Total Company for the Current Year/Quarter Ended (b)	Electric (c)
1	Utility Plant		
2	In Service		
3	Plant in Service (Classified)	6,739,736,131	6,739,736,131
4	Property Under Capital Leases		
5	Plant Purchased or Sold		
6	Completed Construction not Classified	229,932,393	229,932,393
7	Experimental Plant Unclassified		
8	Total (3 thru 7)	6,969,668,524	6,969,668,524
9	Leased to Others		
10	Held for Future Use	324,088	324,088
11	Construction Work in Progress	1,138,612,872	1,138,612,872
12	Acquisition Adjustments		
13	Total Utility Plant (8 thru 12)	8,108,605,484	8,108,605,484
14	Accum Prov for Depr, Amort, & Depl	2,647,410,913	2,647,410,913
15	Net Utility Plant (13 less 14)	5,461,194,571	5,461,194,571
16	Detail of Accum Prov for Depr, Amort & Depl		
17	In Service:		
18	Depreciation	2,619,739,016	2,619,739,016
19	Amort & Depl of Producing Nat Gas Land/Land Right		
20	Amort of Underground Storage Land/Land Rights		
21	Amort of Other Utility Plant	27,671,897	27,671,897
22	Total In Service (18 thru 21)	2,647,410,913	2,647,410,913
23	Leased to Others		
24	Depreciation		
25	Amortization and Depletion		
26	Total Leased to Others (24 & 25)		
27	Held for Future Use		
28	Depreciation		
29	Amortization		
30	Total Held for Future Use (28 & 29)		
31	Abandonment of Leases (Natural Gas)		
32	Amort of Plant Acquisition Adj		
33	Total Accum Prov (equals 14) (22,26,30,31,32)	2,647,410,913	2,647,410,913

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS
FOR DEPRECIATION. AMORTIZATION AND DEPLETION

Gas (d)	Other (Specify) (e)	Other (Specify) (f)	Other (Specify) (g)	Common (h)	Line No.
					1
					2
					3
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					33

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106)

1. Report below the original cost of electric plant in service according to the prescribed accounts.
2. In addition to Account 101, Electric Plant in Service (Classified), this page and the next include Account 102, Electric Plant Purchased or Sold; Account 103, Experimental Electric Plant Unclassified; and Account 106, Completed Construction Not Classified-Electric.
3. Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year.
4. For revisions to the amount of initial asset retirement costs capitalized, included by primary plant account, increases in column (c) additions and reductions in column (e) adjustments.
5. Enclose in parentheses credit adjustments of plant accounts to indicate the negative effect of such accounts.
6. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d)

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)
1	1. INTANGIBLE PLANT		
2	(301) Organization	44,456	
3	(302) Franchises and Consents	55,919	
4	(303) Miscellaneous Intangible Plant	60,274,851	11,011,441
5	TOTAL Intangible Plant (Enter Total of lines 2, 3, and 4)	60,375,226	11,011,441
6	2. PRODUCTION PLANT		
7	A. Steam Production Plant		
8	(310) Land and Land Rights	11,727,772	
9	(311) Structures and Improvements	353,783,814	3,646,844
10	(312) Boiler Plant Equipment	2,782,877,236	20,774,303
11	(313) Engines and Engine-Driven Generators		
12	(314) Turbogenerator Units	339,914,555	1,196,048
13	(315) Accessory Electric Equipment	214,845,819	58,183
14	(316) Misc. Power Plant Equipment	32,710,685	1,738,183
15	(317) Asset Retirement Costs for Steam Production	62,113,864	104,888,213
16	TOTAL Steam Production Plant (Enter Total of lines 8 thru 15)	3,797,973,745	132,301,774
17	B. Nuclear Production Plant		
18	(320) Land and Land Rights		
19	(321) Structures and Improvements		
20	(322) Reactor Plant Equipment		
21	(323) Turbogenerator Units		
22	(324) Accessory Electric Equipment		
23	(325) Misc. Power Plant Equipment		
24	(326) Asset Retirement Costs for Nuclear Production		
25	TOTAL Nuclear Production Plant (Enter Total of lines 18 thru 24)		
26	C. Hydraulic Production Plant		
27	(330) Land and Land Rights	879,312	
28	(331) Structures and Improvements	600,885	6,860
29	(332) Reservoirs, Dams, and Waterways	21,566,122	
30	(333) Water Wheels, Turbines, and Generators	9,561,472	4,118,106
31	(334) Accessory Electric Equipment	578,333	741,749
32	(335) Misc. Power PLant Equipment	287,615	
33	(336) Roads, Railroads, and Bridges	176,359	
34	(337) Asset Retirement Costs for Hydraulic Production	302,145	
35	TOTAL Hydraulic Production Plant (Enter Total of lines 27 thru 34)	33,952,243	4,866,715
36	D. Other Production Plant		
37	(340) Land and Land Rights	294,924	
38	(341) Structures and Improvements	36,021,733	60,892
39	(342) Fuel Holders, Products, and Accessories	22,921,931	1,164,286
40	(343) Prime Movers	369,760,067	13,482,127
41	(344) Generators	59,795,175	-1,172
42	(345) Accessory Electric Equipment	46,033,188	132,098
43	(346) Misc. Power Plant Equipment	5,368,234	175,507
44	(347) Asset Retirement Costs for Other Production		
45	TOTAL Other Prod. Plant (Enter Total of lines 37 thru 44)	540,195,252	15,013,738
46	TOTAL Prod. Plant (Enter Total of lines 16, 25, 35, and 45)	4,372,121,240	152,182,227

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ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)

distributions of these tentative classifications in columns (c) and (d), including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Accounts 101 and 106 will avoid serious omissions of the reported amount of respondent's plant actually in service at end of year.

7. Show in column (f) reclassifications or transfers within utility plant accounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits distributed in column (f) to primary account classifications.

8. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirement of these pages.

9. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchase, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give also date

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
					1
			44,456		2
			55,919		3
1,266,343			70,019,949		4
1,266,343			70,120,324		5
					6
					7
	-1,885		11,725,887		8
4,390,563		-26,825,510	326,214,585		9
18,049,954		26,825,510	2,812,427,095		10
					11
8,089,998			333,020,605		12
2,420,111			212,483,891		13
430,514			34,018,354		14
43,243		-86,482	166,872,352		15
33,424,383	-1,885	-86,482	3,896,762,769		16
					17
					18
					19
					20
					21
					22
					23
					24
					25
					26
			879,312		27
			607,745		28
			21,566,122		29
-38,910			13,718,488		30
			1,320,082		31
			287,615		32
			176,359		33
		86,482	388,627		34
-38,910		86,482	38,944,350		35
					36
	-2,207		292,717		37
143,724			35,938,901		38
94,168			23,992,049		39
4,398,256			378,843,938		40
1,840,006			57,953,997		41
547,609			45,617,677		42
			5,543,741		43
					44
7,023,763	-2,207		548,183,020		45
40,409,236	-4,092		4,483,890,139		46

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ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)
47	3. TRANSMISSION PLANT		
48	(350) Land and Land Rights	29,605,724	1,801,302
49	(352) Structures and Improvements	18,703,992	3,642,537
50	(353) Station Equipment	232,597,625	15,325,510
51	(354) Towers and Fixtures	73,644,583	2,759,617
52	(355) Poles and Fixtures	173,853,366	13,194,801
53	(356) Overhead Conductors and Devices	159,830,347	5,680,178
54	(357) Underground Conduit	448,760	
55	(358) Underground Conductors and Devices	1,161,309	
56	(359) Roads and Trails		
57	(359.1) Asset Retirement Costs for Transmission Plant	413,450	
58	TOTAL Transmission Plant (Enter Total of lines 48 thru 57)	690,259,156	42,403,945
59	4. DISTRIBUTION PLANT		
60	(360) Land and Land Rights	5,575,696	2,346,036
61	(361) Structures and Improvements	8,345,949	735,302
62	(362) Station Equipment	150,975,716	7,508,511
63	(363) Storage Battery Equipment		
64	(364) Poles, Towers, and Fixtures	307,989,984	16,147,783
65	(365) Overhead Conductors and Devices	290,323,780	17,941,621
66	(366) Underground Conduit	1,767,568	-8,004
67	(367) Underground Conductors and Devices	148,336,169	8,340,016
68	(368) Line Transformers	292,918,827	4,535,828
69	(369) Services	92,818,230	2,751,297
70	(370) Meters	72,082,585	1,096,601
71	(371) Installations on Customer Premises	18,243,600	
72	(372) Leased Property on Customer Premises		
73	(373) Street Lighting and Signal Systems	85,367,937	5,475,410
74	(374) Asset Retirement Costs for Distribution Plant	930,200	
75	TOTAL Distribution Plant (Enter Total of lines 60 thru 74)	1,475,676,241	66,870,401
76	5. REGIONAL TRANSMISSION AND MARKET OPERATION PLANT		
77	(380) Land and Land Rights		
78	(381) Structures and Improvements		
79	(382) Computer Hardware		
80	(383) Computer Software		
81	(384) Communication Equipment		
82	(385) Miscellaneous Regional Transmission and Market Operation Plant		
83	(386) Asset Retirement Costs for Regional Transmission and Market Oper		
84	TOTAL Transmission and Market Operation Plant (Total lines 77 thru 83)		
85	6. GENERAL PLANT		
86	(389) Land and Land Rights	2,675,031	130,327
87	(390) Structures and Improvements	48,529,000	2,739,449
88	(391) Office Furniture and Equipment	34,287,073	4,159,693
89	(392) Transportation Equipment	15,935,330	52,139
90	(393) Stores Equipment	615,975	
91	(394) Tools, Shop and Garage Equipment	9,683,942	760,311
92	(395) Laboratory Equipment		
93	(396) Power Operated Equipment	1,411,047	
94	(397) Communication Equipment	30,021,075	3,032,798
95	(398) Miscellaneous Equipment		
96	SUBTOTAL (Enter Total of lines 86 thru 95)	143,158,473	10,874,717
97	(399) Other Tangible Property		
98	(399.1) Asset Retirement Costs for General Plant		
99	TOTAL General Plant (Enter Total of lines 96, 97 and 98)	143,158,473	10,874,717
100	TOTAL (Accounts 101 and 106)	6,741,590,336	283,342,731
101	(102) Electric Plant Purchased (See Instr. 8)		
102	(Less) (102) Electric Plant Sold (See Instr. 8)		
103	(103) Experimental Plant Unclassified		
104	TOTAL Electric Plant in Service (Enter Total of lines 100 thru 103)	6,741,590,336	283,342,731

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ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
					47
			31,407,026		48
97,596			22,248,933		49
2,160,302		37,080	245,799,913		50
1,405,766			74,998,434		51
395,319			186,652,848		52
439,996			165,070,529		53
			448,760		54
			1,161,309		55
					56
			413,450		57
4,498,979		37,080	728,201,202		58
					59
			7,921,732		60
19,270			9,061,981		61
534,979		-8,947	157,940,301		62
					63
737,118			323,400,649		64
2,189,402		-28,133	306,047,866		65
3,602			1,755,962		66
223,562			156,452,623		67
2,243,745			295,210,910		68
975,270			94,594,257		69
119,314			73,059,872		70
7,821			18,235,779		71
					72
499,273			90,344,074		73
			930,200		74
7,553,356		-37,080	1,534,956,206		75
					76
					77
					78
					79
					80
					81
					82
					83
					84
					85
			2,805,358		86
515,679			50,752,770		87
1,016,858			37,429,908		88
			15,987,469		89
			615,975		90
			10,444,253		91
					92
			1,411,047		93
			33,053,873		94
					95
1,532,537			152,500,653		96
					97
					98
1,532,537			152,500,653		99
55,260,451	-4,092		6,969,668,524		100
					101
					102
					103
55,260,451	-4,092		6,969,668,524		104

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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	/ /	2013/Q4

FOOTNOTE DATA

Schedule Page: 204 Line No.: 8 Column: e
Sale of land to LG&E under jointly owned combustion turbines.

Schedule Page: 204 Line No.: 9 Column: d
Includes $4,099,203 attributable to the retirement of Tyrone Unit 3 and remaining assets on the previously retired Tyrone Units 1 and 2.

Schedule Page: 204 Line No.: 10 Column: d
Includes $13,136,500 attributable to the retirement of Tyrone Unit 3 and remaining assets on the previously retired Tyrone Units 1 and 2.

Schedule Page: 204 Line No.: 12 Column: d
Includes $4,873,719 attributable to the retirement of Tyrone Unit 3 and remaining assets on the previously retired Tyrone Units 1 and 2.

Schedule Page: 204 Line No.: 13 Column: d
Includes $2,155,480 attributable to the retirement of Tyrone Unit 3 and remaining assets on the previously retired Tyrone Units 1 and 2.

Schedule Page: 204 Line No.: 14 Column: d
Includes $467,921 attributable to the retirement of Tyrone Unit 3 and remaining assets on the previously retired Tyrone Units 1 and 2. Includes $69,948 temporarily classified to plant account (316) Misc. Power Plant Equipment in Completed Construction Not Classified - Electric (106) reclassed to the correct plant account at the time of final unitization.

Schedule Page: 204 Line No.: 30 Column: d
Reversal of estimated retirements recorded in Completed Construction Not Classified - Electric (106) on a preliminary basis. Upon recording of final retirement the estimated amounts were higher than the actual retirement amount.

Schedule Page: 204 Line No.: 37 Column: e
Sale of land to LG&E under jointly owned combustion turbines.

Schedule Page: 204 Line No.: 38 Column: d
Amount attributable to the retirement of Haefling Unit 3.

Schedule Page: 204 Line No.: 39 Column: d
Includes $46,588 attributable to the retirement of Haefling Unit 3.

Schedule Page: 204 Line No.: 41 Column: c
Amounts temporarily classified to plant account Generators (344) in Completed Construction Not Classified - Electric (106) were reclassed to the correct plant account at the time of final unitization.

Schedule Page: 204 Line No.: 41 Column: d
Includes $1,340,867 attributable to the retirement of Haefling Unit 3.

Schedule Page: 204 Line No.: 42 Column: d
Includes $517,682 attributable to the retirement of Haefling Unit 3.

Schedule Page: 204 Line No.: 66 Column: c
Amounts temporarily classified to plant account Underground Conduit (366) in Completed Construction Not Classified - Electric (106) were reclassed to the correct plant account at the time of final unitization.

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

ELECTRIC PLANT HELD FOR FUTURE USE (Account 105)

1. Report separately each property held for future use at end of the year having an original cost of $250,000 or more. Group other items of property held for future use.
2. For property having an original cost of $250,000 or more previously used in utility operations, now held for future use, give in column (a), in addition to other required information, the date that utility use of such property was discontinued, and the date the original cost was transferred to Account 105.

Line No.	Description and Location Of Property (a)	Date Originally Included in This Account (b)	Date Expected to be used in Utility Service (c)	Balance at End of Year (d)
1	Land and Rights:			
2	Pennington Gap Substation #2	8/1/2013	2017	324,088
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21	Other Property:			
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
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39				
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41				
42				
43				
44				
45				
46				
47	Total			324,088

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

CONSTRUCTION WORK IN PROGRESS - - ELECTRIC (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (107)
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstrating (see Account 107 of the Uniform System of Accounts)
3. Minor projects (5% of the Balance End of the Year for Account 107 or $1,000,000, whichever is less) may be grouped.

Line No.	Description of Project (a)	Construction work in progress - Electric (Account 107) (b)
1	STEAM PRODUCTION MAJOR	
2	GHENT ASH POND/LANDFILL	292,445,393
3	GH3 FABRIC FILTER	119,196,209
4	GH4 FABRIC FILTER	83,571,882
5	GH1 FABRIC FILTER	58,637,279
6	GH2 FABRIC FITLER	30,514,978
7	BROWN LANDFILL PHASE I	28,065,507
8	BR3 FABRIC FILTER	18,164,737
9	TC2 CAPITAL SPARES - KU	9,774,514
10	TC CCP LANDFILL PHASE 1 RAVINE - KU	8,625,234
11	GH STACKER TRACK BASE REPLACEMENT	4,378,405
12	BROWN ASH POND PHASE II	2,999,662
13	BR3 SCR ADDITION	2,647,813
14	GH3 SCR CATALYST ADDITION	2,543,747
15	GH4 BURNER REPLACEMENT	2,450,946
16	TC2 DRY SORBENT INJECTION SYSTEM	2,296,039
17	GH4 CYBER SECURITY	2,109,033
18	GH4 SCR CATALYST ADDITION	2,067,422
19	BR1&2 MERCURY MITIGATION SYSTEM	1,984,548
20	GH4 SCR CATALYST LAYER REPLACEMENT	1,384,310
21	GH3 FEEDWATER HEATER REPLACEMENT	1,215,195
22	GH1 SCR CATALYST LAYER REPLACEMENT	1,166,463
23	STEAM PRODUCTION MINOR	11,004,538
24		
25	HYDRAULIC POWER MINOR	556,330
26		
27	OTHER PRODUCTION MAJOR	
28	CANE RUN UNIT #7 CCGT	316,642,282
29	GREEN RIVER UNIT #5 CCGT	2,164,900
30	TC KU CT SPARE PARTS FOR HGP INSPECTION	1,182,807
31	BR CT GT24 FLEXIBILITY KU	1,077,307
32	OTHER PRODUCTION MINOR	2,579,142
33		
34	TRANSMISSION MAJOR	
35	MATANZAS SUBSTATION UPGRADE	12,672,130
36	PRIORITY REPLACE TRANSMISSION LINES - KU	7,818,782
37	BREAKER REPLACEMENT	5,153,127
38	GHENT 345kV BREAKER REPLACEMENTS	4,082,068
39	CORNING SUBSTATION UPGRADE	2,160,315
40	SUBSTATION ENHANCEMENTS	2,004,811
41	161/138kV SPARE TRANSFORMER	1,570,666
42	NERCALRT-DELVINTA-ARNOLD	1,459,455
43	TOTAL	1,138,612,872

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

CONSTRUCTION WORK IN PROGRESS - - ELECTRIC (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (107)
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstrating (see Account 107 of the Uniform System of Accounts)
3. Minor projects (5% of the Balance End of the Year for Account 107 or $1,000,000, whichever is less) may be grouped.

Line No.	Description of Project (a)	Construction work in progress - Electric (Account 107) (b)
1	NERCALRT-EARLINGTON NORTH-LIVINGSTON	1,225,309
2	TRANSMISSION MINOR	21,035,494
3		
4	DISTRIBUTION MAJOR	
5	HUME ROAD SUBSTATION	2,771,826
6	DISTRIBUTION LINE TRANSFORMERS	2,420,467
7	DSP UK WEST SUBSTATION ADDITION	1,609,462
8	HUME ROAD SUBSTATION CIRCUITS	1,455,383
9	POLE INSPECTION - SHELBYVILLE	1,295,465
10	POLE INSPECTION - LONDON	1,169,755
11	PURCHASE HEAVY DUTY VEHICLES	1,166,404
12	DISTRIBUTION MINOR	24,175,320
13		
14	GENERAL PLANT MAJOR	
15	MICROWAVE BACKBONE RENOVATION	6,871,869
16	MOBILE AUTO DISPATCH	3,626,320
17	ORACLE LICENSES	1,981,530
18	VOIP CAMPUS UPGRADE	1,876,367
19	WORK MANAGEMENT SYSTEM REPLACEMENT	1,808,645
20	MIDLEVEL STORAGE REFRESH	1,142,225
21	GENERAL PLANT MINOR	14,613,055
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38		
39		
40		
41		
42		
43	TOTAL	1,138,612,872

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

ACCUMULATED PROVISION FOR DEPRECIATION OF ELECTRIC UTILITY PLANT (Account 108)

1. Explain in a footnote any important adjustments during year.
2. Explain in a footnote any difference between the amount for book cost of plant retired, Line 11, column (c), and that reported for electric plant in service, pages 204-207, column 9d), excluding retirements of non-depreciable property.
3. The provisions of Account 108 in the Uniform System of accounts require that retirements of depreciable plant be recorded when such plant is removed from service. If the respondent has a significant amount of plant retired at year end which has not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications.
4. Show separately interest credits under a sinking fund or similar method of depreciation accounting.

Section A. Balances and Changes During Year

Line No.	Item (a)	Total (c+d+e) (b)	Electric Plant in Service (c)	Electric Plant Held for Future Use (d)	Electric Plant Leased to Others (e)
1	Balance Beginning of Year	2,498,299,000	2,498,299,000		
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	178,119,813	178,119,813		
4	(403.1) Depreciation Expense for Asset Retirement Costs				
5	(413) Exp. of Elec. Plt. Leas. to Others				
6	Transportation Expenses-Clearing	125,426	125,426		
7	Other Clearing Accounts				
8	Other Accounts (Specify, details in footnote):	-42,209	-42,209		
9	Fuel Stock	386,814	386,814		
10	TOTAL Deprec. Prov for Year (Enter Total of lines 3 thru 9)	178,589,844	178,589,844		
11	Net Charges for Plant Retired:				
12	Book Cost of Plant Retired	53,950,865	53,950,865		
13	Cost of Removal	15,504,539	15,504,539		
14	Salvage (Credit)	1,206,087	1,206,087		
15	TOTAL Net Chrgs. for Plant Ret. (Enter Total of lines 12 thru 14)	68,249,317	68,249,317		
16	Other Debit or Cr. Items (Describe, details in footnote):	11,142,732	11,142,732		
17					
18	Book Cost or Asset Retirement Costs Retired	-43,243	-43,243		
19	Balance End of Year (Enter Totals of lines 1, 10, 15, 16, and 18)	2,619,739,016	2,619,739,016		
	Section B. Balances at End of Year According to Functional Classification				
20	Steam Production	1,408,685,634	1,408,685,634		
21	Nuclear Production				
22	Hydraulic Production-Conventional	8,794,744	8,794,744		
23	Hydraulic Production-Pumped Storage				
24	Other Production	203,770,462	203,770,462		
25	Transmission	330,462,070	330,462,070		
26	Distribution	603,474,042	603,474,042		
27	Regional Transmission and Market Operation				
28	General	64,552,064	64,552,064		
29	TOTAL (Enter Total of lines 20 thru 28)	2,619,739,016	2,619,739,016		

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	/ /	2013/Q4

FOOTNOTE DATA

Schedule Page: 219 Line No.: 4 Column: c

In August 2013, year-to-date regulatory offsets for depreciation on asset retirement cost assets and ARO liability accretion were reclassed from Regulatory Credits (407.4) to Depreciation Expense for Asset Retirement Costs (403.1) and Accretion Expense (411.10).

Schedule Page: 219 Line No.: 8 Column: c

Accrual for cost of removal and salvage for ARO parent assets (FERC 254 and 403).

Schedule Page: 219 Line No.: 16 Column: c

The balance for the accrual for cost of removal and salvage for ARO parent assets was reclassed from Other Regulatory Liabilities (254) to Accumulated Provision for Depreciation of Electric Utility Plant (108)	$	3,770,685
Accrual for depreciation on asset retirement costs (Other Regulatory Assets FERC 182.3)		6,926,075
Customer payments related to construction projects		445,972
Total Other Debit or Credit Items	$	11,142,732

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

INVESTMENTS IN SUBSIDIARY COMPANIES (Account 123.1)

1. Report below investments in Accounts 123.1, investments in Subsidiary Companies.
2. Provide a subheading for each company and List there under the information called for below. Sub - TOTAL by company and give a TOTAL in columns (e),(f),(g) and (h)
(a) Investment in Securities - List and describe each security owned. For bonds give also principal amount, date of issue, maturity and interest rate.
(b) Investment Advances - Report separately the amounts of loans or investment advances which are subject to repayment, but which are not subject to current settlement. With respect to each advance show whether the advance is a note or open account. List each note giving date of issuance, maturity date, and specifying whether note is a renewal.
3. Report separately the equity in undistributed subsidiary earnings since acquisition. The TOTAL in column (e) should equal the amount entered for Account 418.1.

Line No.	Description of Investment (a)	Date Acquired (b)	Date Of Maturity (c)	Amount of Investment at Beginning of Year (d)
1	OVEC (2.50%)			
2	Common Stock, $100 par value, 2,500 shares			
3	250 shares	11/15/52		25,000
4	250 shares	01/14/53		25,000
5	250 shares	03/04/53		25,000
6	250 shares	04/15/53		25,000
7	250 shares	05/20/53		25,000
8	250 shares	06/22/53		25,000
9	500 shares	07/15/53		50,000
10	500 shares	07/31/53		50,000
11				
12	EEI (20%)			
13	Common Stock, $100 par value, 12,400 shares			
14	3,500 shares	03/06/51		
15	2,700 shares	08/03/53		
16	6,200 shares	12/30/58		
17	Equity Earnings			
18	Other Comprehensive Income			
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42	Total Cost of Account 123.1 $ 250,000		TOTAL	250,000

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

INVESTMENTS IN SUBSIDIARY COMPANIES (Account 123.1) (Continued)

4. For any securities, notes, or accounts that were pledged designate such securities, notes, or accounts in a footnote, and state the name of pledgee and purpose of the pledge.
5. If Commission approval was required for any advance made or security acquired, designate such fact in a footnote and give name of Commission, date of authorization, and case or docket number.
6. Report column (f) interest and dividend revenues form investments, including such revenues form securities disposed of during the year.
7. In column (h) report for each investment disposed of during the year, the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if difference from cost) and the selling price thereof, not including interest adjustment includible in column (f).
8. Report on Line 42, column (a) the TOTAL cost of Account 123.1

Equity in Subsidiary Earnings of Year (e)	Revenues for Year (f)	Amount of Investment at End of Year (g)	Gain or Loss from Investment Disposed of (h)	Line No.
	25,000			1
				2
		25,000		3
		25,000		4
		25,000		5
		25,000		6
		25,000		7
		25,000		8
		50,000		9
		50,000		10
				11
				12
				13
				14
				15
				16
				17
				18
				19
				20
				21
				22
				23
				24
				25
				26
				27
				28
				29
				30
				31
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				36
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				38
				39
				40
				41
	25,000	250,000		42

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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	/ /	2013/Q4

FOOTNOTE DATA

Schedule Page: 224 Line No.: 1 Column: a

See Note 1 of Notes to Financial Statements under Cost Method Investment for a full description of the OVEC investment.

Schedule Page: 224 Line No.: 12 Column: a

EEI was fully impaired in 2012 which reduced the balance in Investment in Subsidiary Companies (123.1) to zero, the estimated fair value at December 31, 2012. See Note 1 of Notes to Financial Statements under Equity Method Investment for a full description of the EEI investment.

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

MATERIALS AND SUPPLIES

1. For Account 154, report the amount of plant materials and operating supplies under the primary functional classifications as indicated in column (a); estimates of amounts by function are acceptable. In column (d), designate the department or departments which use the class of material.
2. Give an explanation of important inventory adjustments during the year (in a footnote) showing general classes of material and supplies and the various accounts (operating expenses, clearing accounts, plant, etc.) affected debited or credited. Show separately debit or credits to stores expense clearing, if applicable.

Line No.	Account (a)	Balance Beginning of Year (b)	Balance End of Year (c)	Department or Departments which Use Material (d)
1	Fuel Stock (Account 151)	88,011,247	77,808,312	Electric
2	Fuel Stock Expenses Undistributed (Account 152)			
3	Residuals and Extracted Products (Account 153)			
4	Plant Materials and Operating Supplies (Account 154)			
5	Assigned to - Construction (Estimated)			
6	Assigned to - Operations and Maintenance			
7	Production Plant (Estimated)	25,364,502	25,840,245	Electric
8	Transmission Plant (Estimated)	3,212,597	3,149,057	Electric
9	Distribution Plant (Estimated)	7,027,001	7,415,941	Electric
10	Regional Transmission and Market Operation Plant (Estimated)			
11	Assigned to - Other (provide details in footnote)			
12	TOTAL Account 154 (Enter Total of lines 5 thru 11)	35,604,100	36,405,243	
13	Merchandise (Account 155)			
14	Other Materials and Supplies (Account 156)			
15	Nuclear Materials Held for Sale (Account 157) (Not applic to Gas Util)			
16	Stores Expense Undistributed (Account 163)	10,400,123	10,213,703	Electric
17				
18				
19				
20	TOTAL Materials and Supplies (Per Balance Sheet)	134,015,470	124,427,258	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

Allowances (Accounts 158.1 and 158.2)

1. Report below the particulars (details) called for concerning allowances.
2. Report all acquisitions of allowances at cost.
3. Report allowances in accordance with a weighted average cost allocation method and other accounting as prescribed by General Instruction No. 21 in the Uniform System of Accounts.
4. Report the allowances transactions by the period they are first eligible for use: the current year's allowances in columns (b)-(c), allowances for the three succeeding years in columns (d)-(i), starting with the following year, and allowances for the remaining succeeding years in columns (j)-(k).
5. Report on line 4 the Environmental Protection Agency (EPA) issued allowances. Report withheld portions Lines 36-40.

Line No.	SO2 Allowances Inventory (Account 158.1) (a)	Current Year		2014	
		No. (b)	Amt. (c)	No. (d)	Amt. (e)
1	Balance-Beginning of Year	162,399.00	322,967	77,535.00	
2					
3	Acquired During Year:				
4	Issued (Less Withheld Allow)	77,535.00			
5	Returned by EPA				
6					
7					
8	Purchases/Transfers:				
9					
10					
11					
12					
13					
14					
15	Total				
16					
17	Relinquished During Year:				
18	Charges to Account 509	70,706.00	95,175		
19	Other:				
20					
21	Cost of Sales/Transfers:				
22					
23					
24					
25					
26					
27					
28	Total				
29	Balance-End of Year	169,228.00	227,792	77,535.00	
30					
31	Sales:				
32	Net Sales Proceeds(Assoc. Co.)				
33	Net Sales Proceeds (Other)				
34	Gains				
35	Losses				
	Allowances Withheld (Acct 158.2)				
36	Balance-Beginning of Year	1,106.50		1,106.50	
37	Add: Withheld by EPA				
38	Deduct: Returned by EPA				
39	Cost of Sales	1,106.50			
40	Balance-End of Year			1,106.50	
41					
42	Sales:				
43	Net Sales Proceeds (Assoc. Co.)				
44	Net Sales Proceeds (Other)	1,106.50	312		
45	Gains				
46	Losses				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

Allowances (Accounts 158.1 and 158.2) (Continued)

6. Report on Lines 5 allowances returned by the EPA. Report on Line 39 the EPA's sales of the withheld allowances. Report on Lines 43-46 the net sales proceeds and gains/losses resulting from the EPA's sale or auction of the withheld allowances.
7. Report on Lines 8-14 the names of vendors/transferors of allowances acquire and identify associated companies (See "associated company" under "Definitions" in the Uniform System of Accounts).
8. Report on Lines 22 - 27 the name of purchasers/ transferees of allowances disposed of an identify associated companies.
9. Report the net costs and benefits of hedging transactions on a separate line under purchases/transfers and sales/transfers.
10. Report on Lines 32-35 and 43-46 the net sales proceeds and gains or losses from allowance sales.

2015		2016		Future Years		Totals		Line
No. (f)	Amt. (g)	No. (h)	Amt. (i)	No. (j)	Amt. (k)	No. (l)	Amt. (m)	No.
77,535.00		77,535.00		2,015,910.00		2,410,914.00	322,967	1
								2
								3
						77,535.00		4
								5
								6
								7
								8
								9
								10
								11
								12
								13
								14
								15
								16
								17
						70,706.00	95,175	18
								19
								20
								21
								22
								23
								24
								25
								26
								27
								28
77,535.00		77,535.00		2,015,910.00		2,417,743.00	227,792	29
								30
								31
								32
								33
								34
								35
1,106.50		1,106.50		54,218.50		58,644.50		36
								37
								38
				1,106.50		2,213.00		39
1,106.50		1,106.50		53,112.00		56,431.50		40
								41
								42
								43
				1,106.50	48	2,213.00	360	44
								45
								46

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

Allowances (Accounts 158.1 and 158.2)

1. Report below the particulars (details) called for concerning allowances.
2. Report all acquisitions of allowances at cost.
3. Report allowances in accordance with a weighted average cost allocation method and other accounting as prescribed by General Instruction No. 21 in the Uniform System of Accounts.
4. Report the allowances transactions by the period they are first eligible for use: the current year's allowances in columns (b)-(c), allowances for the three succeeding years in columns (d)-(i), starting with the following year, and allowances for the remaining succeeding years in columns (j)-(k).
5. Report on line 4 the Environmental Protection Agency (EPA) issued allowances. Report withheld portions Lines 36-40.

Line No.	NOx Allowances Inventory (Account 158.1) (a)	Current Year No. (b)	Current Year Amt. (c)	2014 No. (d)	2014 Amt. (e)
1	Balance-Beginning of Year	1,688.00	1,430		
2					
3	Acquired During Year:				
4	Issued (Less Withheld Allow)	21,841.00		21,841.00	
5	Returned by EPA				
6					
7					
8	Purchases/Transfers:	4,256.00	183,420		
9					
10					
11					
12					
13					
14					
15	Total	4,256.00	183,420		
16					
17	Relinquished During Year:				
18	Charges to Account 509	24,797.00	118,933		
19	Other:				
20	Charges to Account 549	55.00	200		
21	Cost of Sales/Transfers:				
22					
23					
24					
25					
26					
27					
28	Total				
29	Balance-End of Year	2,933.00	65,717	21,841.00	
30					
31	Sales:				
32	Net Sales Proceeds(Assoc. Co.)				
33	Net Sales Proceeds (Other)				
34	Gains				
35	Losses				
	Allowances Withheld (Acct 158.2)				
36	Balance-Beginning of Year				
37	Add: Withheld by EPA				
38	Deduct: Returned by EPA				
39	Cost of Sales				
40	Balance-End of Year				
41					
42	Sales:				
43	Net Sales Proceeds (Assoc. Co.)				
44	Net Sales Proceeds (Other)				
45	Gains				
46	Losses				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

Allowances (Accounts 158.1 and 158.2) (Continued)

6. Report on Lines 5 allowances returned by the EPA. Report on Line 39 the EPA's sales of the withheld allowances. Report on Lines 43-46 the net sales proceeds and gains/losses resulting from the EPA's sale or auction of the withheld allowances.
7. Report on Lines 8-14 the names of vendors/transferors of allowances acquire and identify associated companies (See "associated company" under "Definitions" in the Uniform System of Accounts).
8. Report on Lines 22 - 27 the name of purchasers/ transferees of allowances disposed of an identify associated companies.
9. Report the net costs and benefits of hedging transactions on a separate line under purchases/transfers and sales/transfers.
10. Report on Lines 32-35 and 43-46 the net sales proceeds and gains or losses from allowance sales.

2015		2016		Future Years		Totals		Line
No. (f)	Amt. (g)	No. (h)	Amt. (i)	No. (j)	Amt. (k)	No. (l)	Amt. (m)	No.
						1,688.00	1,430	1
								2
								3
						43,682.00		4
								5
								6
								7
						4,256.00	183,420	8
								9
								10
								11
								12
								13
								14
						4,256.00	183,420	15
								16
								17
						24,797.00	118,933	18
								19
						55.00	200	20
								21
								22
								23
								24
								25
								26
								27
								28
						24,774.00	65,717	29
								30
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

OTHER REGULATORY ASSETS (Account 182.3)

1. Report below the particulars (details) called for concerning other regulatory assets, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 182.3 at end of period, or amounts less than $100,000 which ever is less), may be grouped by classes.
3. For Regulatory Assets being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Assets	Balance at Beginning of Current Quarter/Year	Debits	CREDITS Written off During the Quarter/Year Account Charged	CREDITS Written off During the Period Amount	Balance at end of Current Quarter/Year
	(a)	(b)	(c)	(d)	(e)	(f)
1	ASC 715 - Pension and Postretirement	136,042,737	12,304,469	184	60,493,548	87,853,658
2	ASC 740 - Income Taxes	72,830,381	249,447	282/283	1,803,509	71,276,319
3	Winter Storm 2009 (Aug-10 to Jul-20)	43,404,542		571/593	5,723,676	37,680,866
4	Asset Retirement Obligation	11,229,401	12,208,433	230/407.4	879,757	22,558,077
5	DSM Cost Recovery - Under-recovery	401,912	6,578,440	440-445	1,633,843	5,346,509
6	Environmental Cost Recovery		6,763,123	440-445	2,127,797	4,635,326
7	Unamortized Debt Expense (various)	4,193,081	467,503	181	894,006	3,766,578
8	Mountain Storm 2009 (Nov-11 to Oct-16)	4,631,947		593	1,208,334	3,423,613
9	MISO Exit Fee - FERC	1,640,590		575.7		1,640,590
10	MISO Exit Fee - Virginia (Jan-14 to Dec-14)	275,365		575.7	127,069	148,296
11	MISO Exit Fee - Kentucky	382,728		575.7	382,728	
12	Wind Storm 2008 (Aug-10 to Jul-20)	1,664,933		593	219,552	1,445,381
13	2012 Rate Case Expenses (Jan-13 to Dec-15)	1,654,125	2,693	928	553,952	1,102,866
14	2009 Rate Case Expenses (Aug-10 to Jul-13)	391,722		928	391,722	
15	Coal Contracts (Nov-10 to Dec-15)	2,155,894		253	1,226,929	928,965
16	Carbon Mgmt Research Group (Aug-10 to Jul-20)	162,197	200,380	146/930.2	180,820	181,757
17	KY Consortium for Carbon Storage (Aug-10 to Jul-14)	364,943		930.2	230,490	134,453
18	General Mgmt Audit - Electric (Jan-13 to Dec-15)	142,521		928	47,507	95,014
19	EKPC FERC Transmission Costs - KY Portion					
20	(Mar-09 to Feb-14)	390,480		456/566	334,697	55,783
21	FERC Jurisdictional Pension Expenses	6,666,760		926	6,666,760	
22	VA Fuel Component	3,643,000	64,000	440-445	3,707,000	
23	KY Fuel Adjustment Clause		10,629,019	254	10,629,019	
24						
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44	TOTAL	292,269,259	49,467,507		99,462,715	242,274,051

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	/ /	2013/Q4

FOOTNOTE DATA

Schedule Page: 232 Line No.: 2 Column: a

The regulatory asset represents the future revenue impact from the reversal of deferred income tax liability required for a tax depreciation basis adjustment and allowance for funds used during construction.

Schedule Page: 232 Line No.: 7 Column: f

Unamortized Debt Expense (various) Without Purchase Accounting	$ -
Purchase Accounting Adjustment	3,766,578
Total for Unamortized Debt Expense (various)	$ 3,766,578

Schedule Page: 232 Line No.: 15 Column: f

Coal Contracts (Nov-10 to Dec-15) Without Purchase Accounting	$ -
Purchase Accounting Adjustment	928,965
Total for Coal Contracts (Nov-10 to Dec-15)	$ 928,965

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

MISCELLANEOUS DEFFERED DEBITS (Account 186)

1. Report below the particulars (details) called for concerning miscellaneous deferred debits.
2. For any deferred debit being amortized, show period of amortization in column (a)
3. Minor item (1% of the Balance at End of Year for Account 186 or amounts less than $100,000, whichever is less) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debits (a)	Balance at Beginning of Year (b)	Debits (c)	CREDITS Account Charged (d)	CREDITS Amount (e)	Balance at End of Year (f)
1	Goodwill	607,404,368				607,404,368
2						
3	Coal Contracts					
4	(Nov-10 to Dec-16)	79,561,620		254	24,731,867	54,829,753
5						
6				131/421/		
7	Key Man Life Insurance	38,811,173	1,874,867	426.2	2,057,088	38,628,952
8						
9	OVEC Power Purchase Contract					
10	(Nov-10 to Mar-26)	33,281,193		254	2,461,138	30,820,055
11						
12	Valuation of SO2 Allowances					
13	(Nov-10 to Dec-40)	2,191,852		254	274,752	1,917,100
14						
15	Financing Expense	6,978	148,545			155,523
16						
17	Customer Credit Accounts					
18	Receivable	151,615	-12,646			138,969
19						
20	Carrollton Sale/Leaseback					
21	(Aug-06 to Jul-23)	46,691		931	4,412	42,279
22						
23	Cellular Antenna Charges	5,138	69,367	143	74,505	
24						
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44						
45						
46						
47	Misc. Work in Progress					
48	Deferred Regulatory Comm. Expenses (See pages 350 - 351)					
49	TOTAL	761,460,628				733,936,999

Name of Respondent Kentucky Utilities Company	This Report is: (1) X An Original (2) __ A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2013/Q4

FOOTNOTE DATA

Schedule Page: 233 Line No.: 1 Column: f

Goowill is the value attributed to KU's franchise as a result of PPL's acquisition of LKE in November 2010.

Schedule Page: 233 Line No.: 4 Column: f

The balance of $54,829,753 relates to the fair value measurement of $144,919,879 for KU's coal contracts that was recognized as a result of the acquisition by PPL in November 2010. The variance is 38 months of amortization in 2010, 2011, 2012 and 2013.

Schedule Page: 233 Line No.: 10 Column: f

The balance of $30,820,055 relates to the fair value measurement of $38,582,028 for the power purchase contract between KU and OVEC that was recognized as a result of the acquisition by PPL in November 2010. The variance is 38 months of amortization in 2010, 2011, 2012 and 2013.

Schedule Page: 233 Line No.: 13 Column: f

The balance of $1,917,100 relates to the fair value measurement of $2,681,473 for KU's SO2 emission allowances that was recognized as a result of the acquisition by PPL in November 2010. The variance is 38 months of amortization in 2010, 2011, 2012 and 2013.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

ACCUMULATED DEFERRED INCOME TAXES (Account 190)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.
2. At Other (Specify), include deferrals relating to other income and deductions.

Line No.	Description and Location (a)	Balance of Begining of Year (b)	Balance at End of Year (c)
1	Electric		
2	Pensions	13,966,293	2,698,259
3	Other Post Retirement & Employment Benefits	25,365,242	24,728,952
4	Regulatory Tax Adjustments	69,130,645	67,264,772
5	Net Operating Loss	19,700,245	22,868,321
6	Asset Retirement Obligation	28,513,133	69,576,883
7	Other - See Notes for Detail	50,491,094	55,145,178
8	TOTAL Electric (Enter Total of lines 2 thru 7)	207,166,652	242,282,365
9	Gas		
10			
11			
12			
13			
14			
15	Other		
16	TOTAL Gas (Enter Total of lines 10 thru 15		
17	Other (Specify)	1,143,026	711,949
18	TOTAL (Acct 190) (Total of lines 8, 16 and 17)	208,309,678	242,994,314

Notes

	Bal. at Beg. of Year	Bal. at End of Year
VA Fuel Clause	$ (1,417,127)	$ 201,502
Workers' Compensation	906,400	849,695
Environmental Cost Recovery	1,791,921	(1,803,142)
FAC Over/Under-Recovery	(389,000)	-
Vacation Pay	1,963,929	1,808,391
State Tax Adjustment	(612,921)	701,229
Bad Debt Reserve	890,388	1,705,364
Demand Side Management	-	(2,079,792)
Interest Rate Swap	-	16,670,206
Contingent Liability	499,220	495,101
Other	875,235	1,908,590
Total Line No. 7 Without Purchase Accounting	$ 4,508,045	$ 20,457,144
Purchase Accounting Adjustment	45,983,049	34,688,034
Total Line No. 7 With Purchase Accounting	$ 50,491,094	$ 55,145,178

	Bal. at Beg. of Year	Bal. at End of Year
Environmental Assessment	$ 581,555	$ 205,446
Other	561,471	506,503
Total Line No. 17	$ 1,143,026	$ 711,949

Balance of Beginning of Year	$208,309,678
Less Debits to:	
Account 410.1	70,670,578
Account 410.2	454,441
Other Balance Sheet Accounts	1,453,479
Plus Credits to:	
Account 411.1	107,238,039
Account 411.2	25,095

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

ACCUMULATED DEFERRED INCOME TAXES (Account 190) (continued)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.
2. At Other (Specify), include deferrals relating to other income and deductions.

Balance at End of Year	$242,994,314

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

CAPITAL STOCKS (Account 201 and 204)

1. Report below the particulars (details) called for concerning common and preferred stock at end of year, distinguishing separate series of any general class. Show separate totals for common and preferred stock. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form filing, a specific reference to report form (i.e., year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.
2. Entries in column (b) should represent the number of shares authorized by the articles of incorporation as amended to end of year.

Line No.	Class and Series of Stock and Name of Stock Series (a)	Number of shares Authorized by Charter (b)	Par or Stated Value per share (c)	Call Price at End of Year (d)
1	Common Stock			
2	Common Stock, Without Par Value	80,000,000		
3	Total Common	80,000,000		
4				
5	Preferred and Preference Stock			
6	Preferred Stock, Without Par Value	5,300,000		
7	Preference Stock, Without Par Value	2,000,000		
8	Total Preferred and Preference	7,300,000		
9				
10				
11	Note:			
12	There is no call price for common stock,			
13	without par value.			
14				
15	The common stock of KU is owned by its			
16	parent company, LKE.			
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

CAPITAL STOCKS (Account 201 and 204) (Continued)

3. Give particulars (details) concerning shares of any class and series of stock authorized to be issued by a regulatory commission which have not yet been issued.
4. The identification of each class of preferred stock should show the dividend rate and whether the dividends are cumulative or non-cumulative.
5. State in a footnote if any capital stock which has been nominally issued is nominally outstanding at end of year.
Give particulars (details) in column (a) of any nominally issued capital stock, reacquired stock, or stock in sinking and other funds which is pledged, stating name of pledgee and purposes of pledge.

OUTSTANDING PER BALANCE SHEET (Total amount outstanding without reduction for amounts held by respondent)		HELD BY RESPONDENT				Line No.
		AS REACQUIRED STOCK (Account 217)		IN SINKING AND OTHER FUNDS		
Shares (e)	Amount (f)	Shares (g)	Cost (h)	Shares (i)	Amount (j)	
						1
37,817,878	308,139,978					2
37,817,878	308,139,978					3
						4
						5
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Name of Respondent	This Report is:	Date of Report	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	(Mo, Da, Yr) / /	2013/Q4

FOOTNOTE DATA

Schedule Page: 250 Line No.: 8 Column: a

No shares of preferred or preference stock remain issued or outstanding.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

OTHER PAID-IN CAPITAL (Accounts 208-211, inc.)

Report below the balance at the end of the year and the information specified below for the respective other paid-in capital accounts. Provide a subheading for each account and show a total for the account, as well as total of all accounts for reconciliation with balance sheet, Page 112. Add more columns for any account if deemed necessary. Explain changes made in any account during the year and give the accounting entries effecting such change.
(a) Donations Received from Stockholders (Account 208)-State amount and give brief explanation of the origin and purpose of each donation.
(b) Reduction in Par or Stated value of Capital Stock (Account 209): State amount and give brief explanation of the capital change which gave rise to amounts reported under this caption including identification with the class and series of stock to which related.
(c) Gain on Resale or Cancellation of Reacquired Capital Stock (Account 210): Report balance at beginning of year, credits, debits, and balance at end of year with a designation of the nature of each credit and debit identified by the class and series of stock to which related.
(d) Miscellaneous Paid-in Capital (Account 211)-Classify amounts included in this account according to captions which, together with brief explanations, disclose the general nature of the transactions which gave rise to the reported amounts.

Line No.	Item (a)	Amount (b)
1	Account 211:	
2	Contributed Capital - Misc. Balance January 1, 2013	2,348,446,834
3	Contributed Capital March 31, 2013	50,000,000
4	Contributed Capital June 30, 2013	42,000,000
5	Contributed Capital December 31, 2013	65,000,000
6		
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40	TOTAL	2,505,446,834

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	(Mo, Da, Yr) / /	2013/Q4

FOOTNOTE DATA

Schedule Page: 253 Line No.: 1 Column: a

See footnote data detail on Schedule Page: 112, Line No.: 7, Column: c.

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Name of Respondent Kentucky Utilities Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2013/Q4

CAPITAL STOCK EXPENSE (Account 214)

1. Report the balance at end of the year of discount on capital stock for each class and series of capital stock.
2. If any change occurred during the year in the balance in respect to any class or series of stock, attach a statement giving particulars (details) of the change. State the reason for any charge-off of capital stock expense and specify the account charged.

Line No.	Class and Series of Stock (a)	Balance at End of Year (b)
1	Expenses on Common Stock	321,289
2		
3		
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22	TOTAL	321,289

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

LONG-TERM DEBT (Account 221, 222, 223 and 224)

1. Report by balance sheet account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other long-Term Debt.
2. In column (a), for new issues, give Commission authorization numbers and dates.
3. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.
4. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
5. For receivers, certificates, show in column (a) the name of the court -and date of court order under which such certificates were issued.
6. In column (b) show the principal amount of bonds or other long-term debt originally issued.
7. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.
8. For column (c) the total expenses should be listed first for each issuance, then the amount of premium (in parentheses) or discount. Indicate the premium or discount with a notation, such as (P) or (D). The expenses, premium or discount should not be netted.
9. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.

Line No.	Class and Series of Obligation, Coupon Rate (For new issue, give commission Authorization numbers and dates) (a)	Principal Amount Of Debt issued (b)	Total expense, Premium or Discount (c)
1	ACCOUNT 221:		
2	Pollution Control Bonds:		
3	Mercer County 2000 Series A, due 05/01/2023, Variable	12,900,000	607,408
4	Carroll County 2002 Series A, due 02/01/2032, Variable	20,930,000	120,138
5	Carroll County 2002 Series B, due 02/01/2032, Variable	2,400,000	83,078
6	Carroll County 2002 Series C, due 10/01/2032, Variable	96,000,000	2,150,595
7	Mercer County 2002 Series A, due 02/01/2032, Variable	7,400,000	92,678
8	Muhlenberg County 2002 Series A, due 02/01/2032, Variable	2,400,000	93,078
9	Carroll County 2004 Series A, due 10/01/2034, Variable	50,000,000	1,483,449
10	Carroll County 2006 Series B, due 10/01/2034, Variable	54,000,000	1,315,275
11	Carroll County 2007 Series A, due 02/01/2026, 5.750%	17,875,000	638,428
12	Trimble County 2007 Series A, due 03/01/2037, 6.000%	8,927,000	471,138
13	Carroll County 2008 Series A, due 02/01/2032, Variable	77,947,405	798,036
14			
15	First Mortgage Bonds:		
16	2010 due 11/01/2015, 1.625%	250,000,000	2,261,768
17			875,000 D
18	2010 due 11/01/2020, 3.250%	500,000,000	4,156,684
19			1,890,000 D
20	2010 due 11/01/2040, 5.125%	750,000,000	7,480,434
21			8,137,500 D
22	2013 due 11/15/2043, 4.650% (Case No. 2012-00232 August 3, 2012)	250,000,000	2,629,656
23			1,800,000 D
24	TOTAL ACCOUNT 221	2,100,779,405	37,084,343
25			
26	ACCOUNT 223:		
27	TOTAL ACCOUNT 223		
28			
29	ACCOUNT 224:		
30	Purchase Accounting Adjustments for Fair Value Measurement:		
31	Carroll County 2007 Series A, due 02/01/2026, 5.750%	804,375	
32	Trimble County 2007 Series A, due 03/01/2037, 6.000%	357,080	
33	TOTAL	2,101,940,860	37,084,343

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

LONG-TERM DEBT (Account 221, 222, 223 and 224) (Continued)

10. Identify separate undisposed amounts applicable to issues which were redeemed in prior years.
11. Explain any debits and credits other than debited to Account 428, Amortization and Expense, or credited to Account 429, Premium on Debt - Credit.
12. In a footnote, give explanatory (details) for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year, (b) interest added to principal amount, and (c) principle repaid during year. Give Commission authorization numbers and dates.
13. If the respondent has pledged any of its long-term debt securities give particulars (details) in a footnote including name of pledgee and purpose of the pledge.
14. If the respondent has any long-term debt securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
15. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (i). Explain in a footnote any difference between the total of column (i) and the total of Account 427, interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.
16. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.

Nominal Date of Issue (d)	Date of Maturity (e)	AMORTIZATION PERIOD Date From (f)	Date To (g)	Outstanding (Total amount outstanding without reduction for amounts held by respondent) (h)	Interest for Year Amount (i)	Line No.
						1
						2
05/19/2000	05/01/2023	05/19/2000	05/01/2023	12,900,000	12,790	3
05/23/2002	02/01/2032	05/23/2002	02/01/2032	20,930,000	76,632	4
05/23/2002	02/01/2032	05/23/2002	02/01/2032	2,400,000	8,799	5
10/03/2002	10/01/2032	10/03/2002	10/01/2032	96,000,000	177,125	6
05/23/2002	02/01/2032	05/23/2002	02/01/2032	7,400,000	26,855	7
05/23/2002	02/01/2032	05/23/2002	02/01/2032	2,400,000	8,850	8
10/20/2004	10/01/2034	10/20/2004	10/01/2034	50,000,000	51,959	9
02/23/2007	10/01/2034	02/23/2007	10/01/2034	54,000,000	56,012	10
05/24/2007	02/01/2026	05/24/2007	02/01/2026	17,875,000	1,027,812	11
05/24/2007	03/01/2037	05/24/2007	03/01/2037	8,927,000	535,620	12
10/17/2008	02/01/2032	10/17/2008	02/01/2032	77,947,405	81,151	13
						14
						15
11/16/2010	11/01/2015	11/16/2010	11/01/2015	250,000,000	4,062,500	16
						17
11/16/2010	11/01/2020	11/16/2010	11/01/2020	500,000,000	16,250,000	18
						19
11/16/2010	11/01/2040	11/16/2010	11/01/2040	750,000,000	38,437,500	20
						21
11/14/2013	11/15/2043	11/14/2013	11/15/2043	250,000,000	1,311,450	22
	11/15/2043					23
				2,100,779,405	62,125,055	24
						25
						26
						27
						28
						29
						30
		11/01/2010	06/01/2018	468,482	-221,611	31
		11/01/2010	06/01/2018	207,970	-119,730	32
				2,101,455,857	61,783,714	33

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

LONG-TERM DEBT (Account 221, 222, 223 and 224)

1. Report by balance sheet account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other long-Term Debt.
2. In column (a), for new issues, give Commission authorization numbers and dates.
3. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.
4. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
5. For receivers, certificates, show in column (a) the name of the court -and date of court order under which such certificates were issued.
6. In column (b) show the principal amount of bonds or other long-term debt originally issued.
7. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.
8. For column (c) the total expenses should be listed first for each issuance, then the amount of premium (in parentheses) or discount. Indicate the premium or discount with a notation, such as (P) or (D). The expenses, premium or discount should not be netted.
9. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.

Line No.	Class and Series of Obligation, Coupon Rate (For new issue, give commission Authorization numbers and dates) (a)	Principal Amount Of Debt issued (b)	Total expense, Premium or Discount (c)
1	TOTAL ACCOUNT 224	1,161,455	
2			
3			
4			
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11			
12			
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31			
32			
33	TOTAL	2,101,940,860	37,084,343

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

LONG-TERM DEBT (Account 221, 222, 223 and 224) (Continued)

10. Identify separate undisposed amounts applicable to issues which were redeemed in prior years.
11. Explain any debits and credits other than debited to Account 428, Amortization and Expense, or credited to Account 429, Premium on Debt - Credit.
12. In a footnote, give explanatory (details) for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year, (b) interest added to principal amount, and (c) principle repaid during year. Give Commission authorization numbers and dates.
13. If the respondent has pledged any of its long-term debt securities give particulars (details) in a footnote including name of pledgee and purpose of the pledge.
14. If the respondent has any long-term debt securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
15. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (i). Explain in a footnote any difference between the total of column (i) and the total of Account 427, interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.
16. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.

Nominal Date of Issue (d)	Date of Maturity (e)	AMORTIZATION PERIOD Date From (f)	AMORTIZATION PERIOD Date To (g)	Outstanding (Total amount outstanding without reduction for amounts held by respondent) (h)	Interest for Year Amount (i)	Line No.
				676,452	-341,341	1
						2
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						5
						6
						7
						8
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						32
				2,101,455,857	61,783,714	33

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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	/ /	2013/Q4

FOOTNOTE DATA

Schedule Page: 256 Line No.: 1 Column: a

Per instruction 9 concerning the treatment of unamortized debt expense, premium or discount, debt premium and expenses are being amortized over the lives of the related issues.

Schedule Page: 256 Line No.: 2 Column: a

Pollution control series bonds are obligations of KU, issued in connection with tax-exempt pollution control revenue bonds issued by various governmental entities, principally counties in Kentucky. A loan agreement obligates KU to make debt service payments to the county that equate to the debt service due from the county on the related pollution control revenue bonds.

Schedule Page: 256 Line No.: 15 Column: a

Proceeds from KU’s First Mortgage Bonds issued in 2010 were used to repay the loans from a PPL subsidiary and for general corporate purposes. Proceeds from KU's First Mortgage Bonds issued in 2013 were used for capital expenditures and general corporate purposes. The first mortgage bonds were issued at a discount.

In April 2011, KU filed 2011 Registration Statements with the SEC related to offers to exchange securities issued in November 2010 in transactions not registered under the Securities Act of 1933 with similar but registered securities. The 2011 Registration Statements became effective in June 2011 and the exchanges were completed in July 2011, with substantially all securities being exchanged.

As of December 31, 2013, all of the Company’s long-term debt is collateralized by a first mortgage lien on substantially all of the assets of the Company in Kentucky.

Schedule Page: 256 Line No.: 22 Column: a

By Order in Case No. 2012-00233, KU was authorized by the KPSC to enter into hedging agreements to lock in interest rates for debt that was issued in November 2013. In October 2012, KU entered into $150 million of forward-starting swaps using PPL as a pass through entity for all hedging agreements. In April 2013, KU entered into an additonal $100 million with PPL of forward-starting swaps. In September 2013 when the initial swaps settled, KU entered into $250 million of forward-starting swaps with PPL during the interim period until the debt was issued. The settled swaps netted a gain of $43 million recorded as a regulatory liability at December 31, 2013. The regulatory liability is being amortized over the life of the debt to which it relates.

Schedule Page: 256 Line No.: 27 Column: a

KU did not have long-term notes with associated companies in 2013.

Schedule Page: 256 Line No.: 29 Column: a

Upon completion of the acquisition by PPL, push-down accounting was used resulting in adjustments to certain of the Company’s assets and liabilities to reflect their fair values on the acquisition date.

The following pollution control bonds with coupon rates listed below were fair valued as a result of the PPL acquisition:

Bond Issue	(221) Principal	(224) Fair Value Adjustment	Total Purchase Accounting
Carroll County 2007 Series A, due 2/1/2026, 5.750%	$17,875,000	$ 804,375	$18,679,375
Trimble County 2007 Series A, due 3/1/2037, 6.000%	$ 8,927,000	$ 357,080	$ 9,284,080

The purchase accounting adjustments were recorded to Other Long-Term Debt (224). At December 31, 2013, fair market value adjustments were made due to the fair market valuation being calculated through the call dates of the bonds. Amortization is recorded to Interest on Long-Term Debt (427).

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.
2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be field, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group member, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.
3. A substitute page, designed to meet a particular need of a company, may be used as Long as the data is consistent and meets the requirements of the above instructions. For electronic reporting purposes complete Line 27 and provide the substitute Page in the context of a footnote.

Line No.	Particulars (Details) (a)	Amount (b)
1	Net Income for the Year (Page 117)	228,350,155
2		
3		
4	Taxable Income Not Reported on Books	
5	See Footnote	49,995,179
6		
7		
8		
9	Deductions Recorded on Books Not Deducted for Return	
10	See Footnote	187,913,514
11		
12		
13		
14	Income Recorded on Books Not Included in Return	
15	See Footnote	11,215,972
16		
17		
18		
19	Deductions on Return Not Charged Against Book Income	
20	See Footnote	277,695,280
21		
22		
23		
24		
25		
26		
27	Federal Tax Net Income	177,347,596
28	Show Computation of Tax:	
29		
30	Federal Tax Net Income	
31	35% Rounded	62,071,659
32	Add: Adjustments to Prior Years' Taxes to Acutal and Other	-11,068,675
33		
34	Total	51,002,984
35		
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43		
44		

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	/ /	2013/Q4

FOOTNOTE DATA

Schedule Page: 261 Line No.: 5 Column: b

Contributions in Aid of Construction	$ 4,027,179
Interest Rate Swaps	42,854,000
Fuel Adjustment Clause KY	3,114,000
Total	$ 49,995,179

Schedule Page: 261 Line No.: 10 Column: b

Federal Income Taxes:	
Provision for Deferred Taxes	$ 71,020,891
Utility Operating Income	52,507,128
AFUDC Flow Through	515,309
Bad Debt Reserve	2,095,013
Pensions	14,969,908
Capitalized Interest	26,247,222
KCCS Regulatory Asset	230,490
EKPC Regulatory Asset	334,697
Amortization of Regulatory Expenses	942,981
Current State Income Tax	3,237,239
MISO Exit Fees - Transmission	291,639
Over/Under Collections - VA Fuel Clause	4,161,000
Performance Incentive	842,953
Non-Deductible Expenses	994,255
Amortization Loss on Reacquired Debt	1,535,736
Storm Damages	7,151,561
Deferred Operating Payable	691,050
Other	144,442
Total	$187,913,514

Schedule Page: 261 Line No.: 15 Column: b

Environmental Cost Recovery	$ 9,241,807
Customer Advances for Construction	102,907
Amortization of Investment Tax Credit	1,871,258
Total	$ 11,215,972

Schedule Page: 261 Line No.: 20 Column: b

Federal Income Taxes:	
Other Income and Deductions	$ 1,504,144
Tax Over Book Depreciation, Net and Repairs	234,966,957
Contribution Carryforward	1,080,200
EEI Investment	1,029,491
Cost of Removal	10,299,128
Postretirement	1,980,764
Postemployment	163,000
Environmental Assessment	966,861
Spare Parts Regulatory Liability	2,405,678
Vacation Pay	369,261
IRC 199 Manufacturing Deduction	11,240,923
Demand Side Management	4,944,597
Life Insurance	2,320,205
Regulatory Liabilities on Asset Retirement Obligations	3,728,476
Other	354,254
Total Without Purchase Accounting	$277,353,939
Purchase Accounting Adjustments - FMV Bonds	341,341
Total	$277,695,280

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

1. Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual, or estimated amounts of such taxes are know, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes.) Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b)amounts credited to proportions of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

Line No.	Kind of Tax (See instruction 5) (a)	BALANCE AT BEGINNING OF YEAR Taxes Accrued (Account 236) (b)	Prepaid Taxes (Include in Account 165) (c)	Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjust-ments (f)
1	Federal:					
2	Income	14,757,345		51,002,984	38,572,796	
3	FICA	654,567		6,290,356	6,225,604	
4						
5	Kentucky:					
6	Income			10,159,498	7,977,557	
7	Public Service Commission		1,216,754	2,437,146	2,440,783	
8	Sales & Use	-226,589		5,212,589	4,005,546	
9	Vehicle License					
10						
11	Federal & Kentucky:					
12	Unemployment Insurance	143,288		212,330	173,600	
13						
14	Kentucky & Virginia:					
15	Property Taxes	10,874,389		22,053,904	31,665,508	
16	Vehicle Tax					
17	Miscellaneous			35,994	35,994	
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41	TOTAL	26,203,000	1,216,754	97,404,801	91,097,388	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)

5. If any tax (exclude Federal and State income taxes)- covers more then one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a foot- note. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Report in columns (i) through (l) how the taxes were distributed. Report in column (I) only the amounts charged to Accounts 408.1 and 409.1 pertaining to electric operations. Report in column (l) the amounts charged to Accounts 408.1 and 109.1 pertaining to other utility departments and amounts charged to Accounts 408.2 and 409.2. Also shown in column (l) the taxes charged to utility plant or other balance sheet accounts.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.

BALANCE AT END OF YEAR		DISTRIBUTION OF TAXES CHARGED				Line No.
(Taxes accrued Account 236) (g)	Prepaid Taxes (Incl. in Account 165) (h)	Electric (Account 408.1, 409.1) (i)	Extraordinary Items (Account 409.3) (j)	Adjustments to Ret. Earnings (Account 439) (k)	Other (l)	
						1
27,187,533		52,507,128			-1,504,144	2
719,319		7,954,250			-1,663,894	3
						4
						5
2,181,941		11,627,536			-1,468,038	6
	1,220,391	2,437,146				7
980,454					5,212,589	8
						9
						10
						11
182,018		352,289			-139,959	12
						13
						14
1,262,785		21,947,125			106,779	15
						16
		35,994				17
						18
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32,514,050	1,220,391	96,861,468			543,333	41

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Name of Respondent	This Report is:	Date of Report	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	(Mo, Da, Yr) / /	2013/Q4

FOOTNOTE DATA

Schedule Page: 262 Line No.: 1 Column: a

Segregation of Other	Other (l)	Page 117 Other Inc & Deductions 408.2 – 409.2	Other Accounts
Federal:			
Income	$ (1,504,144)	$(1,504,144)	$ -
FICA	(1,663,894)	-	(1,663,894)
Kentucky:			
Income	(1,468,038)	(241,103)	(1,226,935)
6% Use	5,212,589		5,212,589
Vehicle License	-	-	-
Federal & Kentucky:			
Unemployment Ins	(139,959)	-	(139,959)
Kentucky & Virginia:			
Property Taxes	106,779	10,000	96,779
Federal, State & Local:			
Vehicle Tax			
Miscellaneous	-	-	-
Total	$ 543,333	$(1,735,247)	$ 2,278,580

Reconciliation to Schedule Page: 114, Line No.: 14, Column: c

Other:	
Electric Total	$ 96,861,468
Less Federal	(52,507,128)
Less State	(11,627,536)
Total	$ 32,726,804

Schedule Page: 262 Line No.: 6 Column: b

Balance at Beginning of Year totaling $1,751,204 was reclassified to Accounts Receivable (143).

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)

Report below information applicable to Account 255. Where appropriate, segregate the balances and transactions by utility and nonutility operations. Explain by footnote any correction adjustments to the account balance shown in column (g).Include in column (i) the average period over which the tax credits are amortized.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Deferred for Year Account No. (c)	Deferred for Year Amount (d)	Allocations to Current Year's Income Account No. (e)	Allocations to Current Year's Income Amount (f)	Adjustments (g)
1	Electric Utility						
2	3%						
3	4%						
4	7%						
5	10%						
6	Various	2,701,971			420	71,100	
7	15 %	95,905,686			420	1,800,158	
8	TOTAL	98,607,657				1,871,258	
9	Other (List separately and show 3%, 4%, 7%, 10% and TOTAL)						
10							
11							
12							
13							
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255) (continued)

Balance at End of Year (h)	Average Period of Allocation to Income (i)	ADJUSTMENT EXPLANATION	Line No.
			1
			2
			3
			4
			5
2,630,871	41 years		6
94,105,528	54 years		7
96,736,399			8
			9
			10
			11
			12
			13
			14
			15
			16
			17
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

OTHER DEFFERED CREDITS (Account 253)

1. Report below the particulars (details) called for concerning other deferred credits.
2. For any deferred credit being amortized, show the period of amortization.
3. Minor items (5% of the Balance End of Year for Account 253 or amounts less than $100,000, whichever is greater) may be grouped by classes.

Line No.	Description and Other Deferred Credits (a)	Balance at Beginning of Year (b)	DEBITS Contra Account (c)	DEBITS Amount (d)	Credits (e)	Balance at End of Year (f)
1	Contract Retention	17,533,771			11,779,332	29,313,103
2						
3	Brown CT Long-Term Service					
4	Agreement	5,438,283	107/232/553	1,348,049		4,090,234
5						
6	Corporate Headquarters Lease					
7	(Jul-12 to Dec-25)	366,158			695,129	1,061,287
8						
9	Valuation of Coal Contracts					
10	(Nov-10 to Dec-15)	2,155,894	182.3	1,226,929		928,965
11						
12	Deferred Rent Payable					
13	(Aug-06 to Jul-23)	54,454	931	4,818	708	50,344
14						
15	Carrollton Sale/Leaseback					
16	(Aug-06 to Jul-23)	46,366	421.1	4,382		41,984
17						
18	Deferred Compensation	147,571			-141,305	6,266
19						
20	Uncertain Tax Position - State	524,269	236	524,269		
21						
22	Unearned Revenue -					
23	Pole Attachments	391,455	242/454	391,455		
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41						
42						
43						
44						
45						
46						
47	TOTAL	26,658,221		3,499,902	12,333,864	35,492,183

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	/ /	2013/Q4

FOOTNOTE DATA

Schedule Page: 269 Line No.: 1 Column: a

Retainage is accrued on an invoice basis and will continue to increase throughout a project's life until completion.

Schedule Page: 269 Line No.: 10 Column: f

The balance of $928,965 relates to the fair value measurement of $22,605,479 for KU's coal contracts that was recognized as a result of the acquisition by PPL in November 2010. The variance is 38 months of amortization in 2010, 2011, 2012 and 2013.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

ACCUMULATED DEFFERED INCOME TAXES - OTHER PROPERTY (Account 282)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes rating to property not subject to accelerated amortization
2. For other (Specify),include deferrals relating to other income and deductions.

Line No.	Account (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR Amounts Debited to Account 410.1 (c)	CHANGES DURING YEAR Amounts Credited to Account 411.1 (d)
1	Account 282			
2	Electric	644,536,981	244,129,249	108,809,476
3	Gas			
4				
5	TOTAL (Enter Total of lines 2 thru 4)	644,536,981	244,129,249	108,809,476
6				
7				
8				
9	TOTAL Account 282 (Enter Total of lines 5 thru	644,536,981	244,129,249	108,809,476
10	Classification of TOTAL			
11	Federal Income Tax	566,826,867	211,317,995	95,134,492
12	State Income Tax	77,710,114	32,811,254	13,674,984
13	Local Income Tax			

NOTES

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

ACCUMULATED DEFERRED INCOME TAXES - OTHER PROPERTY (Account 282) (Continued)

3. Use footnotes as required.

CHANGES DURING YEAR		ADJUSTMENTS					
Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Debits		Credits		Balance at End of Year	Line No.
		Account Credited	Amount	Account Debited	Amount		
(e)	(f)	(g)	(h)	(i)	(j)	(k)	
							1
		182	1,382,484	182	1,492,411	779,966,681	2
							3
							4
			1,382,484		1,492,411	779,966,681	5
							6
							7
							8
			1,382,484		1,492,411	779,966,681	9
							10
			1,208,715		1,078,330	682,879,985	11
			173,769		414,081	97,086,696	12
							13

NOTES (Continued)

BLANK

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	/ /	2013/Q4

FOOTNOTE DATA

Schedule Page: 274 Line No.: 2 Column: b

The ARO balance in Accumulated Deferred Income Taxes - Other Property (282) at December 31, 2012, is $22,694,519.

Schedule Page: 274 Line No.: 2 Column: k

The ARO balance in Accumulated Deferred Income Taxes - Other Property (282) at December 31, 2013, is $60,801,791.

The Regulatory Tax Adjustments balance in Accumulated Deferred Income Taxes - Other Property (282) at December 31, 2013, is $(34,633,848).

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

ACCUMULATED DEFFERED INCOME TAXES - OTHER (Account 283)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amounts recorded in Account 283.
2. For other (Specify),include deferrals relating to other income and deductions.

Line No.	Account (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR Amounts Debited to Account 410.1 (c)	Amounts Credited to Account 411.1 (d)
1	Account 283			
2	Electric			
3	Regulatory Tax Adjustments	28,331,014		
4	Loss on Reacquired Debt	4,346,708	630,574	1,227,976
5	Asset Retirement Obligation	4,368,237	4,644,757	237,902
6	Pension - Regulatory Asset	44,411,195	4,392,781	21,463,918
7	Casualty Loss - Storm Damages	19,333,854	2,937,337	5,719,294
8	Other	46,154,165	5,636,810	18,337,902
9	TOTAL Electric (Total of lines 3 thru 8)	146,945,173	18,242,259	46,986,992
10	Gas			
11				
12				
13				
14				
15				
16				
17	TOTAL Gas (Total of lines 11 thru 16)			
18	Other	-183,493		
19	TOTAL (Acct 283) (Enter Total of lines 9, 17 and 18)	146,761,680	18,242,259	46,986,992
20	Classification of TOTAL			
21	Federal Income Tax	124,096,613	15,918,757	40,229,855
22	State Income Tax	22,665,067	2,323,502	6,757,137
23	Local Income Tax			

NOTES

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

ACCUMULATED DEFERRED INCOME TAXES - OTHER (Account 283) (Continued)

3. Provide in the space below explanations for Page 276 and 277. Include amounts relating to insignificant items listed under Other.
4. Use footnotes as required.

CHANGES DURING YEAR		ADJUSTMENTS					
Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Debits		Credits		Balance at End of Year	Line No.
		Account Credited	Amount	Account Debited	Amount		
(e)	(f)	(g)	(h)	(i)	(j)	(k)	
							1
							2
		182	701,565	182	97,035	27,726,484	3
						3,749,306	4
						8,775,092	5
						27,340,058	6
						16,551,897	7
		190	22,263	190	434,658	33,865,468	8
			723,828		531,693	118,008,305	9
							10
							11
							12
							13
							14
							15
							16
							17
627,806	43,840	219	422,092	219	21,619		18
627,806	43,840		1,145,920		553,312	118,008,305	19
							20
562,946	40,747		981,942		480,738	99,806,510	21
64,860	3,093		163,978		72,574	18,201,795	22
							23

NOTES (Continued)

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	/ /	2013/Q4

FOOTNOTE DATA

Schedule Page: 276 Line No.: 8 Column: b

The balance in Accumulated Deferred Income Taxes - Other (283) was adjusted due to the purchase of KU by PPL in November 2010. The following reflects the balance at December 31, 2012:

Beginning Balance:	
Rate Case Expenses	$ 795,838
FAC Over/Under-Recovery	(685,030)
MISO Exit Fees	330,359
Emission Allowances	125,870

Total Without Purchase Accounting	$ 567,037
Purchase Accounting Adjustment	45,587,128

Total	$ 46,154,165

Schedule Page: 276 Line No.: 8 Column: c

The balance was adjusted due to the amortization of purchase accounting adjustments that arose from the purchase of KU by PPL in November 2010. The following reflects the activity during the year charged to 410.1:

Debit Change Account 410.1:	
Rate Case Expenses	$ 19,803
FAC Over/Under-Recovery	4,875,007
MISO Exit Fees	72,045
Other	66,384
Emission Allowances	984

Total Without Purchase Accounting	$ 5,034,223
Purchase Accounting Adjustment	602,587

Total	$ 5,636,810

Schedule Page: 276 Line No.: 8 Column: d

The balance was adjusted due to the amortization of purchase accounting adjustments that arose from the purchase of KU by PPL in November 2010. The following reflects the activity during the year charged to 411.1:

Credit Change Account 411.1:	
Rate Case Expenses	$ 386,622
FAC Over/Under-Recovery	5,697,353
MISO Exit Fees	185,493
Other	290,932
Emission Allowances	12,681

Total Without Purchase Accounting	$ 6,573,081
Purchase Accounting Adjustment	11,764,821

Total	$ 18,337,902

Schedule Page: 276 Line No.: 8 Column: h

Debit Adjustments:	
Reclass - Other	$ 22,263

Total Debit Adjustments	$ 22,263

Schedule Page: 276 Line No.: 8 Column: j

Credit Adjustments:	
Reclass - Other	$ 434,658

Total Credit Adjustments	$ 434,658

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	/ /	2013/Q4

FOOTNOTE DATA

Schedule Page: 276 Line No.: 8 Column: k

The balance in Accumulated Deferred Income Taxes - Other (283) was adjusted due to the purchase of KU by PPL in November 2010. The following reflects the balance at December 31, 2013:

Ending Balance:	
Rate Case Expenses	$ 429,019
FAC Over/Under-Recovery	(1,507,376)
MISO Exit Fees	216,911
Other	187,847
Emission Allowances	114,173

Total Without Purchase Accounting	$ (559,426)
Purchase Accounting Adjustment	34,424,894

Total	$ 33,865,468

Schedule Page: 276 Line No.: 18 Column: b

Beginning Balance:	
EEI Investment	$ 263,578
ASC 740-10 State Tax Current	(183,493)
OCI EEI Investment	(263,578)

Total	$ (183,493)

Schedule Page: 276 Line No.: 18 Column: e

Debit Change Account 410.2:	
EEI Investment	$ (246,289)
ASC 740-10 State Tax Current	183,493
OCI EEI Investment	690,602

Total	$ 627,806

Schedule Page: 276 Line No.: 18 Column: f

Credit Change Account 411.2:	
EEI Investment	$ 17,289
OCI EEI Investment	26,551

Total	$ 43,840

Schedule Page: 276 Line No.: 18 Column: h

Debit Adjustments:	
OCI EEI Investment	$ 422,092

Total Debit Adjustments	$ 422,092

Schedule Page: 276 Line No.: 18 Column: j

Credit Adjustments:	
OCI EEI Investment	$ 21,619

Total Credit Adjustments	$ 21,619

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

OTHER REGULATORY LIABILITIES (Account 254)

1. Report below the particulars (details) called for concerning other regulatory liabilities, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 254 at end of period, or amounts less than $100,000 which ever is less), may be grouped by classes.
3. For Regulatory Liabilities being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Liabilities (a)	Balance at Begining of Current Quarter/Year (b)	DEBITS Account Credited (c)	DEBITS Amount (d)	Credits (e)	Balance at End of Current Quarter/Year (f)
1	ASC 740 - Income Taxes	79,106,088	190/282	3,405,740	480,407	76,180,755
2	Coal Contracts (Nov-10 to Dec-16)	79,561,620	186	24,731,867		54,829,753
3	LT Interest Rate SWAP Non-LKE Affiliate	7,142,276	175/244	22,066,770	57,778,494	42,854,000
4	OVEC Power Purchase Contract (Nov-10 to Mar-26)	33,281,194	186	2,461,140		30,820,054
5	ASC 715 - Pension and Postretirement	17,293,716	184	686,939	9,177,368	25,784,145
6	KY Fuel Adjustment Clause	761,000	440-445/182.3	8,660,536	11,774,536	3,875,000
7	Emission Allowances (Nov-10 to Dec-40)	2,191,851	186	524,150	249,399	1,917,100
8	MISO Exit Fee Refund - Kentucky	1,240,350	143/575.7	668,606	391,436	963,180
9	MISO Exit Fee Refund - FERC	190,470	143/575.7		39,249	229,719
10	MISO Exit Fee Refund - Virginia	18,616	143/575.7	1,880	21,644	38,380
11	VA Fuel Component		440-445	395,000	913,000	518,000
12	Environmental Cost Recovery	4,606,481	440-445	6,033,296	1,426,815	
13	Cost of Removal	3,728,476	108	3,808,825	80,349	
14	DSM Cost Recovery		440-445	1,516,321	1,516,321	
15	Spare Parts	2,405,678	184/506-514	2,405,678		
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41	TOTAL	231,527,816		77,366,748	83,849,018	238,010,086

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	/ /	2013/Q4

FOOTNOTE DATA

Schedule Page: 278 Line No.: 1 Column: a

The regulatory liabilities represent the future revenue impact from the reversal of deferred income taxes required for unamortized investment tax credits and deferred taxes provided at rates in excess of currently enacted rates.

Schedule Page: 278 Line No.: 2 Column: f

Coal Contracts (Nov-10 to Dec-16) Without Purchase Accounting	$ -
Purchase Accounting Adjustment	54,829,753
Total for Coal Contracts (Nov-10 to Dec-16)	$ 54,829,753

Schedule Page: 278 Line No.: 4 Column: f

OVEC Power Purchase Contract (Nov-10 to Mar-26) Without Purchase Accounting	$ -
Purchase Accounting Adjustment	30,820,054
Total for OVEC Power Purchase Contract (Nov-10 to Mar-26)	$ 30,820,054

Schedule Page: 278 Line No.: 7 Column: f

Emission Allowances (Nov-10 to Dec-40) Without Purchase Accounting	$ -
Purchase Accounting Adjustment	1,917,100
Total for Emission Allowances (Nov-10 to Dec-40)	$ 1,917,100

Schedule Page: 278 Line No.: 13 Column: f

In August 2013, the accumulated cost of removal depreciation reserve balance associated with the underlying physical assets for which asset retirement obligations have been established was reclassed from Other Regulatory Liabilities (254) to the Accumulated Provision for Depreciation (108).

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

ELECTRIC OPERATING REVENUES (Account 400)

1. The following instructions generally apply to the annual version of these pages. Do not report quarterly data in columns (c), (e), (f), and (g). Unbilled revenues and MWH related to unbilled revenues need not be reported separately as required in the annual version of these pages.
2. Report below operating revenues for each prescribed account, and manufactured gas revenues in total.
3. Report number of customers, columns (f) and (g), on the basis of meters, in addition to the number of flat rate accounts; except that where separate meter readings are added for billing purposes, one customer should be counted for each group of meters added. The -average number of customers means the average of twelve figures at the close of each month.
4. If increases or decreases from previous period (columns (c),(e), and (g)), are not derived from previously reported figures, explain any inconsistencies in a footnote.
5. Disclose amounts of $250,000 or greater in a footnote for accounts 451, 456, and 457.2.

Line No.	Title of Account (a)	Operating Revenues Year to Date Quarterly/Annual (b)	Operating Revenues Previous year (no Quarterly) (c)
1	Sales of Electricity		
2	(440) Residential Sales	591,313,426	523,091,322
3	(442) Commercial and Industrial Sales		
4	Small (or Comm.) (See Instr. 4)	364,914,813	347,449,324
5	Large (or Ind.) (See Instr. 4)	400,872,504	381,467,139
6	(444) Public Street and Highway Lighting	10,769,517	10,252,532
7	(445) Other Sales to Public Authorities	119,852,921	117,194,322
8	(446) Sales to Railroads and Railways		
9	(448) Interdepartmental Sales		
10	TOTAL Sales to Ultimate Consumers	1,487,723,181	1,379,454,639
11	(447) Sales for Resale	121,032,373	113,593,469
12	TOTAL Sales of Electricity	1,608,755,554	1,493,048,108
13	(Less) (449.1) Provision for Rate Refunds		
14	TOTAL Revenues Net of Prov. for Refunds	1,608,755,554	1,493,048,108
15	Other Operating Revenues		
16	(450) Forfeited Discounts	3,571,609	7,168,971
17	(451) Miscellaneous Service Revenues	2,222,383	1,852,649
18	(453) Sales of Water and Water Power		
19	(454) Rent from Electric Property	3,919,821	2,965,969
20	(455) Interdepartmental Rents		
21	(456) Other Electric Revenues	214,535	191,933
22	(456.1) Revenues from Transmission of Electricity of Others	16,110,081	18,598,299
23	(457.1) Regional Control Service Revenues		
24	(457.2) Miscellaneous Revenues		
25			
26	TOTAL Other Operating Revenues	26,038,429	30,777,821
27	TOTAL Electric Operating Revenues	1,634,793,983	1,523,825,929

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

ELECTRIC OPERATING REVENUES (Account 400)

6. Commercial and industrial Sales, Account 442, may be classified according to the basis of classification (Small or Commercial, and Large or Industrial) regularly used by the respondent if such basis of classification is not generally greater than 1000 Kw of demand. (See Account 442 of the Uniform System of Accounts. Explain basis of classification in a footnote.)
7. See pages 108-109, Important Changes During Period, for important new territory added and important rate increase or decreases.
8. For Lines 2,4,5,and 6, see Page 304 for amounts relating to unbilled revenue by accounts.
9. Include unmetered sales. Provide details of such Sales in a footnote.

MEGAWATT HOURS SOLD		AVG.NO. CUSTOMERS PER MONTH		Line No.
Year to Date Quarterly/Annual (d)	Amount Previous year (no Quarterly) (e)	Current Year (no Quarterly) (f)	Previous Year (no Quarterly) (g)	
				1
6,597,444	6,307,896	444,368	442,135	2
				3
4,094,012	4,153,338	83,955	84,180	4
7,033,645	6,928,122	2,818	2,626	5
42,657	45,078	1,386	1,341	6
1,622,058	1,635,042	8,355	8,179	7
				8
				9
19,389,816	19,069,476	540,882	538,461	10
2,240,177	2,247,873	23	24	11
21,629,993	21,317,349	540,905	538,485	12
				13
21,629,993	21,317,349	540,905	538,485	14

Line 12, column (b) includes $ 15,934,967 of unbilled revenues.
Line 12, column (d) includes 53,397 MWH relating to unbilled revenues

BLANK

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	/ /	2013/Q4

FOOTNOTE DATA

Schedule Page: 300 Line No.: 22 Column: b

Items which compose Revenues from Transmission of Electricity of Others (456.1) year-to-date activity:

2013 invoices to Owensboro Municipal Utilities	$ 4,339,232
2013 invoices to East Kentucky Power Cooperative	3,746,054
2013 invoices to Kentucky Municipal Power Agency	1,494,043
2013 invoices to City of Frankfort	1,391,055
2013 invoices to Cargill Power Markets, LLC	829,775
2013 invoices to Tennessee Valley Authority	793,336
2013 invoices to Louisville Gas and Electric Company	714,876
2013 invoices to City of Madisonville	565,059
2013 invoices to Ameren Energy Marketing Company	415,276
2013 invoices to City of Nicholasville	374,655
2013 invoices to City of Bardstown	350,200
2013 invoices to Constellation Energy Commodities Group	253,417
Other items less than $250,000 each	843,103
Total Revenues from Transmission of Electricity of Others	$ 16,110,081

Schedule Page: 300 Line No.: 22 Column: c

Items which compose Revenues from Transmission of Electricity of Others (456.1) year-to-date activity:

2012 invoices to Owensboro Municipal Utilities	$ 4,582,699
2012 invoices to East Kentucky Power Cooperative	4,471,781
2012 invoices to Kentucky Municipal Power Agency	1,950,785
2012 invoices to Louisville Gas and Electric Company	1,627,158
2012 invoices to City of Frankfort	1,265,984
2012 invoices to Tennessee Valley Authority	1,162,554
2012 invoices to Ameren Energy Marketing Company	1,073,118
2012 invoices to City of Madisonville	579,646
2012 invoices to City of Nicholasville	352,203
2012 invoices to City of Bardstown	346,597
2012 invoices to City of Berea	252,082
Other items less than $250,000 each	933,692
Total Revenues from Transmission of Electricity of Others	$ 18,598,299

Schedule Page: 300 Line No.: 1 Column: $

This value contains unbilled revenue of $9,072,887 and accrued revenue of $6,862,080. The accrued revenue represents the following:

ECR Accrual	$ 9,241,807
DSM Accrual	4,895,273
FAC Accrual	(3,114,000)
Levelized Fuel Factor Accrual	(4,161,000)
Total Accrual	$ 6,862,080

Schedule Page: 300 Line No.: 1 Column: MWH

Unbilled revenue of 53,397 MWH represents the net change of unbilled MWH from the previous period; as a result, it could be positive or negative.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SALES OF ELECTRICITY BY RATE SCHEDULES

1. Report below for each rate schedule in effect during the year the MWH of electricity sold, revenue, average number of customer, average Kwh per customer, and average revenue per Kwh, excluding date for Sales for Resale which is reported on Pages 310-311.
2. Provide a subheading and total for each prescribed operating revenue account in the sequence followed in "Electric Operating Revenues," Page 300-301. If the sales under any rate schedule are classified in more than one revenue account, List the rate schedule and sales data under each applicable revenue account subheading.
3. Where the same customers are served under more than one rate schedule in the same revenue account classification (such as a general residential schedule and an off peak water heating schedule), the entries in column (d) for the special schedule should denote the duplication in number of reported customers.
4. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (12 if all billings are made monthly).
5. For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
6. Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No.	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1	Account 440					
2	Residential Service - KY	6,114,815	536,594,319	421,783	14,498	0.0878
3	General Service - KY	-1,207	-113,153	58	-20,810	0.0937
4	Volunteer Fire Department - KY	82	7,266	6	13,667	0.0886
5	Low Emission Vehicle - KY	42	3,416	3	14,000	0.0813
6	Private Outdoor Lighting - KY	7,313	1,427,070	9,255	790	0.1951
7	Street Lighting - KY	16,637	3,162,970	31,097	535	0.1901
8	Traffic Energy Service - KY	2	200	1	2,000	0.1000
9	Residential Service - TN	102	7,364	4	25,500	0.0722
10	Private Outdoor Lighting - TN	2	311	3	667	0.1555
11	Residential Service - VA	397,131	35,693,232	24,362	16,301	0.0899
12	General Service - VA	12	2,427	7	1,714	0.2023
13	Private Outdoor Lighting - VA	3,229	736,727	4,593	703	0.2282
14	Street Lighting - VA	1	206	2	500	0.2060
15	Duplicate Customers			-46,806		
16						
17	Reclassifications and Adjustments		-17,895			
18						
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37						
38	Subtotal	6,538,161	577,504,460	444,368	14,713	0.0883
39	Unbilled	59,283	13,808,966			0.2329
40	Total	6,597,444	591,313,426	444,368	14,847	0.0896
41	TOTAL Billed	19,336,419	1,471,788,214	540,882	35,750	0.0761
42	Total Unbilled Rev.(See Instr. 6)	53,397	15,934,967	0	0	0.2984
43	TOTAL	19,389,816	1,487,723,181	540,882	35,849	0.0767

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SALES OF ELECTRICITY BY RATE SCHEDULES

1. Report below for each rate schedule in effect during the year the MWH of electricity sold, revenue, average number of customer, average Kwh per customer, and average revenue per Kwh, excluding date for Sales for Resale which is reported on Pages 310-311.
2. Provide a subheading and total for each prescribed operating revenue account in the sequence followed in "Electric Operating Revenues," Page 300-301. If the sales under any rate schedule are classified in more than one revenue account, List the rate schedule and sales data under each applicable revenue account subheading.
3. Where the same customers are served under more than one rate schedule in the same revenue account classification (such as a general residential schedule and an off peak water heating schedule), the entries in column (d) for the special schedule should denote the duplication in number of reported customers.
4. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (12 if all billings are made monthly).
5. For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
6. Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No.	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1	Account 442					
2	Residential Service - KY	1,080	93,763	65	16,615	0.0868
3	Volunteer Fire Department - KY	59	5,034	3	19,667	0.0853
4	General Service - KY	1,741,169	182,306,190	75,196	23,155	0.1047
5	All Electric School - KY	16,547	1,242,388	101	163,832	0.0751
6	Time-of-Day Secondary - KY	890,975	56,138,412	250	3,563,900	0.0630
7	Private Outdoor Lighting - KY	40,343	6,533,153	13,815	2,920	0.1619
8	Street Lighting - KY	6,816	1,362,803	7,672	888	0.1999
9	Lighting Energy - KY	36	2,237	1	36,000	0.0621
10	Time-of-Day Primary - KY	3,443,143	192,214,969	169	20,373,627	0.0558
11	Traffic Energy Service - KY	370	39,927	271	1,365	0.1079
12	Power Service - KY	2,461,321	190,883,850	4,629	531,718	0.0776
13	Fluctuating Load Service - KY	546,480	13,510,842	1	546,480,000	0.0247
14	Retail Transmission Service - KY	1,581,740	84,884,430	33	47,931,515	0.0537
15	Residential Service - VA	141	12,870	10	14,100	0.0913
16	General Service - VA	76,562	8,106,709	3,791	20,196	0.1059
17	Private Outdoor Lighting - VA	1,244	281,286	816	1,525	0.2261
18	Street Lighting - VA	3	509	3	1,000	0.1697
19	Power Service - VA	135,706	11,163,947	182	745,637	0.0823
20	Time-of-Day - VA	49,544	4,175,831	9	5,504,889	0.0843
21	School Service - VA	443	39,175	5	88,600	0.0884
22	Retail Transmission Service - VA	112,685	8,325,131	10	11,268,500	0.0739
23	Duplicate Customers			-20,259		
24						
25	Reclassifications and Adjustments		-22,352			
26						
27						
28						
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37						
38	Subtotal	11,106,407	761,301,104	86,773	127,994	0.0685
39	Unbilled	21,250	4,486,213			0.2111
40	Total	11,127,657	765,787,317	86,773	128,239	0.0688
41	TOTAL Billed	19,336,419	1,471,788,214	540,882	35,750	0.0761
42	Total Unbilled Rev.(See Instr. 6)	53,397	15,934,967	0	0	0.2984
43	TOTAL	19,389,816	1,487,723,181	540,882	35,849	0.0767

Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr) / /	End of 2013/Q4

SALES OF ELECTRICITY BY RATE SCHEDULES

1. Report below for each rate schedule in effect during the year the MWH of electricity sold, revenue, average number of customer, average Kwh per customer, and average revenue per Kwh, excluding date for Sales for Resale which is reported on Pages 310-311.
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3. Where the same customers are served under more than one rate schedule in the same revenue account classification (such as a general residential schedule and an off peak water heating schedule), the entries in column (d) for the special schedule should denote the duplication in number of reported customers.
4. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (12 if all billings are made monthly).
5. For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
6. Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No.	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1	Account 444					
2	Residential Service - KY	13	1,318	2	6,500	0.1014
3	General Service - KY	1,705	244,530	344	4,956	0.1434
4	Private Outdoor Lighting - KY	39,229	9,865,324	1,041	37,684	0.2515
5	Street Lighting - KY	1,222	533,849	143	8,545	0.4369
6	Lighting Energy - KY	45	2,792	2	22,500	0.0620
7	Traffic Energy Service - KY	716	72,143	402	1,781	0.1008
8	General Service - VA	35	5,465	6	5,833	0.1561
9	Private Outdoor Lighting - VA	1	167	8	125	0.1670
10	Street Lighting - VA	1,657	348,355	87	19,046	0.2102
11	Duplicate Customers			-649		
12						
13	Reclassifications and Adjustments		-728			
14						
15						
16						
17						
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37						
38	Subtotal	44,623	11,073,215	1,386	32,196	0.2482
39	Unbilled	-1,966	-303,698			0.1545
40	Total	42,657	10,769,517	1,386	30,777	0.2525
41	TOTAL Billed	19,336,419	1,471,788,214	540,882	35,750	0.0761
42	Total Unbilled Rev.(See Instr. 6)	53,397	15,934,967	0	0	0.2984
43	TOTAL	19,389,816	1,487,723,181	540,882	35,849	0.0767

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SALES OF ELECTRICITY BY RATE SCHEDULES

1. Report below for each rate schedule in effect during the year the MWH of electricity sold, revenue, average number of customer, average Kwh per customer, and average revenue per Kwh, excluding date for Sales for Resale which is reported on Pages 310-311.
2. Provide a subheading and total for each prescribed operating revenue account in the sequence followed in "Electric Operating Revenues," Page 300-301. If the sales under any rate schedule are classified in more than one revenue account, List the rate schedule and sales data under each applicable revenue account subheading.
3. Where the same customers are served under more than one rate schedule in the same revenue account classification (such as a general residential schedule and an off peak water heating schedule), the entries in column (d) for the special schedule should denote the duplication in number of reported customers.
4. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (12 if all billings are made monthly).
5. For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
6. Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No.	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1	Account 445					
2	Residential Service - KY	2,865	281,501	420	6,821	0.0983
3	Volunteer Fire Department - KY	869	73,402	40	21,725	0.0845
4	General Service - KY	157,994	16,370,660	6,021	26,240	0.1036
5	All Electric School - KY	138,125	10,234,009	527	262,097	0.0741
6	Power Service - KY	548,076	44,545,370	966	567,366	0.0813
7	Private Outdoor Lighting - KY	10,884	2,141,890	2,171	5,013	0.1968
8	Street Lighting - KY	1,118	198,577	739	1,513	0.1776
9	Time-of-Day Service Primary- KY	606,138	33,959,499	22	27,551,727	0.0560
10	Time-of-Day Service Secondary- KY	94,475	6,875,102	62	1,523,790	0.0728
11	Traffic Energy Service - KY	143	13,550	60	2,383	0.0948
12	Retail Transmission Service- KY	6,678	369,331	1	6,678,000	0.0553
13	Residential Service - VA	321	29,280	24	13,375	0.0912
14	General Service - VA	14,680	1,525,679	599	24,508	0.1039
15	School Service - VA	21,554	1,880,790	145	148,648	0.0873
16	Private Outdoor Lighting - VA	675	151,687	254	2,657	0.2247
17	Street Lighting - VA	4	919	4	1,000	0.2298
18	Time of Day - VA	2,926	192,627	1	2,926,000	0.0658
19	Power Service - VA	38,833	3,012,151	37	1,049,541	0.0776
20	Municipal Water Pumping - VA	870	55,069	12	72,500	0.0633
21	Duplicate Customers			-3,750		
22						
23	Reclassifications and Adjustments		-1,658			
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38	Subtotal	1,647,228	121,909,435	8,355	197,155	0.0740
39	Unbilled	-25,170	-2,056,514			0.0817
40	Total	1,622,058	119,852,921	8,355	194,142	0.0739
41	TOTAL Billed	19,336,419	1,471,788,214	540,882	35,750	0.0761
42	Total Unbilled Rev.(See Instr. 6)	53,397	15,934,967	0	0	0.2984
43	TOTAL	19,389,816	1,487,723,181	540,882	35,849	0.0767

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	/ /	2013/Q4

FOOTNOTE DATA

Schedule Page: 304 Line No.: 2 Column: c
Includes Fuel Adjustment Clause of $665,675
Schedule Page: 304 Line No.: 3 Column: c
Includes Fuel Adjustment Clause of $(1,063)
Schedule Page: 304 Line No.: 4 Column: c
Includes Fuel Adjustment Clause of $12
Schedule Page: 304 Line No.: 5 Column: c
Includes Fuel Adjustment Clause of $(18)
Schedule Page: 304 Line No.: 6 Column: c
Includes Fuel Adjustment Clause of $69
Schedule Page: 304 Line No.: 7 Column: c
Includes Fuel Adjustment Clause of $407
Schedule Page: 304 Line No.: 8 Column: c
Includes Fuel Adjustment Clause of $1
Schedule Page: 304 Line No.: 15 Column: a
Average number of customers served under this rate schedule has been adjusted to avoid duplication.
Schedule Page: 304 Line No.: 17 Column: a
Reclassification between FERC accounts and net billing adjustments for prior periods
Schedule Page: 304.1 Line No.: 2 Column: c
Includes Fuel Adjustment Clause of $54
Schedule Page: 304.1 Line No.: 3 Column: c
Includes Fuel Adjustment Clause of $(6)
Schedule Page: 304.1 Line No.: 4 Column: c
Includes Fuel Adjustment Clause of $409,267
Schedule Page: 304.1 Line No.: 5 Column: c
Includes Fuel Adjustment Clause of $1,615
Schedule Page: 304.1 Line No.: 6 Column: c
Includes Fuel Adjustment Clause of $181,812
Schedule Page: 304.1 Line No.: 7 Column: c
Includes Fuel Adjustment Clause of $1,473
Schedule Page: 304.1 Line No.: 8 Column: c
Includes Fuel Adjustment Clause of $(389)
Schedule Page: 304.1 Line No.: 9 Column: c
Includes Fuel Adjustment Clause of $(81)
Schedule Page: 304.1 Line No.: 10 Column: c
Includes Fuel Adjustment Clause of $1,005,161
Schedule Page: 304.1 Line No.: 11 Column: c
Includes Fuel Adjustment Clause of $114
Schedule Page: 304.1 Line No.: 12 Column: c
Includes Fuel Adjustment Clause of $768,983
Schedule Page: 304.1 Line No.: 13 Column: c
Includes Fuel Adjustment Clause of $120,599
Schedule Page: 304.1 Line No.: 14 Column: c
Includes Fuel Adjustment Clause of $332,935
Schedule Page: 304.1 Line No.: 23 Column: a
Average number of customers served under this rate schedule has been adjusted to avoid duplication.
Schedule Page: 304.1 Line No.: 25 Column: a
Reclassification between FERC accounts and net billing adjustments for prior periods
Schedule Page: 304.2 Line No.: 2 Column: c
Includes Fuel Adjustment Clause of $4
Schedule Page: 304.2 Line No.: 3 Column: c
Includes Fuel Adjustment Clause of $335

Name of Respondent Kentucky Utilities Company	This Report is: (1) X An Original (2) __ A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2013/Q4

FOOTNOTE DATA

Schedule Page: 304.2 Line No.: 4 Column: c
Includes Fuel Adjustment Clause of $2,675

Schedule Page: 304.2 Line No.: 5 Column: c
Includes Fuel Adjustment Clause of $132

Schedule Page: 304.2 Line No.: 6 Column: c
Includes Fuel Adjustment Clause of $7

Schedule Page: 304.2 Line No.: 7 Column: c
Includes Fuel Adjustment Clause of $196

Schedule Page: 304.2 Line No.: 11 Column: a
Average number of customers served under this rate schedule has been adjusted to avoid duplication.

Schedule Page: 304.2 Line No.: 13 Column: a
Reclassification between FERC accounts and net billing adjustments for prior periods

Schedule Page: 304.3 Line No.: 2 Column: c
Includes Fuel Adjustment Clause of $272

Schedule Page: 304.3 Line No.: 3 Column: c
Includes Fuel Adjustment Clause of $54

Schedule Page: 304.3 Line No.: 4 Column: c
Includes Fuel Adjustment Clause of $36,596

Schedule Page: 304.3 Line No.: 5 Column: c
Includes Fuel Adjustment Clause of $15,726

Schedule Page: 304.3 Line No.: 6 Column: c
Includes Fuel Adjustment Clause of $158,242

Schedule Page: 304.3 Line No.: 7 Column: c
Includes Fuel Adjustment Clause of $398

Schedule Page: 304.3 Line No.: 8 Column: c
Includes Fuel Adjustment Clause of $(96)

Schedule Page: 304.3 Line No.: 9 Column: c
Includes Fuel Adjustment Clause of $175,238

Schedule Page: 304.3 Line No.: 10 Column: c
Includes Fuel Adjustment Clause of $17,757

Schedule Page: 304.3 Line No.: 11 Column: c
Includes Fuel Adjustment Clause of $21

Schedule Page: 304.3 Line No.: 12 Column: c
Includes Fuel Adjustment Clause of $2,072

Schedule Page: 304.3 Line No.: 21 Column: a
Average number of customers served under this rate schedule has been adjusted to avoid duplication.

Schedule Page: 304.3 Line No.: 23 Column: a
Reclassification between FERC accounts and net billing adjustments for prior periods

Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr) / /	End of 2013/Q4

SALES FOR RESALE (Account 447)

1. Report all sales for resale (i.e., sales to purchasers other than ultimate consumers) transacted on a settlement basis other than power exchanges during the year. Do not report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges on this schedule. Power exchanges must be reported on the Purchased Power schedule (Page 326-327).
2. Enter the name of the purchaser in column (a). Do note abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the purchaser.
3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:
RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projected load for this service in its system resource planning). In addition, the reliability of requirements service must be the same as, or second only to, the supplier's service to its own ultimate consumers.
LF - for tong-term service. "Long-term" means five years or Longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for Long-term firm service which meets the definition of RQ service. For all transactions identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or setter can unilaterally get out of the contract.
IF - for intermediate-term firm service. The same as LF service except that "intermediate-term" means longer than one year but Less than five years.
SF - for short-term firm service. Use this category for all firm services where the duration of each period of commitment for service is one year or less.
LU - for Long-term service from a designated generating unit. "Long-term" means five years or Longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of designated unit.
IU - for intermediate-term service from a designated generating unit. The same as LU service except that "intermediate-term" means Longer than one year but Less than five years.

Line No.	Name of Company or Public Authority (Footnote Affiliations)	Statistical Classifi-cation	FERC Rate Schedule or Tariff Number	Average Monthly Billing Demand (MW)	Actual Demand (MW)	
					Average Monthly NCP Demand	Average Monthly CP Demand
	(a)	(b)	(c)	(d)	(e)	(f)
1	City of Barbourville	RQ	184	17	17	17
2	City of Bardstown	RQ	185	33	33	33
3	City of Bardwell	RQ	186	2	2	2
4	City of Benham	RQ	187	1	1	1
5	City of Berea	RQ	197	23	23	24
6	City of Corbin	RQ	188	15	15	15
7	City of Falmouth	RQ	189	4	4	4
8	City of Frankfort	RQ	190	122	122	123
9	City of Madisonville	RQ	161	52	52	50
10	City of Nicholasville	RQ	157	34	34	34
11	City of Paris	RQ	83	3	12	12
12	City of Providence	RQ	195	6	6	5
13	Ameren Energy Marketing Company	OS	(3)	N/A	N/A	N/A
14	American Electric Power Service Corp.	OS	(3)	N/A	N/A	N/A
	Subtotal RQ			0	0	0
	Subtotal non-RQ			0	0	0
	Total			**0**	**0**	**0**

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SALES FOR RESALE (Account 447) (Continued)

OS - for other service. use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote.
AD - for Out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.
4. Group requirements RQ sales together and report them starting at line number one. After listing all RQ sales, enter "Subtotal - RQ" in column (a). The remaining sales may then be listed in any order. Enter "Subtotal-Non-RQ" in column (a) after this Listing. Enter "Total" in column (a) as the Last Line of the schedule. Report subtotals and total for columns (9) through (k)
5. In Column (c), identify the FERC Rate Schedule or Tariff Number. On separate Lines, List all FERC rate schedules or tariffs under which service, as identified in column (b), is provided.
6. For requirements RQ sales and any type of-service involving demand charges imposed on a monthly (or Longer) basis, enter the average monthly billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP)
demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
7. Report in column (g) the megawatt hours shown on bills rendered to the purchaser.
8. Report demand charges in column (h), energy charges in column (i), and the total of any other types of charges, including out-of-period adjustments, in column (j). Explain in a footnote all components of the amount shown in column (j). Report in column (k) the total charge shown on bills rendered to the purchaser.
9. The data in column (g) through (k) must be subtotaled based on the RQ/Non-RQ grouping (see instruction 4), and then totaled on the Last -line of the schedule. The "Subtotal - RQ" amount in column (g) must be reported as Requirements Sales For Resale on Page 401, line 23. The "Subtotal - Non-RQ" amount in column (g) must be reported as Non-Requirements Sales For Resale on Page 401,iine 24.
10. Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Sold (g)	REVENUE Demand Charges ($) (h)	Energy Charges ($) (i)	Other Charges ($) (j)	Total ($) (h+i+j) (k)	Line No.
94,800	2,638,593	490,052	2,584,162	5,712,807	1
203,693	5,137,111	1,063,406	5,629,831	11,830,348	2
8,916	258,570	46,597	247,756	552,923	3
6,595	231,074	34,254	186,168	451,496	4
129,875	3,614,005	670,700	3,534,871	7,819,576	5
83,820	2,384,147	433,262	2,291,157	5,108,566	6
19,731	617,449	103,207	546,324	1,266,980	7
711,928	18,876,814	3,679,548	19,409,952	41,966,314	8
315,269	8,030,629	1,646,717	8,785,335	18,462,681	9
211,604	5,198,611	1,085,811	5,771,413	12,055,835	10
62,026	472,542	221,704	1,791,805	2,486,051	11
31,763	880,579	165,661	876,046	1,922,286	12
58		2,766		2,766	13
97		4,402		4,402	14
1,880,020	48,340,124	9,640,919	51,654,820	109,635,863	
360,157	0	11,396,499	11	11,396,510	
2,240,177	**48,340,124**	**21,037,418**	**51,654,831**	**121,032,373**	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SALES FOR RESALE (Account 447)

1. Report all sales for resale (i.e., sales to purchasers other than ultimate consumers) transacted on a settlement basis other than power exchanges during the year. Do not report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges on this schedule. Power exchanges must be reported on the Purchased Power schedule (Page 326-327).
2. Enter the name of the purchaser in column (a). Do note abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the purchaser.
3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:
RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projected load for this service in its system resource planning). In addition, the reliability of requirements service must be the same as, or second only to, the supplier's service to its own ultimate consumers.
LF - for tong-term service. "Long-term" means five years or Longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for Long-term firm service which meets the definition of RQ service. For all transactions identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or setter can unilaterally get out of the contract.
IF - for intermediate-term firm service. The same as LF service except that "intermediate-term" means longer than one year but Less than five years.
SF - for short-term firm service. Use this category for all firm services where the duration of each period of commitment for service is one year or less.
LU - for Long-term service from a designated generating unit. "Long-term" means five years or Longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of designated unit.
IU - for intermediate-term service from a designated generating unit. The same as LU service except that "intermediate-term" means Longer than one year but Less than five years.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classifi-cation (b)	FERC Rate Schedule or Tariff Number (c)	Average Monthly Billing Demand (MW) (d)	Actual Demand (MW) Average Monthly NCP Demand (e)	Average Monthly CP Demand (f)
1	Brookfield Energy Marketing LP	OS	(3)	N/A	N/A	N/A
2	Cargill Power Markets, LLC	OS	(3)	N/A	N/A	N/A
3	East Kentucky Power Cooperative	OS	(3)	N/A	N/A	N/A
4	East Kentucky Power Cooperative	AD	(3)	N/A	N/A	N/A
5	East Kentucky Power Cooperative	OS	(3)	N/A	N/A	N/A
6	ETC Endure Energy, LLC	OS	(3)	N/A	N/A	N/A
7	Exelon Generation Company, LLC	OS	(3)	N/A	N/A	N/A
8	Illinois Municipal Electric Agency	OS	(5)	N/A	N/A	N/A
9	Illinois Municipal Electric Agency	OS	(3)	N/A	N/A	N/A
10	Indiana Municipal Power Agency	OS	(7)	N/A	N/A	N/A
11	Indiana Municipal Power Agency	OS	(3)	N/A	N/A	N/A
12	Kentucky Municipal Power Agency	OS	(6)	N/A	N/A	N/A
13	Louisville Gas & Electric Company	SF	(1)	N/A	N/A	N/A
14	Midcontinent Independent System Oper	OS	(3)	N/A	N/A	N/A
	Subtotal RQ			0	0	0
	Subtotal non-RQ			0	0	0
	Total			**0**	**0**	**0**

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SALES FOR RESALE (Account 447) (Continued)

OS - for other service. use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote.
AD - for Out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.
4. Group requirements RQ sales together and report them starting at line number one. After listing all RQ sales, enter "Subtotal - RQ" in column (a). The remaining sales may then be listed in any order. Enter "Subtotal-Non-RQ" in column (a) after this Listing. Enter "Total" in column (a) as the Last Line of the schedule. Report subtotals and total for columns (9) through (k)
5. In Column (c), identify the FERC Rate Schedule or Tariff Number. On separate Lines, List all FERC rate schedules or tariffs under which service, as identified in column (b), is provided.
6. For requirements RQ sales and any type of-service involving demand charges imposed on a monthly (or Longer) basis, enter the average monthly billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP)
demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
7. Report in column (g) the megawatt hours shown on bills rendered to the purchaser.
8. Report demand charges in column (h), energy charges in column (i), and the total of any other types of charges, including out-of-period adjustments, in column (j). Explain in a footnote all components of the amount shown in column (j). Report in column (k) the total charge shown on bills rendered to the purchaser.
9. The data in column (g) through (k) must be subtotaled based on the RQ/Non-RQ grouping (see instruction 4), and then totaled on the Last -line of the schedule. The "Subtotal - RQ" amount in column (g) must be reported as Requirements Sales For Resale on Page 401, line 23. The "Subtotal - Non-RQ" amount in column (g) must be reported as Non-Requirements Sales For Resale on Page 401,iine 24.
10. Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Sold (g)	REVENUE Demand Charges ($) (h)	Energy Charges ($) (i)	Other Charges ($) (j)	Total ($) (h+i+j) (k)	Line No.
82		2,867		2,867	1
4,734		217,101		217,101	2
163		6,418		6,418	3
			11	11	4
4		416		416	5
3,426		143,353		143,353	6
38		1,830		1,830	7
32		1,022		1,022	8
796		14,573		14,573	9
266		10,645		10,645	10
531		19,097		19,097	11
124		4,774		4,774	12
307,382		9,198,664		9,198,664	13
6,813		287,595		287,595	14
1,880,020	48,340,124	9,640,919	51,654,820	109,635,863	
360,157	0	11,396,499	11	11,396,510	
2,240,177	**48,340,124**	**21,037,418**	**51,654,831**	**121,032,373**	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SALES FOR RESALE (Account 447)

1. Report all sales for resale (i.e., sales to purchasers other than ultimate consumers) transacted on a settlement basis other than power exchanges during the year. Do not report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges on this schedule. Power exchanges must be reported on the Purchased Power schedule (Page 326-327).
2. Enter the name of the purchaser in column (a). Do note abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the purchaser.
3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:
RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projected load for this service in its system resource planning). In addition, the reliability of requirements service must be the same as, or second only to, the supplier's service to its own ultimate consumers.
LF - for tong-term service. "Long-term" means five years or Longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for Long-term firm service which meets the definition of RQ service. For all transactions identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or setter can unilaterally get out of the contract.
IF - for intermediate-term firm service. The same as LF service except that "intermediate-term" means longer than one year but Less than five years.
SF - for short-term firm service. Use this category for all firm services where the duration of each period of commitment for service is one year or less.
LU - for Long-term service from a designated generating unit. "Long-term" means five years or Longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of designated unit.
IU - for intermediate-term service from a designated generating unit. The same as LU service except that "intermediate-term" means Longer than one year but Less than five years.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	FERC Rate Schedule or Tariff Number (c)	Average Monthly Billing Demand (MW) (d)	Actual Demand (MW) Average Monthly NCP Demand (e)	Average Monthly CP Demand (f)
1	Midwest Independent Tranm. System Oper	OS	(3)	N/A	N/A	N/A
2	Owensboro Municipal Utilities	OS	(6)	N/A	N/A	N/A
3	PJM Settlements, Inc.	OS	(3)	N/A	N/A	N/A
4	Tenaska Power Services Company	OS	(3)	N/A	N/A	N/A
5	Tennessee Valley Authority	OS	(3)	N/A	N/A	N/A
6	The Energy Authority, Inc.	OS	(3)	N/A	N/A	N/A
7	Westar Energy, Inc.	OS	(3)	N/A	N/A	N/A
8						
9						
10						
11						
12						
13						
14						
	Subtotal RQ			0	0	0
	Subtotal non-RQ			0	0	0
	Total			**0**	**0**	**0**

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SALES FOR RESALE (Account 447) (Continued)

OS - for other service. use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote.
AD - for Out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.
4. Group requirements RQ sales together and report them starting at line number one. After listing all RQ sales, enter "Subtotal - RQ" in column (a). The remaining sales may then be listed in any order. Enter "Subtotal-Non-RQ" in column (a) after this Listing. Enter "Total" in column (a) as the Last Line of the schedule. Report subtotals and total for columns (9) through (k)
5. In Column (c), identify the FERC Rate Schedule or Tariff Number. On separate Lines, List all FERC rate schedules or tariffs under which service, as identified in column (b), is provided.
6. For requirements RQ sales and any type of-service involving demand charges imposed on a monthly (or Longer) basis, enter the average monthly billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP)
demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
7. Report in column (g) the megawatt hours shown on bills rendered to the purchaser.
8. Report demand charges in column (h), energy charges in column (i), and the total of any other types of charges, including out-of-period adjustments, in column (j). Explain in a footnote all components of the amount shown in column (j). Report in column (k) the total charge shown on bills rendered to the purchaser.
9. The data in column (g) through (k) must be subtotaled based on the RQ/Non-RQ grouping (see instruction 4), and then totaled on the Last -line of the schedule. The "Subtotal - RQ" amount in column (g) must be reported as Requirements Sales For Resale on Page 401, line 23. The "Subtotal - Non-RQ" amount in column (g) must be reported as Non-Requirements Sales For Resale on Page 401,iine 24.
10. Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Sold (g)	REVENUE Demand Charges ($) (h)	Energy Charges ($) (i)	Other Charges ($) (j)	Total ($) (h+i+j) (k)	Line No.
155		5,043		5,043	1
795		30,659		30,659	2
21,607		903,810		903,810	3
1,451		56,351		56,351	4
11,584		484,418		484,418	5
7		267		267	6
12		428		428	7
					8
					9
					10
					11
					12
					13
					14
1,880,020	48,340,124	9,640,919	51,654,820	109,635,863	
360,157	0	11,396,499	11	11,396,510	
2,240,177	**48,340,124**	**21,037,418**	**51,654,831**	**121,032,373**	

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	(Mo, Da, Yr) / /	2013/Q4

FOOTNOTE DATA

Schedule Page: 310 Line No.: 1 Column: c
Barbourville Rate Schedule FERC No. 184 effective May 2009

Schedule Page: 310 Line No.: 1 Column: j
Amounts include RQ's related to $4,932 for direct assignment charge and $2,579,230 for wholesale municipal fuel adjustment clause.

Schedule Page: 310 Line No.: 2 Column: c
Bardstown Rate Schedule FERC No. 185 effective May 2009

Schedule Page: 310 Line No.: 2 Column: j
Amounts include RQ's related to $73,044 for direct assignment charge and $5,556,787 for wholesale municipal fuel adjustment clause.

Schedule Page: 310 Line No.: 3 Column: c
Bardwell Rate Schedule FERC No. 186 effective May 2009

Schedule Page: 310 Line No.: 3 Column: j
Amounts include RQ's related to $4,764 for direct assignment charge and $242,992 for wholesale municipal fuel adjustment clause.

Schedule Page: 310 Line No.: 4 Column: c
Benham Rate Schedule FERC No. 187 effective May 2009

Schedule Page: 310 Line No.: 4 Column: j
Amounts include RQ's related to $7,320 for direct assignment charge and $178,848 for wholesale municipal fuel adjustment clause.

Schedule Page: 310 Line No.: 5 Column: c
Berea Rate Schedule FERC No. 197 effective May 2009

Schedule Page: 310 Line No.: 5 Column: j
Amounts include RQ's related to $2,892 for direct assignment charge and $3,531,979 for wholesale municipal fuel adjustment clause.

Schedule Page: 310 Line No.: 6 Column: c
Corbin Rate Schedule FERC No. 188 effective May 2009

Schedule Page: 310 Line No.: 6 Column: j
Amounts include RQ's related to $8,736 for direct assignment charge and $2,282,421 for wholesale municipal fuel adjustment clause.

Schedule Page: 310 Line No.: 7 Column: c
Falmouth Rate Schedule FERC No. 189 effective May 2009

Schedule Page: 310 Line No.: 7 Column: j
Amounts include RQ's related to $8,076 for direct assignment charge and $538,248 for wholesale municipal fuel adjustment clause.

Schedule Page: 310 Line No.: 8 Column: c
Frankfort Rate Schedule FERC No. 190 effective May 2009

Schedule Page: 310 Line No.: 8 Column: j
Amounts include RQ's related to $20,796 for direct assignment charge and $19,389,156 for wholesale municipal fuel adjustment clause.

Schedule Page: 310 Line No.: 9 Column: c
Madisonville Rate Schedule FERC No. 161 effective May 2009

Schedule Page: 310 Line No.: 9 Column: j
Amounts include RQ's related to $181,068 for direct assignment charge and $8,604,267 for wholesale municipal fuel adjustment clause.

Schedule Page: 310 Line No.: 10 Column: c
Nicholasville Rate Schedule FERC No. 157 effective May 2009

Schedule Page: 310 Line No.: 10 Column: j
Amounts include RQ's related to $6,180 for direct assignment charge and $5,765,233 for wholesale municipal fuel adjustment clause.

Schedule Page: 310 Line No.: 11 Column: c
Paris Rate Schedule FERC No. 83 effective May 2009

Schedule Page: 310 Line No.: 11 Column: j
Amounts include RQ's related to $6,372 for direct assignment charge and $1,785,433 for wholesale municipal fuel adjustment clause.

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	/ /	2013/Q4

FOOTNOTE DATA

Schedule Page: 310 Line No.: 12 Column: c
Providence Rate Schedule FERC No. 195 effective May 2009

Schedule Page: 310 Line No.: 12 Column: j
Amounts include RQ's related to $10,248 for direct assignment charge and $865,798 for wholesale municipal fuel adjustment clause.

Schedule Page: 310 Line No.: 13 Column: a
Effective December 2, 2013, Ameren Energy Marketing Company changed its name to Illinois Power Marketing Company.

Schedule Page: 310 Line No.: 13 Column: b
Market Based Sale

Schedule Page: 310 Line No.: 13 Column: c
(3) LGE and KU Joint MBRT Short Form Tariff

Schedule Page: 310 Line No.: 14 Column: b
Market Based Sale

Schedule Page: 310 Line No.: 14 Column: c
(3) LGE and KU Joint MBRT Short Form Tariff

Schedule Page: 310.1 Line No.: 1 Column: a
Effective April 3, 2013, contract assigned from Brookfield Energy Marketing Inc. changed to Brookfield Energy Marketing LP.

Schedule Page: 310.1 Line No.: 1 Column: b
Market Based Sale

Schedule Page: 310.1 Line No.: 1 Column: c
(3) LGE and KU Joint MBRT Short Form Tariff

Schedule Page: 310.1 Line No.: 2 Column: b
Market Based Sale

Schedule Page: 310.1 Line No.: 2 Column: c
(3) LGE and KU Joint MBRT Short Form Tariff

Schedule Page: 310.1 Line No.: 3 Column: b
Market Based Sale

Schedule Page: 310.1 Line No.: 3 Column: c
(3) LGE and KU Joint MBRT Short Form Tariff

Schedule Page: 310.1 Line No.: 4 Column: b
December 2012 correction made in 2013

Schedule Page: 310.1 Line No.: 4 Column: c
(3) LGE and KU Joint MBRT Short Form Tariff

Schedule Page: 310.1 Line No.: 4 Column: j
December 2012 correction made in 2013.

Schedule Page: 310.1 Line No.: 5 Column: b
Emergency Power

Schedule Page: 310.1 Line No.: 5 Column: c
(3) LGE and KU Joint MBRT Short Form Tariff

Schedule Page: 310.1 Line No.: 6 Column: b
Market Based Sale

Schedule Page: 310.1 Line No.: 6 Column: c
(3) LGE and KU Joint MBRT Short Form Tariff

Schedule Page: 310.1 Line No.: 7 Column: b
Market Based Sale

Schedule Page: 310.1 Line No.: 7 Column: c
(3) LGE and KU Joint MBRT Short Form Tariff

Schedule Page: 310.1 Line No.: 8 Column: b
Cost Based Sale

Schedule Page: 310.1 Line No.: 8 Column: c
(5) LGE CBR Tariff First Revised Service Agreement No. 3

Schedule Page: 310.1 Line No.: 9 Column: b
Energy Imbalance

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	/ /	2013/Q4

FOOTNOTE DATA

Schedule Page: 310.1 Line No.: 9 Column: c
(3) LGE and KU Joint MBRT Short Form Tariff

Schedule Page: 310.1 Line No.: 10 Column: b
Cost Based Sale

Schedule Page: 310.1 Line No.: 10 Column: c
(7) LGE CBR Tariff Service Agreement No. 4

Schedule Page: 310.1 Line No.: 11 Column: b
Energy Imbalance

Schedule Page: 310.1 Line No.: 11 Column: c
(3) LGE and KU Joint MBRT Short Form Tariff

Schedule Page: 310.1 Line No.: 12 Column: b
Energy Imbalance

Schedule Page: 310.1 Line No.: 12 Column: c
(6) LGE and KU Joint Pro Forma Open Access Transmission Tariff Schedule 4

Schedule Page: 310.1 Line No.: 13 Column: a
KU and LG&E are owned by PPL Corporation.

Schedule Page: 310.1 Line No.: 13 Column: c
(1) FERC Rate Schedule No. 1. The Power Supply System Agreement, FERC Docket No. ER98-111-000

Schedule Page: 310.1 Line No.: 14 Column: a
Effective April 26, 2013, Midwest Independent Transmission System Operator, Inc. changed its name to Midcontinent Independent System Operator, Inc.

Schedule Page: 310.1 Line No.: 14 Column: b
Market Based Sale

Schedule Page: 310.1 Line No.: 14 Column: c
(3) LGE and KU Joint MBRT Short Form Tariff

Schedule Page: 310.2 Line No.: 1 Column: a
Effective April 26, 2013, Midwest Independent Transmission System Operator, Inc. changed its name to Midcontinent Independent System Operator, Inc.

Schedule Page: 310.2 Line No.: 1 Column: b
Market Based Sale

Schedule Page: 310.2 Line No.: 1 Column: c
(3) LGE and KU Joint MBRT Short Form Tariff

Schedule Page: 310.2 Line No.: 2 Column: b
Energy Imbalance

Schedule Page: 310.2 Line No.: 2 Column: c
(6) LGE and KU Joint Pro Forma Open Access Transmission Tariff Schedule 4

Schedule Page: 310.2 Line No.: 3 Column: b
Market Based Sale

Schedule Page: 310.2 Line No.: 3 Column: c
(3) LGE and KU Joint MBRT Short Form Tariff

Schedule Page: 310.2 Line No.: 4 Column: b
Market Based Sale

Schedule Page: 310.2 Line No.: 4 Column: c
(3) LGE and KU Joint MBRT Short Form Tariff

Schedule Page: 310.2 Line No.: 5 Column: b
Market Based Sale

Schedule Page: 310.2 Line No.: 5 Column: c
(3) LGE and KU Joint MBRT Short Form Tariff

Schedule Page: 310.2 Line No.: 6 Column: b
Market Based Sale

Schedule Page: 310.2 Line No.: 6 Column: c
(3) LGE and KU Joint MBRT Short Form Tariff

Schedule Page: 310.2 Line No.: 7 Column: b
Market Based Sale

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	(Mo, Da, Yr) / /	2013/Q4

FOOTNOTE DATA

Schedule Page: 310.2 Line No.: 7 Column: c

(3) LGE and KU Joint MBRT Short Form Tariff

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

ELECTRIC OPERATION AND MAINTENANCE EXPENSES

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
1	1. POWER PRODUCTION EXPENSES		
2	A. Steam Power Generation		
3	Operation		
4	(500) Operation Supervision and Engineering	7,806,935	6,479,211
5	(501) Fuel	506,045,568	465,087,965
6	(502) Steam Expenses	20,115,723	17,980,818
7	(503) Steam from Other Sources		
8	(Less) (504) Steam Transferred-Cr.		
9	(505) Electric Expenses	7,672,270	7,868,693
10	(506) Miscellaneous Steam Power Expenses	26,423,877	23,482,008
11	(507) Rents	11,913	16,193
12	(509) Allowances	239,163	143,906
13	TOTAL Operation (Enter Total of Lines 4 thru 12)	568,315,449	521,058,794
14	Maintenance		
15	(510) Maintenance Supervision and Engineering	7,415,049	8,384,146
16	(511) Maintenance of Structures	6,097,301	6,027,944
17	(512) Maintenance of Boiler Plant	38,503,416	46,985,535
18	(513) Maintenance of Electric Plant	6,317,653	20,330,600
19	(514) Maintenance of Miscellaneous Steam Plant	1,934,589	1,704,407
20	TOTAL Maintenance (Enter Total of Lines 15 thru 19)	60,268,008	83,432,632
21	TOTAL Power Production Expenses-Steam Power (Entr Tot lines 13 & 20)	628,583,457	604,491,426
22	B. Nuclear Power Generation		
23	Operation		
24	(517) Operation Supervision and Engineering		
25	(518) Fuel		
26	(519) Coolants and Water		
27	(520) Steam Expenses		
28	(521) Steam from Other Sources		
29	(Less) (522) Steam Transferred-Cr.		
30	(523) Electric Expenses		
31	(524) Miscellaneous Nuclear Power Expenses		
32	(525) Rents		
33	TOTAL Operation (Enter Total of lines 24 thru 32)		
34	Maintenance		
35	(528) Maintenance Supervision and Engineering		
36	(529) Maintenance of Structures		
37	(530) Maintenance of Reactor Plant Equipment		
38	(531) Maintenance of Electric Plant		
39	(532) Maintenance of Miscellaneous Nuclear Plant		
40	TOTAL Maintenance (Enter Total of lines 35 thru 39)		
41	TOTAL Power Production Expenses-Nuc. Power (Entr tot lines 33 & 40)		
42	C. Hydraulic Power Generation		
43	Operation		
44	(535) Operation Supervision and Engineering	9,463	12,939
45	(536) Water for Power		
46	(537) Hydraulic Expenses		
47	(538) Electric Expenses		
48	(539) Miscellaneous Hydraulic Power Generation Expenses	56,980	11,079
49	(540) Rents		
50	TOTAL Operation (Enter Total of Lines 44 thru 49)	66,443	24,018
51	C. Hydraulic Power Generation (Continued)		
52	Maintenance		
53	(541) Mainentance Supervision and Engineering	128,762	132,109
54	(542) Maintenance of Structures	181,172	128,512
55	(543) Maintenance of Reservoirs, Dams, and Waterways	1,600	
56	(544) Maintenance of Electric Plant	64,521	39,540
57	(545) Maintenance of Miscellaneous Hydraulic Plant	13,950	5,778
58	TOTAL Maintenance (Enter Total of lines 53 thru 57)	390,005	305,939
59	TOTAL Power Production Expenses-Hydraulic Power (tot of lines 50 & 58)	456,448	329,957

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
60	D. Other Power Generation		
61	Operation		
62	(546) Operation Supervision and Engineering	222,336	201,231
63	(547) Fuel	29,579,752	39,394,340
64	(548) Generation Expenses	410,014	412,784
65	(549) Miscellaneous Other Power Generation Expenses	101,061	95,433
66	(550) Rents	19,359	33,236
67	TOTAL Operation (Enter Total of lines 62 thru 66)	30,332,522	40,137,024
68	Maintenance		
69	(551) Maintenance Supervision and Engineering	44,062	47,953
70	(552) Maintenance of Structures	212,796	191,025
71	(553) Maintenance of Generating and Electric Plant	2,028,949	1,920,181
72	(554) Maintenance of Miscellaneous Other Power Generation Plant	181,586	269,589
73	TOTAL Maintenance (Enter Total of lines 69 thru 72)	2,467,393	2,428,748
74	TOTAL Power Production Expenses-Other Power (Enter Tot of 67 & 73)	32,799,915	42,565,772
75	E. Other Power Supply Expenses		
76	(555) Purchased Power	79,098,106	105,046,895
77	(556) System Control and Load Dispatching	1,661,600	1,798,928
78	(557) Other Expenses	158,321	286,988
79	TOTAL Other Power Supply Exp (Enter Total of lines 76 thru 78)	80,918,027	107,132,811
80	TOTAL Power Production Expenses (Total of lines 21, 41, 59, 74 & 79)	742,757,847	754,519,966
81	2. TRANSMISSION EXPENSES		
82	Operation		
83	(560) Operation Supervision and Engineering	1,698,267	1,498,401
84			
85	(561.1) Load Dispatch-Reliability	2,696,978	2,313,581
86	(561.2) Load Dispatch-Monitor and Operate Transmission System		
87	(561.3) Load Dispatch-Transmission Service and Scheduling		
88	(561.4) Scheduling, System Control and Dispatch Services		81
89	(561.5) Reliability, Planning and Standards Development	978,797	818,989
90	(561.6) Transmission Service Studies	16,959	48,177
91	(561.7) Generation Interconnection Studies		
92	(561.8) Reliability, Planning and Standards Development Services		6
93	(562) Station Expenses	869,020	854,493
94	(563) Overhead Lines Expenses	700,333	538,526
95	(564) Underground Lines Expenses		
96	(565) Transmission of Electricity by Others	2,548,745	2,949,433
97	(566) Miscellaneous Transmission Expenses	9,754,936	12,518,655
98	(567) Rents	191,576	146,274
99	TOTAL Operation (Enter Total of lines 83 thru 98)	19,455,611	21,686,616
100	Maintenance		
101	(568) Maintenance Supervision and Engineering		
102	(569) Maintenance of Structures		
103	(569.1) Maintenance of Computer Hardware		
104	(569.2) Maintenance of Computer Software		
105	(569.3) Maintenance of Communication Equipment		
106	(569.4) Maintenance of Miscellaneous Regional Transmission Plant		
107	(570) Maintenance of Station Equipment	2,431,735	1,814,141
108	(571) Maintenance of Overhead Lines	5,269,858	5,184,096
109	(572) Maintenance of Underground Lines		
110	(573) Maintenance of Miscellaneous Transmission Plant	478,659	768,932
111	TOTAL Maintenance (Total of lines 101 thru 110)	8,180,252	7,767,169
112	TOTAL Transmission Expenses (Total of lines 99 and 111)	27,635,863	29,453,785

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
113	3. REGIONAL MARKET EXPENSES		
114	Operation		
115	(575.1) Operation Supervision		
116	(575.2) Day-Ahead and Real-Time Market Facilitation		
117	(575.3) Transmission Rights Market Facilitation		
118	(575.4) Capacity Market Facilitation		
119	(575.5) Ancillary Services Market Facilitation		
120	(575.6) Market Monitoring and Compliance		
121	(575.7) Market Facilitation, Monitoring and Compliance Services	-160,278	1,343,428
122	(575.8) Rents		
123	Total Operation (Lines 115 thru 122)	-160,278	1,343,428
124	Maintenance		
125	(576.1) Maintenance of Structures and Improvements		
126	(576.2) Maintenance of Computer Hardware		
127	(576.3) Maintenance of Computer Software		
128	(576.4) Maintenance of Communication Equipment		
129	(576.5) Maintenance of Miscellaneous Market Operation Plant		
130	Total Maintenance (Lines 125 thru 129)		
131	TOTAL Regional Transmission and Market Op Expns (Total 123 and 130)	-160,278	1,343,428
132	4. DISTRIBUTION EXPENSES		
133	Operation		
134	(580) Operation Supervision and Engineering	1,505,817	1,793,303
135	(581) Load Dispatching	996,486	928,597
136	(582) Station Expenses	1,769,089	1,707,302
137	(583) Overhead Line Expenses	4,481,497	3,771,523
138	(584) Underground Line Expenses	12,895	218,685
139	(585) Street Lighting and Signal System Expenses	159	
140	(586) Meter Expenses	7,789,095	7,748,825
141	(587) Customer Installations Expenses	-71,787	-75,461
142	(588) Miscellaneous Expenses	4,213,551	5,201,796
143	(589) Rents	12,169	12,128
144	TOTAL Operation (Enter Total of lines 134 thru 143)	20,708,971	21,306,698
145	Maintenance		
146	(590) Maintenance Supervision and Engineering	27,790	105,336
147	(591) Maintenance of Structures		
148	(592) Maintenance of Station Equipment	921,674	887,910
149	(593) Maintenance of Overhead Lines	32,904,334	32,888,068
150	(594) Maintenance of Underground Lines	526,617	547,732
151	(595) Maintenance of Line Transformers	93,656	210,050
152	(596) Maintenance of Street Lighting and Signal Systems	40	
153	(597) Maintenance of Meters		
154	(598) Maintenance of Miscellaneous Distribution Plant	53,913	92,204
155	TOTAL Maintenance (Total of lines 146 thru 154)	34,528,024	34,731,300
156	TOTAL Distribution Expenses (Total of lines 144 and 155)	55,236,995	56,037,998
157	5. CUSTOMER ACCOUNTS EXPENSES		
158	Operation		
159	(901) Supervision	3,127,294	2,640,940
160	(902) Meter Reading Expenses	4,972,870	4,977,964
161	(903) Customer Records and Collection Expenses	15,676,713	15,345,284
162	(904) Uncollectible Accounts	2,705,111	4,694,519
163	(905) Miscellaneous Customer Accounts Expenses	466,836	643,909
164	TOTAL Customer Accounts Expenses (Total of lines 159 thru 163)	26,948,824	28,302,616

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
165	6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
166	Operation		
167	(907) Supervision	290,507	231,388
168	(908) Customer Assistance Expenses	18,497,202	13,559,663
169	(909) Informational and Instructional Expenses	407,113	308,912
170	(910) Miscellaneous Customer Service and Informational Expenses	368,059	522,260
171	TOTAL Customer Service and Information Expenses (Total 167 thru 170)	19,562,881	14,622,223
172	7. SALES EXPENSES		
173	Operation		
174	(911) Supervision		
175	(912) Demonstrating and Selling Expenses	41,970	
176	(913) Advertising Expenses		1,823
177	(916) Miscellaneous Sales Expenses		
178	TOTAL Sales Expenses (Enter Total of lines 174 thru 177)	41,970	1,823
179	8. ADMINISTRATIVE AND GENERAL EXPENSES		
180	Operation		
181	(920) Administrative and General Salaries	28,120,718	22,994,038
182	(921) Office Supplies and Expenses	6,840,312	7,794,286
183	(Less) (922) Administrative Expenses Transferred-Credit	4,039,449	3,381,992
184	(923) Outside Services Employed	15,940,151	7,429,128
185	(924) Property Insurance	5,815,112	4,815,215
186	(925) Injuries and Damages	2,610,183	2,783,107
187	(926) Employee Pensions and Benefits	44,236,727	34,633,474
188	(927) Franchise Requirements	3,812	3,830
189	(928) Regulatory Commission Expenses	2,105,465	1,293,060
190	(929) (Less) Duplicate Charges-Cr.	3,812	3,830
191	(930.1) General Advertising Expenses	531,765	741,500
192	(930.2) Miscellaneous General Expenses	3,811,848	3,700,337
193	(931) Rents	2,773,977	2,644,079
194	TOTAL Operation (Enter Total of lines 181 thru 193)	108,746,809	85,446,232
195	Maintenance		
196	(935) Maintenance of General Plant	5,924,334	13,867,698
197	TOTAL Administrative & General Expenses (Total of lines 194 and 196)	114,671,143	99,313,930
198	TOTAL Elec Op and Maint Expns (Total 80,112,131,156,164,171,178,197)	986,695,245	983,595,769

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Name of Respondent Kentucky Utilities Company	This Report is: (1) X An Original (2) __ A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2013/Q4

FOOTNOTE DATA

Schedule Page: 320 Line No.: 121 Column: b

The credit is the result of the monthly amortization of the net Regulatory Liability for the MISO Exit Fee. During the 2012 KY base rate case, the Company netted the MISO Exit Fee Regulatory Asset and Regulatory Liability together for a net Regulatory Liability as of January 1, 2013.

Schedule Page: 320 Line No.: 141 Column: b

The credit is due to meter tampering charges billed to customers to offset the cost of meter maintenance. The cost is recorded in several accounts.

Schedule Page: 320 Line No.: 141 Column: c

The credit is due to meter tampering charges billed to customers to offset the cost of meter maintenance. The cost is recorded in several accounts.

Schedule Page: 320 Line No.: 184 Column: b

Amortization expense related to Information Technology software maintenance contracts, which was previously classified as Maintenance of General Plant (935), is considered to be a service to the company and these related expenses were moved to Outside Services Employed (923).

Schedule Page: 320 Line No.: 196 Column: b

Amortization expense related to Information Technology software maintenance contracts, which was previously classified as Maintenance of General Plant (935), is considered to be a service to the company and these related expenses were moved to Outside Services Employed (923).

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

PURCHASED POWER (Account 555)
(Including power exchanges)

1. Report all power purchases made during the year. Also report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges.
2. Enter the name of the seller or other party in an exchange transaction in column (a). Do not abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the seller.
3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:

RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projects load for this service in its system resource planning). In addition, the reliability of requirement service must be the same as, or second only to, the supplier's service to its own ultimate consumers.

LF - for long-term firm service. "Long-term" means five years or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for long-term firm service firm service which meets the definition of RQ service. For all transaction identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or seller can unilaterally get out of the contract.

IF - for intermediate-term firm service. The same as LF service expect that "intermediate-term" means longer than one year but less than five years.

SF - for short-term service. Use this category for all firm services, where the duration of each period of commitment for service is one year or less.

LU - for long-term service from a designated generating unit. "Long-term" means five years or longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of the designated unit.

IU - for intermediate-term service from a designated generating unit. The same as LU service expect that "intermediate-term" means longer than one year but less than five years.

EX - For exchanges of electricity. Use this category for transactions involving a balancing of debits and credits for energy, capacity, etc. and any settlements for imbalanced exchanges.

OS - for other service. Use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote for each adjustment.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	FERC Rate Schedule or Tariff Number (c)	Average Monthly Billing Demand (MW) (d)	Actual Demand (MW) Average Monthly NCP Demand (e)	Actual Demand (MW) Average Monthly CP Demand (f)
1	Ameren Energy Marketing Company	OS	(1)	N/A	N/A	N/A
2	Cargill Power Markets, LLC	OS	(1)	N/A	N/A	N/A
3	Fayette County Board of Education	OS	(9)	N/A	N/A	N/A
4	Illinois Municipal Electric Agency	OS	(12)	N/A	N/A	N/A
5	Illinois Municipal Electric Agency	OS	(8)	N/A	N/A	N/A
6	Indiana Municipal Power Agency	OS	(8)	N/A	N/A	N/A
7	Kentucky Municipal Power Agency	OS	(3)	N/A	N/A	N/A
8	Louisville Gas & Electric Company	SF	(2)	N/A	N/A	N/A
9	Ohio Valley Electric Corporation	OS	(6)	N/A	N/A	N/A
10	Ohio Valley Electric Corporation	AD	(6)	N/A	N/A	N/A
11	Owensboro Municipal Utilities	OS	(3)	N/A	N/A	N/A
12	PJM Settlement, Inc.	OS	(1)	N/A	N/A	N/A
13	PJM Settlement, Inc.	AD	(1)	N/A	N/A	N/A
14	Rockcastle Hospital Annex	OS	(9)	N/A	N/A	N/A
	Total					

Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr) / /	End of 2013/Q4

PURCHASED POWER(Account 555) (Continued)
(Including power exchanges)

AD - for out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.

4. In column (c), identify the FERC Rate Schedule Number or Tariff, or, for non-FERC jurisdictional sellers, include an appropriate designation for the contract. On separate lines, list all FERC rate schedules, tariffs or contract designations under which service, as identified in column (b), is provided.
5. For requirements RQ purchases and any type of service involving demand charges imposed on a monnthly (or longer) basis, enter the monthly average billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP) demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
6. Report in column (g) the megawatthours shown on bills rendered to the respondent. Report in columns (h) and (i) the megawatthours of power exchanges received and delivered, used as the basis for settlement. Do not report net exchange.
7. Report demand charges in column (j), energy charges in column (k), and the total of any other types of charges, including out-of-period adjustments, in column (l). Explain in a footnote all components of the amount shown in column (l). Report in column (m) the total charge shown on bills received as settlement by the respondent. For power exchanges, report in column (m) the settlement amount for the net receipt of energy. If more energy was delivered than received, enter a negative amount. If the settlement amount (l) include credits or charges other than incremental generation expenses, or (2) excludes certain credits or charges covered by the agreement, provide an explanatory footnote.
8. The data in column (g) through (m) must be totalled on the last line of the schedule. The total amount in column (g) must be reported as Purchases on Page 401, line 10. The total amount in column (h) must be reported as Exchange Received on Page 401, line 12. The total amount in column (i) must be reported as Exchange Delivered on Page 401, line 13.
9. Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Purchased (g)	POWER EXCHANGES		COST/SETTLEMENT OF POWER				Line No.
	MegaWatt Hours Received (h)	MegaWatt Hours Delivered (i)	Demand Charges ($) (j)	Energy Charges ($) (k)	Other Charges ($) (l)	Total (j+k+l) of Settlement ($) (m)	
20,972				753,481		753,481	1
683				14,632		14,632	2
110				3,387		3,387	3
4				100		100	4
996				7,709		7,709	5
713				7,591		7,591	6
3,343				114,804		114,804	7
2,329,588				59,187,987		59,187,987	8
263,376			8,992,720	8,021,563		17,014,283	9
					94,037	94,037	10
4,072				127,963		127,963	11
23,019				873,111		873,111	12
1					24	24	13
78				2,436		2,436	14
2,678,097	346,978		8,992,720	70,011,325	94,061	79,098,106	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

PURCHASED POWER (Account 555)
(Including power exchanges)

1. Report all power purchases made during the year. Also report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges.
2. Enter the name of the seller or other party in an exchange transaction in column (a). Do not abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the seller.
3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:

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LF - for long-term firm service. "Long-term" means five years or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for long-term firm service firm service which meets the definition of RQ service. For all transaction identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or seller can unilaterally get out of the contract.

IF - for intermediate-term firm service. The same as LF service expect that "intermediate-term" means longer than one year but less than five years.

SF - for short-term service. Use this category for all firm services, where the duration of each period of commitment for service is one year or less.

LU - for long-term service from a designated generating unit. "Long-term" means five years or longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of the designated unit.

IU - for intermediate-term service from a designated generating unit. The same as LU service expect that "intermediate-term" means longer than one year but less than five years.

EX - For exchanges of electricity. Use this category for transactions involving a balancing of debits and credits for energy, capacity, etc. and any settlements for imbalanced exchanges.

OS - for other service. Use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote for each adjustment.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	FERC Rate Schedule or Tariff Number (c)	Average Monthly Billing Demand (MW) (d)	Actual Demand (MW) Average Monthly NCP Demand (e)	Actual Demand (MW) Average Monthly CP Demand (f)
1	Tennessee Valley Authority	OS	(10)	N/A	N/A	N/A
2	Tennessee Valley Authority	OS	(4)	N/A	N/A	N/A
3	Inadvertent Interchange			N/A	N/A	N/A
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
	Total					

Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr) / /	End of 2013/Q4

PURCHASED POWER(Account 555) (Continued)
(Including power exchanges)

AD - for out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.

4. In column (c), identify the FERC Rate Schedule Number or Tariff, or, for non-FERC jurisdictional sellers, include an appropriate designation for the contract. On separate lines, list all FERC rate schedules, tariffs or contract designations under which service, as identified in column (b), is provided.
5. For requirements RQ purchases and any type of service involving demand charges imposed on a monnthly (or longer) basis, enter the monthly average billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP) demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
6. Report in column (g) the megawatthours shown on bills rendered to the respondent. Report in columns (h) and (i) the megawatthours of power exchanges received and delivered, used as the basis for settlement. Do not report net exchange.
7. Report demand charges in column (j), energy charges in column (k), and the total of any other types of charges, including out-of-period adjustments, in column (l). Explain in a footnote all components of the amount shown in column (l). Report in column (m) the total charge shown on bills received as settlement by the respondent. For power exchanges, report in column (m) the settlement amount for the net receipt of energy. If more energy was delivered than received, enter a negative amount. If the settlement amount (l) include credits or charges other than incremental generation expenses, or (2) excludes certain credits or charges covered by the agreement, provide an explanatory footnote.
8. The data in column (g) through (m) must be totalled on the last line of the schedule. The total amount in column (g) must be reported as Purchases on Page 401, line 10. The total amount in column (h) must be reported as Exchange Received on Page 401, line 12. The total amount in column (i) must be reported as Exchange Delivered on Page 401, line 13.
9. Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Purchased (g)	POWER EXCHANGES		COST/SETTLEMENT OF POWER				Line No.
	MegaWatt Hours Received (h)	MegaWatt Hours Delivered (i)	Demand Charges ($) (j)	Energy Charges ($) (k)	Other Charges ($) (l)	Total (j+k+l) of Settlement ($) (m)	
31,096				890,941		890,941	1
46				5,620		5,620	2
	346,978						3
							4
							5
							6
							7
							8
							9
							10
							11
							12
							13
							14
2,678,097	346,978		8,992,720	70,011,325	94,061	79,098,106	

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	(Mo, Da, Yr) / /	2013/Q4

FOOTNOTE DATA

Schedule Page: 326 Line No.: 1 Column: a
Effective December 2, 2013, Ameren Energy Marketing Company changed its name to Illinois Power Marketing Company.

Schedule Page: 326 Line No.: 1 Column: b
Market Based Purchase

Schedule Page: 326 Line No.: 1 Column: c
(1) FERC-approved tariff and/or rate schedule as on file with the Commission

Schedule Page: 326 Line No.: 2 Column: b
Market Based Purchase

Schedule Page: 326 Line No.: 2 Column: c
(1) FERC-approved tariff and/or rate schedule as on file with the Commission

Schedule Page: 326 Line No.: 3 Column: b
Small Capacity Cogeneration and Small Power Production Qualifying Facility

Schedule Page: 326 Line No.: 3 Column: c
(9) KPSC Standard Rate Rider

Schedule Page: 326 Line No.: 4 Column: b
Cost Based Purchase

Schedule Page: 326 Line No.: 4 Column: c
(12) Interchange Agreement FERC Rate Schedule No. 31

Schedule Page: 326 Line No.: 5 Column: b
Energy Imbalance

Schedule Page: 326 Line No.: 5 Column: c
(8) FERC-approved tariff and/or rate schedule as on file with the Commission. Participation Agreement dated February 9, 2004.

Schedule Page: 326 Line No.: 6 Column: b
Energy Imbalance

Schedule Page: 326 Line No.: 6 Column: c
(8) FERC-approved tariff and/or rate schedule as on file with the Commission. Participation Agreement dated February 9, 2004.

Schedule Page: 326 Line No.: 7 Column: b
Energy Imbalance

Schedule Page: 326 Line No.: 7 Column: c
(3) LGE and KU Joint Pro Forma Open Access Transmission Tariff Schedule 4

Schedule Page: 326 Line No.: 8 Column: a
KU and LG&E are owned by PPL.

Schedule Page: 326 Line No.: 8 Column: c
(2) FERC Rate Schedule No. 1. The Power Supply System Agreement, FERC Docket No. ER98-111-000

Schedule Page: 326 Line No.: 9 Column: a
Intercompany Power Agreement dated September 10, 2010. The Company owns 2.5% of the common stock of OVEC. Purchase of surplus power pursuant to Article 4 of the Amended and Restated Intercompany Power Agreement among OVEC and Sponsoring Companies dated September 10, 2010.

Schedule Page: 326 Line No.: 9 Column: b
Surplus Power

Schedule Page: 326 Line No.: 9 Column: c
(6) Intercompany Power Agreement v 0.0.0 on file with the Commission. Amended and Restated Intercompany Power Agreement among OVEC and Sponsoring Companies dated September 10, 2010.

Schedule Page: 326 Line No.: 10 Column: a
Intercompany Power Agreement dated September 10, 2010. The Company owns 2.5% of the common stock of OVEC. Purchase of surplus power pursuant to Article 4 of the Amended and Restated Intercompany Power Agreement among OVEC and Sponsoring Companies dated September 10, 2010.

Schedule Page: 326 Line No.: 10 Column: b
December 2012 true-up of accrual estimate for both energy and demand charges made in 2013.

Name of Respondent Kentucky Utilities Company	This Report is: (1) X An Original (2) __ A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2013/Q4

FOOTNOTE DATA

Schedule Page: 326 Line No.: 10 Column: c
(6) Intercompany Power Agreement v 0.0.0 on file with the Commission. Amended and Restated Intercompany Power Agreement among OVEC and Sponsoring Companies dated September 10, 2010.

Schedule Page: 326 Line No.: 10 Column: l
December 2012 true-up of accrual estimate for both energy charges, $17,337, and demand charges, $76,700, were made in 2013.

Schedule Page: 326 Line No.: 11 Column: b
Energy Imbalance

Schedule Page: 326 Line No.: 11 Column: c
(3) LGE and KU Joint Pro Forma Open Access Transmission Tariff Schedule 4

Schedule Page: 326 Line No.: 12 Column: b
Market Based Purchase

Schedule Page: 326 Line No.: 12 Column: c
(1) FERC-approved tariff and/or rate schedule as on file with the Commission

Schedule Page: 326 Line No.: 13 Column: b
December 2012 correction made in 2013

Schedule Page: 326 Line No.: 13 Column: c
(1) FERC-approved tariff and/or rate schedule as on file with the Commission

Schedule Page: 326 Line No.: 13 Column: l
December 2012 correction made in 2013

Schedule Page: 326 Line No.: 14 Column: b
Small Capacity Cogeneration and Small Power Production Qualifying Facility

Schedule Page: 326 Line No.: 14 Column: c
(9) KPSC Standard Rate Rider

Schedule Page: 326.1 Line No.: 1 Column: b
Market Based Purchase

Schedule Page: 326.1 Line No.: 1 Column: c
(10) FERC Electric Rate Schedule No. 28 Interchange Agreement dated July 1, 1977

Schedule Page: 326.1 Line No.: 2 Column: b
Emergency Power

Schedule Page: 326.1 Line No.: 2 Column: c
(4) TEE Contingency Reserve Sharing Agreement dated November 20, 2009

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456.1)
(Including transactions referred to as 'wheeling')

1. Report all transmission of electricity, i.e., wheeling, provided for other electric utilities, cooperatives, other public authorities, qualifying facilities, non-traditional utility suppliers and ultimate customers for the quarter.
2. Use a separate line of data for each distinct type of transmission service involving the entities listed in column (a), (b) and (c).
3. Report in column (a) the company or public authority that paid for the transmission service. Report in column (b) the company or public authority that the energy was received from and in column (c) the company or public authority that the energy was delivered to. Provide the full name of each company or public authority. Do not abbreviate or truncate name or use acronyms. Explain in a footnote any ownership interest in or affiliation the respondent has with the entities listed in columns (a), (b) or (c)
4. In column (d) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows: FNO - Firm Network Service for Others, FNS - Firm Network Transmission Service for Self, LFP - "Long-Term Firm Point to Point Transmission Service, OLF - Other Long-Term Firm Transmission Service, SFP - Short-Term Firm Point to Point Transmission Reservation, NF - non-firm transmission service, OS - Other Transmission Service and AD - Out-of-Period Adjustments. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting periods. Provide an explanation in a footnote for each adjustment. See General Instruction for definitions of codes.

Line No.	Payment By (Company of Public Authority) (Footnote Affiliation) (a)	Energy Received From (Company of Public Authority) (Footnote Affiliation) (b)	Energy Delivered To (Company of Public Authority) (Footnote Affiliation) (c)	Statistical Classifi-cation (d)
1	East Kentucky Power Cooperative	East Kentucky Power Cooperative	East Kentucky Power Cooperative	FNO
2	East Kentucky Power Cooperative	East Kentucky Power Cooperative	East Kentucky Power Cooperative	AD
3	East Kentucky Power Cooperative	East Kentucky Power Cooperative	East Kentucky Power Cooperative	NF
4	Kentucky Municipal Power Agency	Midwest ISO	Kentucky Municipal Power Agency	FNO
5	Kentucky Municipal Power Agency	Midwest ISO	Kentucky Municipal Power Agency	NF
6	Owensboro Municipal Utilities	Owensboro Municipal Utilities	Various	FNO
7	Owensboro Municipal Utilities	Owensboro Municipal Utilities	Various	LFP
8	Owensboro Municipal Utilities	Owensboro Municipal Utilities	Various	SFP
9	Owensboro Municipal Utilities	Owensboro Municipal Utilities	Various	NF
10	Owensboro Municipal Utilities	Owensboro Municipal Utilities	Various	AD
11	Tennessee Valley Authority	Tennessee Valley Authority	Tennessee Valley Authority	OLF
12	Tennessee Valley Authority	Tennessee Valley Authority	Tennessee Valley Authority	AD
13	Tennessee Valley Authority	Tennessee Valley Authority	Tennessee Valley Authority	LFP
14	Tennessee Valley Authority	Tennessee Valley Authority	Tennessee Valley Authority	NF
15	Tennessee Valley Authority	Tennessee Valley Authority	Tennessee Valley Authority	AD
16	Big Rivers Electric Corporation	Big Rivers Electric Corporation	Big Rivers Electric Corporation	FNO
17	Hoosier Energy	Midwest ISO	Hoosier Energy	FNO
18	Hoosier Energy	Midwest ISO	Hoosier Energy	AD
19	KU/LG&E	Various	Various	NF
20	KU/LG&E	Various	Various	SFP
21	KU/LG&E	Various	Various	LFP
22	Ameren Energy Marketing Company	Various	Various	SFP
23	Ameren Energy Marketing Company	Various	Various	NF
24	Cargill Power Markets, LLC	Various	Various	SFP
25	Cargill Power Markets, LLC	Various	Various	NF
26	Constellation Energy Commodities Group	PJM	Tennessee Valley Authority	SFP
27	Various	Various	Various	AD
28	City of Barbourville	Various	City of Barbourville	FNO
29	City of Bardstown	Various	City of Bardstown	FNO
30	City of Bardwell	Various	City of Bardwell	FNO
31	City of Benham	Various	City of Benham	FNO
32	City of Berea	Various	City of Berea	FNO
33	City of Corbin	Various	City of Corbin	FNO
34	City of Falmouth	Various	City of Falmouth	FNO
	TOTAL			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456)(Continued)
(Including transactions reffered to as 'wheeling')

5. In column (e), identify the FERC Rate Schedule or Tariff Number, On separate lines, list all FERC rate schedules or contract designations under which service, as identified in column (d), is provided.
6. Report receipt and delivery locations for all single contract path, "point to point" transmission service. In column (f), report the designation for the substation, or other appropriate identification for where energy was received as specified in the contract. In column (g) report the designation for the substation, or other appropriate identification for where energy was delivered as specified in the contract.
7. Report in column (h) the number of megawatts of billing demand that is specified in the firm transmission service contract. Demand reported in column (h) must be in megawatts. Footnote any demand not stated on a megawatts basis and explain.
8. Report in column (i) and (j) the total megawatthours received and delivered.

FERC Rate Schedule of Tariff Number (e)	Point of Receipt (Subsatation or Other Designation) (f)	Point of Delivery (Substation or Other Designation) (g)	Billing Demand (MW) (h)	TRANSFER OF ENERGY		Line No.
				MegaWatt Hours Received (i)	MegaWatt Hours Delivered (j)	
LGE/KU Joint	East Kentucky Power	East Kentucky Power	286	2,054,090	2,006,462	1
LGE/KU Joint	East Kentucky Power	East Kentucky Power				2
LGE/KU Joint	East Kentucky Power	East Kentucky Power				3
SA 13	Various	LGEE.KMPA	81	495,992	486,642	4
SA 13	Various	LGEE.KMPA				5
SA 15	Owensboro Municipal	Various	96	3,042		6
LGE/KU Joint	Owensboro Municipal	Various	147	1,240,720	1,213,835	7
LGE/KU Joint	Owensboro Municipal	Various	8			8
LGE/KU Joint	Owensboro Municipal	Various				9
LGE/KU Joint	Owensboro Municipal	Various				10
SA 11	TVA	TVA	35	212,325	204,684	11
SA 11	TVA	TVA				12
LGE/KU Joint	TVA	TVA	22	116,453	116,453	13
LGE/KU Joint	TVA	TVA				14
LGE/KU Joint	TVA	TVA				15
LGE/KU Joint	Big Rivers Electric	Big Rivers Electric	7	45,632	44,492	16
LGE/KU Joint	Midwest ISO	Hoosier Energy	3	25,579	25,579	17
LGE/KU Joint	Midwest ISO	Hoosier Energy				18
LGE/KU Joint	Various	Various				19
LGE/KU Joint	Various	Various	23			20
LGE/KU Joint	Various	Various	17			21
LGE/KU Joint	Various	Various	52	188,070	179,812	22
LGE/KU Joint	Various	Various				23
LGE/KU Joint	Various	Various	41	352,006	341,028	24
LGE/KU Joint	Various	Various		22,479	21,748	25
LGE/KU Joint	PJM	TVA	24	92,176	89,487	26
LGE/KU Joint	Various	Various				27
184	Various	City of Barbourville	139			28
185	Various	City of Bardstown	266			29
186	Various	City of Bardwell	13			30
187	Various	City of Benham	10			31
197	Various	City of Berea	191			32
188	Various	City of Corbin	124			33
189	Various	City of Falmouth	28			34
			3,437	**4,848,564**	**4,730,222**	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456.1)
(Including transactions referred to as 'wheeling')

1. Report all transmission of electricity, i.e., wheeling, provided for other electric utilities, cooperatives, other public authorities, qualifying facilities, non-traditional utility suppliers and ultimate customers for the quarter.
2. Use a separate line of data for each distinct type of transmission service involving the entities listed in column (a), (b) and (c).
3. Report in column (a) the company or public authority that paid for the transmission service. Report in column (b) the company or public authority that the energy was received from and in column (c) the company or public authority that the energy was delivered to. Provide the full name of each company or public authority. Do not abbreviate or truncate name or use acronyms. Explain in a footnote any ownership interest in or affiliation the respondent has with the entities listed in columns (a), (b) or (c)
4. In column (d) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows: FNO - Firm Network Service for Others, FNS - Firm Network Transmission Service for Self, LFP - "Long-Term Firm Point to Point Transmission Service, OLF - Other Long-Term Firm Transmission Service, SFP - Short-Term Firm Point to Point Transmission Reservation, NF - non-firm transmission service, OS - Other Transmission Service and AD - Out-of-Period Adjustments. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting periods. Provide an explanation in a footnote for each adjustment. See General Instruction for definitions of codes.

Line No.	Payment By (Company of Public Authority) (Footnote Affiliation) (a)	Energy Received From (Company of Public Authority) (Footnote Affiliation) (b)	Energy Delivered To (Company of Public Authority) (Footnote Affiliation) (c)	Statistical Classifi-cation (d)
1	City of Frankfort	Various	City of Frankfort	FNO
2	City of Madisonville	Various	City of Madisonville	FNO
3	City of Nicholasville	Various	City of Nicholasville	FNO
4	City of Paris	Various	City of Paris	FNO
5	City of Providence	Various	City of Providence	FNO
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	TOTAL			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456)(Continued)
(Including transactions reffered to as 'wheeling')

5. In column (e), identify the FERC Rate Schedule or Tariff Number, On separate lines, list all FERC rate schedules or contract designations under which service, as identified in column (d), is provided.
6. Report receipt and delivery locations for all single contract path, "point to point" transmission service. In column (f), report the designation for the substation, or other appropriate identification for where energy was received as specified in the contract. In column (g) report the designation for the substation, or other appropriate identification for where energy was delivered as specified in the contract.
7. Report in column (h) the number of megawatts of billing demand that is specified in the firm transmission service contract. Demand reported in column (h) must be in megawatts. Footnote any demand not stated on a megawatts basis and explain.
8. Report in column (i) and (j) the total megawatthours received and delivered.

FERC Rate Schedule of Tariff Number (e)	Point of Receipt (Subsatation or Other Designation) (f)	Point of Delivery (Substation or Other Designation) (g)	Billing Demand (MW) (h)	TRANSFER OF ENERGY		Line No.
				MegaWatt Hours Received (i)	MegaWatt Hours Delivered (j)	
190	Various	City of Frankfort	1,001			1
161	Various	City of Madisonville	408			2
157	Various	City of Nicholasvill	273			3
83	Various	City of Paris	97			4
195	Various	City of Providence	45			5
						6
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						31
						32
						33
						34
			3,437	**4,848,564**	**4,730,222**	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456) (Continued)
(Including transactions reffered to as 'wheeling')

9. In column (k) through (n), report the revenue amounts as shown on bills or vouchers. In column (k), provide revenues from demand charges related to the billing demand reported in column (h). In column (l), provide revenues from energy charges related to the amount of energy transferred. In column (m), provide the total revenues from all other charges on bills or vouchers rendered, including out of period adjustments. Explain in a footnote all components of the amount shown in column (m). Report in column (n) the total charge shown on bills rendered to the entity Listed in column (a). If no monetary settlement was made, enter zero (11011) in column (n). Provide a footnote explaining the nature of the non-monetary settlement, including the amount and type of energy or service rendered.
10. The total amounts in columns (i) and (j) must be reported as Transmission Received and Transmission Delivered for annual report purposes only on Page 401, Lines 16 and 17, respectively.
11. Footnote entries and provide explanations following all required data.

REVENUE FROM TRANSMISSION OF ELECTRICITY FOR OTHERS

Demand Charges ($) (k)	Energy Charges ($) (l)	(Other Charges) ($) (m)	Total Revenues ($) (k+l+m) (n)	Line No.
3,899,455		265,151	4,164,606	1
20,927		1,460	22,387	2
	-3,814		-3,814	3
1,328,055		311,291	1,639,346	4
	676	24	700	5
1,221,230		345,452	1,566,682	6
2,372,053		160,878	2,532,931	7
180,010		11,140	191,150	8
	633,896	30,581	664,477	9
-215,733		-8,134	-223,867	10
558,765		44,237	603,002	11
2,866			2,866	12
353,064		24,502	377,566	13
	1,087		1,087	14
2,253			2,253	15
124,214		8,106	132,320	16
51,867		3,515	55,382	17
-5,675			-5,675	18
	1,262,741	60,947	1,323,688	19
109,001		5,459	114,460	20
277,790		18,853	296,643	21
435,391		27,945	463,336	22
	21,680	1,230	22,910	23
753,729		47,821	801,550	24
	54,959	3,452	58,411	25
252,517		15,665	268,182	26
-980,392	-982,282	-9	-1,962,683	27
179,596		7,165	186,761	28
336,834		13,366	350,200	29
16,559		654	17,213	30
12,556		514	13,070	31
203,593		8,100	211,693	32
165,636		6,577	172,213	33
33,297		1,293	34,590	34
14,104,342	**988,943**	**1,513,448**	**16,606,733**	

Name of Respondent Kentucky Utilities Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2013/Q4

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456) (Continued)
(Including transactions reffered to as 'wheeling')

9. In column (k) through (n), report the revenue amounts as shown on bills or vouchers. In column (k), provide revenues from demand charges related to the billing demand reported in column (h). In column (l), provide revenues from energy charges related to the amount of energy transferred. In column (m), provide the total revenues from all other charges on bills or vouchers rendered, including out of period adjustments. Explain in a footnote all components of the amount shown in column (m). Report in column (n) the total charge shown on bills rendered to the entity Listed in column (a). If no monetary settlement was made, enter zero (11011) in column (n). Provide a footnote explaining the nature of the non-monetary settlement, including the amount and type of energy or service rendered.
10. The total amounts in columns (i) and (j) must be reported as Transmission Received and Transmission Delivered for annual report purposes only on Page 401, Lines 16 and 17, respectively.
11. Footnote entries and provide explanations following all required data.

REVENUE FROM TRANSMISSION OF ELECTRICITY FOR OTHERS

Demand Charges ($) (k)	Energy Charges ($) (l)	(Other Charges) ($) (m)	Total Revenues ($) (k+l+m) (n)	Line No.
1,337,682		53,373	1,391,055	1
543,578		21,481	565,059	2
360,193		14,462	374,655	3
115,364		4,585	119,949	4
58,067		2,312	60,379	5
				6
				7
				8
				9
				10
				11
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				31
				32
				33
				34
14,104,342	**988,943**	**1,513,448**	**16,606,733**	

Name of Respondent Kentucky Utilities Company	This Report is: (1) X An Original (2) __ A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2013/Q4

FOOTNOTE DATA

Schedule Page: 328 Line No.: 1 Column: m
The total consists of East Kentucky Power Cooperative Schedule 1 and Schedule 2 charges.

Schedule Page: 328 Line No.: 2 Column: k
The total consists of a true-up of prior periods.

Schedule Page: 328 Line No.: 2 Column: m
The total consists of a true-up of prior periods for East Kentucky Power Cooperative Schedule 1 and Schedule 2 charges related to firm transmission.

Schedule Page: 328 Line No.: 3 Column: l
The total consists of the amortization of a regulatory asset authorized by the settlement agreement between KU, LG&E and East Kentucky Power Cooperative regarding the Network Integration Transmission Service Agreement. FERC Docket Nos. ER06-1458-000, ER06-1458-001 and ER06-1458-002.

Schedule Page: 328 Line No.: 4 Column: m
The total consists of Kentucky Municipal Power Agency Schedule 1, Schedule 2, Schedule 3, Schedule 5 and Schedule 6 charges.

Schedule Page: 328 Line No.: 5 Column: m
The total consists of Kentucky Municipal Power Agency Schedule 1 and Schedule 2 charges.

Schedule Page: 328 Line No.: 6 Column: m
The total consists of Owensboro Municipal Utilities Schedule 1, Schedule 2, Schedule 3, Schedule 5 and Schedule 6 charges.

Schedule Page: 328 Line No.: 7 Column: m
The total consists of Owensboro Municipal Utilities Schedule 1 and Schedule 2 charges.

Schedule Page: 328 Line No.: 8 Column: m
The total consists of Owensboro Municipal Utilities Schedule 1 and Schedule 2 charges.

Schedule Page: 328 Line No.: 9 Column: m
The total consists of Owensboro Municipal Utilities Schedule 1 and Schedule 2 charges.

Schedule Page: 328 Line No.: 10 Column: k
The total consists of a refund pursuant to FERC Docket No. EL13-79-000.

Schedule Page: 328 Line No.: 10 Column: m
The total consists of a refund of Schedule 1 and Schedule 2 charges pursuant to FERC Docket No. EL13-79-000.

Schedule Page: 328 Line No.: 11 Column: d
The OLF transmission service agreement between KU and Tennessee Valley Authority has a termination date of 5/1/2016.

Schedule Page: 328 Line No.: 11 Column: m
The total consists of Tennessee Valley Authority Schedule 1 and Schedule 2 charges.

Schedule Page: 328 Line No.: 12 Column: k
The total consists of a true-up of prior periods.

Schedule Page: 328 Line No.: 13 Column: m
The total consists of Tennessee Valley Authority Schedule 1 and Schedule 2 charges.

Schedule Page: 328 Line No.: 15 Column: k
The total consists of a true-up of prior periods.

Schedule Page: 328 Line No.: 16 Column: m
The total consists of Big Rivers Electric Corporation Schedule 1 and Schedule 2 charges.

Schedule Page: 328 Line No.: 17 Column: m
The total consists of Hoosier Energy Schedule 1 and Schedule 2 charges.

Schedule Page: 328 Line No.: 18 Column: k
The total consists of a true-up of prior periods.

Schedule Page: 328 Line No.: 19 Column: a
KU and LG&E are owned by PPL.

Schedule Page: 328 Line No.: 19 Column: m
The total consists of Schedule 1 and Schedule 2 charges related to various counterparties.

Schedule Page: 328 Line No.: 20 Column: a
KU and LG&E are owned by PPL.

Name of Respondent Kentucky Utilities Company	This Report is: (1) X An Original (2) __ A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2013/Q4

FOOTNOTE DATA

Schedule Page: 328 Line No.: 20 Column: m
The total consists of Schedule 1 and Schedule 2 charges related to various counterparties.

Schedule Page: 328 Line No.: 21 Column: a
KU and LG&E are owned by PPL.

Schedule Page: 328 Line No.: 21 Column: d
Long-term Firm purchases by KU and LG&E take place under the Open Access Transmission Tariff with intercompany allocations for revenues and expenses determined by the Transmission Coordination Agreement between the Companies. The Tariff is evergreen and the Transmission Coordination Agreement automatically renews unless terminated.

Schedule Page: 328 Line No.: 21 Column: m
The total consists of Schedule 1 and Schedule 2 charges related to various counterparties.

Schedule Page: 328 Line No.: 22 Column: m
The total consists of Ameren Energy Marketing Company Schedule 1 and Schedule 2 charges.

Schedule Page: 328 Line No.: 23 Column: m
The total consists of Ameren Energy Marketing Company Schedule 1 and Schedule 2 charges.

Schedule Page: 328 Line No.: 24 Column: m
The total consists of Cargill Power Markets, LLC, Schedule 1 and Schedule 2 charges.

Schedule Page: 328 Line No.: 25 Column: m
The total consists of Cargill Power Markets, LLC, Schedule 1 and Schedule 2 charges.

Schedule Page: 328 Line No.: 26 Column: m
The total consists of Constellation Energy Commodities Group Schedule 1 and Schedule 2 charges.

Schedule Page: 328 Line No.: 27 Column: k
True-ups made in 2013 related to OATT rate adjustments for various counterparties.

Schedule Page: 328 Line No.: 27 Column: l
True-ups made in 2013 related to OATT rate adjustments for various counterparties.

Schedule Page: 328 Line No.: 27 Column: m
True-ups made in 2013 related to OATT rate adjustments for various counterparties.

Schedule Page: 328 Line No.: 28 Column: m
The total consists of City of Barbourville Schedule 1 and Schedule 2 charges.

Schedule Page: 328 Line No.: 29 Column: m
The total consists of City of Bardstown Schedule 1 and Schedule 2 charges.

Schedule Page: 328 Line No.: 30 Column: m
The total consists of City of Bardwell Schedule 1 and Schedule 2 charges.

Schedule Page: 328 Line No.: 31 Column: m
The total consists of City of Benham Schedule 1 and Schedule 2 charges.

Schedule Page: 328 Line No.: 32 Column: m
The total consists of City of Berea Schedule 1 and Schedule 2 charges.

Schedule Page: 328 Line No.: 33 Column: m
The total consists of City of Corbin Schedule 1 and Schedule 2 charges.

Schedule Page: 328 Line No.: 34 Column: m
The total consists of City of Falmouth Schedule 1 and Schedule 2 charges.

Schedule Page: 328.1 Line No.: 1 Column: m
The total consists of City of Frankfort Schedule 1 and Schedule 2 charges.

Schedule Page: 328.1 Line No.: 2 Column: m
The total consists of City of Madisonville Schedule 1 and Schedule 2 charges.

Schedule Page: 328.1 Line No.: 3 Column: m
The total consists of City of Nicholasville Schedule 1 and Schedule 2 charges.

Schedule Page: 328.1 Line No.: 4 Column: m
The total consists of City of Paris Schedule 1 and Schedule 2 charges.

Schedule Page: 328.1 Line No.: 5 Column: m
The total consists of City of Providence Schedule 1 and Schedule 2 charges.

Schedule Page: 328.1 Line No.: 5 Column: n
This footnote is not to reference this cell, but the total on Line No.: 15, Column: n.

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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) _ A Resubmission	/ /	2013/Q4

FOOTNOTE DATA

The total amount does not agree to Schedule Page: 300, Line No.: 22, Column: b due to intracompany transmission revenues that must be eliminated:

Schedule Page: 330, Line No.: 35, Column: n	$	16,606,733
Elimination of intracompany transmission revenues		(496,652)
Schedule Page: 300, Line No.: 22, Column: b	$	16,110,081

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

TRANSMISSION OF ELECTRICITY BY OTHERS (Account 565)
(Including transactions referred to as "wheeling")

1. Report all transmission, i.e. wheeling or electricity provided by other electric utilities, cooperatives, municipalities, other public authorities, qualifying facilities, and others for the quarter.
2. In column (a) report each company or public authority that provided transmission service. Provide the full name of the company, abbreviate if necessary, but do not truncate name or use acronyms. Explain in a footnote any ownership interest in or affiliation with the transmission service provider. Use additional columns as necessary to report all companies or public authorities that provided transmission service for the quarter reported.
3. In column (b) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows: FNS - Firm Network Transmission Service for Self, LFP - Long-Term Firm Point-to-Point Transmission Reservations. OLF - Other Long-Term Firm Transmission Service, SFP - Short-Term Firm Point-to- Point Transmission Reservations, NF - Non-Firm Transmission Service, and OS - Other Transmission Service. See General Instructions for definitions of statistical classifications.
4. Report in column (c) and (d) the total megawatt hours received and delivered by the provider of the transmission service.
5. Report in column (e), (f) and (g) expenses as shown on bills or vouchers rendered to the respondent. In column (e) report the demand charges and in column (f) energy charges related to the amount of energy transferred. On column (g) report the total of all other charges on bills or vouchers rendered to the respondent, including any out of period adjustments. Explain in a footnote all components of the amount shown in column (g). Report in column (h) the total charge shown on bills rendered to the respondent. If no monetary settlement was made, enter zero in column (h). Provide a footnote explaining the nature of the non-monetary settlement, including the amount and type of energy or service rendered.
6. Enter "TOTAL" in column (a) as the last line.
7. Footnote entries and provide explanations following all required data.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	TRANSFER OF ENERGY: Magawatt-hours Received (c)	TRANSFER OF ENERGY: Magawatt-hours Delivered (d)	EXPENSES FOR TRANSMISSION OF ELECTRICITY BY OTHERS: Demand Charges ($) (e)	Energy Charges ($) (f)	Other Charges ($) (g)	Total Cost of Transmission ($) (h)
1	EKPC	LFP			921,489		129,222	1,050,711
2	EKPC	AD			-183,487		34,720	-148,767
3	KU/LG&E	LFP	218,854	218,854	366,982		31,760	398,742
4	KU/LG&E	SFP	64,271	64,271	104,691		9,300	113,991
5	KU/LG&E	NF	74,606	74,606		201,022	20,093	221,115
6	PJM Interconnect	LFP			1,170,716			1,170,716
7	PJM Interconnect	SFP	58,474	58,474	7,343		140,054	147,397
8	PJM Interconnect	NF	14,929	14,929		10,003	72,745	82,748
9	PJM Interconnect	AD			301		8,443	8,744
10								
11								
12								
13								
14								
15								
16								
	TOTAL		431,134	431,134	2,388,035	211,025	446,337	3,045,397

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	/ /	2013/Q4

FOOTNOTE DATA

Schedule Page: 332 Line No.: 1 Column: b
The LFP transmission service agreement between East Kentucky Power Cooperative (EKPC) and KU and LG&E has a termination date of 9/30/2016.

Schedule Page: 332 Line No.: 1 Column: g
The total consists of Schedule 1 and Schedule 2 charges.

Schedule Page: 332 Line No.: 2 Column: e
The total consists of true-ups of charges for prior periods. This amount pertains to demand charges incorrectly assigned to East Kentucky Power Cooperative (EKPC) that were later correctly charged to PJM Interconnect.

Schedule Page: 332 Line No.: 2 Column: g
The total consists of Schedule 1 and Schedule 2 charges.

Schedule Page: 332 Line No.: 3 Column: a
KU and LG&E are owned by PPL.

Schedule Page: 332 Line No.: 3 Column: b
Long-term Firm purchases by KU and LG&E take place under the Open Access Transmission Tariff with intercompany allocations for revenues and expenses determined by the Transmission Coordination Agreement between the Companies. The Tariff is evergreen and the Transmission Coordination Agreement automatically renews unless terminated.

Schedule Page: 332 Line No.: 3 Column: g
The total consists of Schedule 1 and Schedule 2 charges.

Schedule Page: 332 Line No.: 4 Column: a
KU and LG&E are owned by PPL.

Schedule Page: 332 Line No.: 4 Column: g
The total consists of Schedule 1 and Schedule 2 charges.

Schedule Page: 332 Line No.: 5 Column: a
KU and LG&E are owned by PPL.

Schedule Page: 332 Line No.: 5 Column: g
The total consists of Schedule 1 and Schedule 2 charges.

Schedule Page: 332 Line No.: 6 Column: g
The total consists of Schedule 1 and Schedule 2 charges.

Schedule Page: 332 Line No.: 7 Column: g
The total consists of Schedule 1 and Schedule 2 charges.

Schedule Page: 332 Line No.: 8 Column: g
The total consists of Schedule 1, Schedule 2 and Black Start service charges.

Schedule 1 Non-firm	$	51,860
Schedule 2 Non-firm		13,660
Black Start Service Non-firm		7,225
	$	72,745

Schedule Page: 332 Line No.: 9 Column: e
The total consists of true-ups of charges for prior periods.

Schedule Page: 332 Line No.: 9 Column: g
The total consists of Schedule 1, Schedule 2 and Black Start service charges.

Schedule 1 Non-firm	$	4,510
Schedule 2 Non-firm		3,587
Black Start Service Non-firm		346
	$	8,443

Schedule Page: 332 Line No.: 9 Column: h
This footnote is not to reference this cell, but the total on Line No.: 17, Column: h.

The total amount does not agree to Schedule page: 321, Line No.: 96, Column: b due to intracompany transmission expenses that must be eliminated:

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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	/ /	2013/Q4

FOOTNOTE DATA

Schedule Page: 332, Line No.: 17, Column: h	$	3,045,397
Elimination of intracompany transmission expenses		(496,652)
Schedule page: 321, Line No.: 96, Column: b	$	2,548,745

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (ELECTRIC)

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	714,998
2	Nuclear Power Research Expenses	
3	Other Experimental and General Research Expenses	2,463,811
4	Pub & Dist Info to Stkhldrs...expn servicing outstanding Securities	
5	Oth Expn >=5,000 show purpose, recipient, amount. Group if < $5,000	
6	Market Research and Consulting Expenses:	
7	Bellomy Research	128,978
8	Vision Critical Communications US Inc	66,234
9	Bluegrass Mailing Data and Fulfillment Services	14,085
10	Chartwell Inc	8,471
11	Water Use Fees	72,567
12	Miscellaneous	342,704
13		
14		
15		
16		
17		
18		
19		
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46	TOTAL	3,811,848

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Account 403, 404, 405)
(Except amortization of aquisition adjustments)

1. Report in section A for the year the amounts for : (b) Depreciation Expense (Account 403; (c) Depreciation Expense for Asset Retirement Costs (Account 403.1; (d) Amortization of Limited-Term Electric Plant (Account 404); and (e) Amortization of Other Electric Plant (Account 405).
2. Report in Section 8 the rates used to compute amortization charges for electric plant (Accounts 404 and 405). State the basis used to compute charges and whether any changes have been made in the basis or rates used from the preceding report year.
3. Report all available information called for in Section C every fifth year beginning with report year 1971, reporting annually only changes to columns (c) through (g) from the complete report of the preceding year.
Unless composite depreciation accounting for total depreciable plant is followed, list numerically in column (a) each plant subaccount, account or functional classification, as appropriate, to which a rate is applied. Identify at the bottom of Section C the type of plant included in any sub-account used.
In column (b) report all depreciable plant balances to which rates are applied showing subtotals by functional Classifications and showing composite total. Indicate at the bottom of section C the manner in which column balances are obtained. If average balances, state the method of averaging used.
For columns (c), (d), and (e) report available information for each plant subaccount, account or functional classification Listed in column (a). If plant mortality studies are prepared to assist in estimating average service Lives, show in column (f) the type mortality curve selected as most appropriate for the account and in column (g), if available, the weighted average remaining life of surviving plant. If composite depreciation accounting is used, report available information called for in columns (b) through (g) on this basis.
4. If provisions for depreciation were made during the year in addition to depreciation provided by application of reported rates, state at the bottom of section C the amounts and nature of the provisions and the plant items to which related.

A. Summary of Depreciation and Amortization Charges

Line No.	Functional Classification (a)	Depreciation Expense (Account 403) (b)	Depreciation Expense for Asset Retirement Costs (Account 403.1) (c)	Amortization of Limited Term Electric Plant (Account 404) (d)	Amortization of Other Electric Plant (Acc 405) (e)	Total (f)
1	Intangible Plant			7,636,867		7,636,867
2	Steam Production Plant	95,504,790				95,504,790
3	Nuclear Production Plant					
4	Hydraulic Production Plant-Conventional	1,072,970				1,072,970
5	Hydraulic Production Plant-Pumped Storage					
6	Other Production Plant	21,414,231				21,414,231
7	Transmission Plant	12,724,964				12,724,964
8	Distribution Plant	38,798,388				38,798,388
9	Regional Transmission and Market Operation					
10	General Plant	8,604,470				8,604,470
11	Common Plant-Electric					
12	TOTAL	178,119,813		7,636,867		185,756,680

B. Basis for Amortization Charges

ACCOUNT	RATE	PLANT BALANCE @ 12/31/2013	AMORTIZATION
130200	19%	$ 55,919	$ 10,502
130300	15%	28,255,450	3,524,495
130310	10%	41,764,499	4,101,870

			$7,636,867 Column (d)

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Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Continued)

C. Factors Used in Estimating Depreciation Charges

Line No.	Account No. (a)	Depreciable Plant Base (In Thousands) (b)	Estimated Avg. Service Life (c)	Net Salvage (Percent) (d)	Applied Depr. rates (Percent) (e)	Mortality Curve Type (f)	Average Remaining Life (g)
12	Intangible Plant						
13	301 Organization	44					
14	302 Frnchses & Consent	56	20.00		18.78	20-SQ	3.30
15	303 Misc Intngbl Plant	28,255	5.00		15.28	5-SQ	3.90
16	303.10 CCS Software	41,765	25.00		9.94	SQUARE	7.50
17							
18	Steam Production Plant						
19	310 Land	11,726					
20							
21	311 Strctrs & Imprvmts						
22	5603 Tyrone Unit 3	1,514	100.00	-3.00		100-S1	
23	5604 Tyrone Units 1&2	583	100.00	-3.00		100-S1	
24	5613 Green Rvr Unit 3	2,798	100.00	-2.00		100-S1	
25	5614 Green Rvr Unit 4	6,336	100.00	-2.00	5.78	100-S1	4.00
26	5615 Green Rvr Unt 1&2	2,409	100.00	-2.00		100-S1	
27	5621 Brown Unit 1	4,684	100.00	-4.00	0.04	100-S1	16.40
28	5622 Brown Unit 2	2,205	100.00	-4.00	0.59	100-S1	22.40
29	5623 Brown Unit 3	22,387	100.00	-4.00	1.60	100-S1	23.30
30	5630 Brown Unit1-3 FGD	45,361	100.00	-4.00	4.28	100-S1	23.40
31	5643 Pineville Unit 3	37	100.00	-2.00		100-S1	
32	5650 Ghent Unit 1 FGD	8,437	100.00	-5.00	1.03	100-S1	22.10
33	5651 Ghent Unit 1	18,984	100.00	-5.00	0.28	100-S1	22.40
34	5652 Ghent Unit 2	16,128	100.00	-5.00	0.78	100-S1	21.40
35	5658 Ghent Unit 2 FGD	15,818	100.00	-5.00	1.06	100-S1	22.00
36	5653 Ghent Unit 3	42,178	100.00	-5.00	1.30	100-S1	24.40
37	5654 Ghent Unit 4	31,022	100.00	-5.00	2.21	100-S1	25.80
38	5591 System Laboratory	1,080	100.00	-1.00	0.99	100-S1	27.40
39	0321 Trmble Cty Unit 2	98,699	100.00	-11.00	1.82	100-S1	51.20
40	0322 Trmble Unit 2 FGD	5,555	100.00	-11.00	1.28	100-S1	48.60
41							
42	312 Boiler Plant Eqpmt						
43	5603 Tyrone Unit 3	667	60.00	-3.00	5.95	60-R2.5	4.00
44	5604 Tyrone Units 1&2	36	60.00	-3.00		60-R2.5	
45	5613 Green Rvr Unit 3	12,128	60.00	-2.00	5.54	60-R2.5	4.00
46	5614 Green Rvr Unit 4	25,783	60.00	-2.00	5.54	60-R2.5	4.00
47	5615 Green Rvr Unt 1&2	501	60.00	-2.00		60-R2.5	
48	5621 Brown Unit 1	45,508	60.00	-4.00	2.80	60-R2.5	16.10
49	5622 Brown Unit 2	41,526	60.00	-4.00	2.64	60-R2.5	21.60
50	5623 Brown Unit 3	259,956	60.00	-4.00	2.35	60-R2.5	22.80

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DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Continued)

C. Factors Used in Estimating Depreciation Charges

Line No.	Account No. (a)	Depreciable Plant Base (In Thousands) (b)	Estimated Avg. Service Life (c)	Net Salvage (Percent) (d)	Applied Depr. rates (Percent) (e)	Mortality Curve Type (f)	Average Remaining Life (g)
12	5630 Brown Unt 1-3 FGD	333,756	60.00	-4.00	4.27	60-R2.5	23.00
13	5643 Pineville Unit 3	236	60.00	-2.00		60-R2.5	
14	5650 Ghent Unit 1 FGD	138,566	60.00	-5.00	3.70	60-R2.5	22.00
15	5651 Ghent Unit 1	202,875	60.00	-5.00	2.60	60-R2.5	21.60
16	5652 Ghent Unit 2	143,761	60.00	-5.00	1.46	60-R2.5	21.00
17	5658 Ghent Unit 2 FGD	68,034	60.00	-5.00	2.11	60-R2.5	21.80
18	5653 Ghent Unit 3	253,189	60.00	-5.00	2.00	60-R2.5	23.70
19	5660 Ghent Unit 3 FGD	128,025	60.00	-5.00	3.45	60-R2.5	24.80
20	5654 Ghent Unit 4	307,559	60.00	-5.00	2.31	60-R2.5	24.70
21	5661 Ghent Unit 4 FGD	252,808	60.00	-5.00	3.56	60-R2.5	25.70
22	0321 Trmble Cty Unit 2	524,488	60.00	-11.00	2.10	60-R2.5	48.70
23	0322 Trmble Unit 2 FGD	73,025	60.00	-11.00	1.97	60-R2.5	48.30
24							
25	314 Turbogenerator Unt						
26	5613 Green Rvr Unit 3	4,577	55.00	-2.00	3.23	55-S1.5	4.00
27	5614 Green Rvr Unit 4	10,436	55.00	-2.00	2.54	55-S1.5	4.00
28	5621 Brown Unit 1	7,605	55.00	-4.00	2.38	55-S1.5	16.30
29	5622 Brown Unit 2	12,543	55.00	-4.00	1.53	55-S1.5	21.80
30	5623 Brown Unit 3	42,848	55.00	-4.00	1.53	55-S1.5	22.40
31	5651 Ghent Unit 1	36,985	55.00	-5.00	2.31	55-S1.5	21.60
32	5652 Ghent Unit 2	31,726	55.00	-5.00	1.87	55-S1.5	19.60
33	5653 Ghent Unit 3	42,762	55.00	-5.00	1.75	55-S1.5	22.20
34	5654 Ghent Unit 4	57,724	55.00	-5.00	2.12	55-S1.5	23.00
35	0321 Trmble Cty Unit 2	85,815	55.00	-11.00	2.10	55-S1.5	45.90
36							
37	315 Accessry Elec Eqpm						
38	5603 Tyrone Unit 3	25	70.00	-3.00	12.87	70-S3	3.90
39	5604 Tyrone Units 1&2	1	70.00	-3.00		70-S3	
40	5613 Green Rvr Unit 3	1,205	70.00	-2.00	14.12	70-S3	4.00
41	5614 Green Rvr Unit 4	2,698	70.00	-2.00	8.49	70-S3	3.90
42	5621 Brown Unit 1	3,742	70.00	-4.00	1.18	70-S3	16.50
43	5622 Brown Unit 2	2,396	70.00	-4.00	1.89	70-S3	22.50
44	5623 Brown Unit 3	8,729	70.00	-4.00	1.19	70-S3	23.50
45	5630 Brown Unt 1-3 FGD	29,309	70.00	-4.00	4.25	70-S3	23.50
46	5650 Ghent Unit 1 FGD	12,144	70.00	-5.00	3.58	70-S3	22.50
47	5651 Ghent Unit 1	9,037	70.00	-5.00	0.53	70-S3	22.10
48	5652 Ghent Unit 2	13,911	70.00	-5.00	1.32	70-S3	21.60
49	5658 Ghent Unit 2 FGD	951	70.00	-5.00	4.38	70-S3	22.50
50	5653 Ghent Unit 3	30,999	70.00	-5.00	1.29	70-S3	24.10

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DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Continued)

C. Factors Used in Estimating Depreciation Charges

Line No.	Account No. (a)	Depreciable Plant Base (In Thousands) (b)	Estimated Avg. Service Life (c)	Net Salvage (Percent) (d)	Applied Depr. rates (Percent) (e)	Mortality Curve Type (f)	Average Remaining Life (g)
12	5660 Ghent Unit 3 FGD	12,042	70.00	-5.00	3.47	70-S3	25.50
13	5654 Ghent Unit 4	24,426	70.00	-5.00	1.48	70-S3	25.30
14	5661 Ghent Unit 4 FGD	15,148	70.00	-5.00	3.59	70-S3	26.50
15	0321 Trmble Cty Unit 2	44,305	70.00	-11.00	1.93	70-S3	51.30
16	0322 Trmble Unit 2 FGD	1,416	70.00	-11.00	1.47	70-S3	44.20
17							
18	316 Misc Plant Equipmt						
19	5603 Tyrone Unit 3	76	70.00	-3.00	14.52	70-R1.5	4.00
20	5604 Tyrone Units 1&2	12	70.00	-3.00		70-R1.5	
21	5613 Green Rvr Unit 3	152	70.00	-2.00	8.85	70-R1.5	4.00
22	5614 Green Rvr Unit 4	2,492	70.00	-2.00	10.86	70-R1.5	4.00
23	5615 Green Rvr Unt 1&2	85	70.00	-2.00		70-R1.5	
24	5621 Brown Unit 1	433	70.00	-4.00	1.42	70-R1.5	16.00
25	5622 Brown Unit 2	127	70.00	-4.00	0.05	70-R1.5	21.70
26	5623 Brown Unit 3	5,705	70.00	-4.00	2.08	70-R1.5	22.30
27	5650 Ghent Unit 1 FGD	1,033	70.00	-5.00	1.13	70-R1.5	21.40
28	5651 Ghent Unit 1	1,811	70.00	-5.00	0.69	70-R1.5	21.20
29	5652 Ghent Unit 2	1,515	70.00	-5.00	0.58	70-R1.5	20.60
30	5653 Ghent Unit 3	3,158	70.00	-5.00	1.06	70-R1.5	23.20
31	5654 Ghent Unit 4	8,103	70.00	-5.00	2.69	70-R1.5	24.80
32	0321 Trmble Cty Unit 2	6,316	70.00	-11.00	2.23	70-R1.5	48.20
33	5591 System Laboratory	3,000	70.00	-1.00	2.70	70-R1.5	26.80
34							
35	317 Asset Rtiremt Oblg	166,872					
36							
37	Hydraulic Prodctn Plnt						
38	330.10 Land Rights	879	100.00			100-R4	
39	331 Structrs & Imprvmt	608	90.00	-3.00	1.62	90-S2.5	28.20
40	332 Resrvrs Dams Wtrwy	21,566	100.00	-3.00	2.48	100-S2.5	29.00
41	333 Wtr Whls Trbns Gen	13,718	75.00	-3.00	3.66	75-R3	28.00
42	334 Assessry Elec Eqpt	1,320	40.00	-3.00	3.51	40-L2.5	24.90
43	335 Misc Pwr Plnt Eqpt	288	35.00	-3.00	4.38	35-L1	16.90
44	336 Rds Railrds Bridge	176	55.00	-3.00	3.85	55-R4	19.40
45	337 Asset Rtiremt Oblg	389					
46							
47	Other Production Plant						
48	340.10 Land Rights	177	25.00		2.24	SQUARE	19.50
49	340.20 Land	116					
50							

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DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Continued)

C. Factors Used in Estimating Depreciation Charges

Line No.	Account No. (a)	Depreciable Plant Base (In Thousands) (b)	Estimated Avg. Service Life (c)	Net Salvage (Percent) (d)	Applied Depr. rates (Percent) (e)	Mortality Curve Type (f)	Average Remaining Life (g)
12	341 Strctrs & Imprvmnt						
13	5697 Paddys Run Gen 13	1,910	40.00	-2.00	3.71	40-R2.5	18.10
14	5635 Brown CT 5	775	40.00	-2.00	3.71	40-R2.5	18.10
15	5636 Brown CT 6	193	40.00	-2.00	4.07	40-R2.5	16.40
16	5637 Brown CT 7	545	40.00	-2.00	3.92	40-R2.5	16.30
17	5638 Brown CT 8	2,013	40.00	-2.00	3.56	40-R2.5	12.60
18	5639 Brown CT 9	4,660	40.00	-2.00	2.64	40-R2.5	17.20
19	5640 Brown CT 10	1,866	40.00	-2.00	2.83	40-R2.5	17.20
20	5641 Brown CT 11	1,940	40.00	-2.00	3.78	40-R2.5	13.60
21	0470 Trimble Cty CT 5	3,740	40.00	-3.00	3.77	40-R2.5	19.00
22	0471 Trimble Cty CT 6	3,589	40.00	-3.00	3.76	40-R2.5	19.00
23	0474 Trimble Cty CT 7	3,559	40.00	-3.00	3.71	40-R2.5	20.90
24	0475 Trimble Cty CT 8	3,549	40.00	-3.00	3.71	40-R2.5	20.90
25	0476 Trimble Cty CT 9	3,656	40.00	-3.00	3.72	40-R2.5	20.90
26	0477 Trimble Cty CT 10	3,653	40.00	-3.00	3.72	40-R2.5	20.90
27	5696 Haeflg Unts 1,2,3	291	40.00	-2.00	9.88	40-R2.5	8.30
28							
29	342 Fuel Holders Prdcr						
30	5697 Paddys Run Gen 13	1,996	45.00	-2.00	3.64	45-R2.5	18.50
31	5635 Brown CT 5	796	45.00	-2.00	4.62	45-R2.5	18.60
32	5636 Brown CT 6	406	45.00	-2.00	5.74	45-R2.5	17.00
33	5637 Brown CT 7	406	45.00	-2.00	5.81	45-R2.5	17.00
34	5638 Brown CT 8	1,198	45.00	-2.00	7.02	45-R2.5	13.30
35	5639 Brown CT 9	2,254	45.00	-2.00	3.17	45-R2.5	18.10
36	5640 Brown CT 10	282	45.00	-2.00	4.80	45-R2.5	18.90
37	5641 Brown CT 11	302	45.00	-2.00	6.22	45-R2.5	14.20
38	5645 Brown CT 9 Gas PL	8,174	45.00	-2.00	2.70	45-R2.5	17.80
39	0470 Trimble Cty CT 5	240	45.00	-3.00	3.67	45-R2.5	19.40
40	0471 Trimble Cty CT 6	239	45.00	-3.00	3.67	45-R2.5	19.40
41	0473 Trmbl Cty CT PipL	4,856	45.00	-3.00	3.34	45-R2.5	21.10
42	0474 Trimble Cty CT 7	578	45.00	-3.00	3.62	45-R2.5	21.30
43	0475 Trimble Cty CT 8	576	45.00	-3.00	3.62	45-R2.5	21.30
44	0476 Trimble Cty CT 9	594	45.00	-3.00	3.64	45-R2.5	21.30
45	0477 Trimble Cty CT 10	623	45.00	-3.00	3.65	45-R2.5	21.30
46	5696 Haeflg Unts 1,2,3	472	45.00	-2.00	10.26	45-R2.5	8.30
47							
48	343 Prime Movers						
49	5697 Paddys Run Gen 13	19,462	35.00	-2.00	4.35	35-R1.5	17.10
50	5635 Brown CT 5	14,723	35.00	-2.00	4.16	35-R1.5	17.20

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Continued)

C. Factors Used in Estimating Depreciation Charges

Line No.	Account No. (a)	Depreciable Plant Base (In Thousands) (b)	Estimated Avg. Service Life (c)	Net Salvage (Percent) (d)	Applied Depr. rates (Percent) (e)	Mortality Curve Type (f)	Average Remaining Life (g)
12	5636 Brown CT 6	34,654	35.00	-2.00	5.05	35-R1.5	15.60
13	5637 Brown CT 7	31,770	35.00	-2.00	4.95	35-R1.5	15.60
14	5638 Brown CT 8	26,604	35.00	-2.00	5.20	35-R1.5	12.40
15	5639 Brown CT 9	30,845	35.00	-2.00	3.25	35-R1.5	16.30
16	5640 Brown CT 10	19,968	35.00	-2.00	3.30	35-R1.5	16.30
17	5641 Brown CT 11	35,745	35.00	-2.00	4.42	35-R1.5	13.10
18	0470 Trimble Cty CT 5	32,972	35.00	-3.00	3.93	35-R1.5	17.90
19	0471 Trimble Cty CT 6	32,861	35.00	-3.00	4.32	35-R1.5	18.00
20	0474 Trimble Cty CT 7	25,084	35.00	-3.00	3.89	35-R1.5	19.60
21	0475 Trimble Cty CT 8	24,776	35.00	-3.00	3.89	35-R1.5	19.60
22	0476 Trimble Cty CT 9	24,819	35.00	-3.00	3.94	35-R1.5	19.60
23	0477 Trimble Cty CT 10	24,561	35.00	-3.00	3.94	35-R1.5	19.60
24							
25	344 Generators						
26	5697 Paddys Run Gen 13	5,207	55.00	-2.00	3.48	55-S3	19.40
27	5635 Brown CT 5	2,879	55.00	-2.00	3.58	55-S3	19.40
28	5636 Brown CT 6	3,739	55.00	-2.00	3.56	55-S3	17.40
29	5637 Brown CT 7	3,749	55.00	-2.00	3.61	55-S3	17.40
30	5638 Brown CT 8	4,996	55.00	-2.00	3.38	55-S3	13.40
31	5639 Brown CT 9	5,494	55.00	-2.00	2.39	55-S3	19.00
32	5640 Brown CT 10	4,986	55.00	-2.00	2.56	55-S3	19.10
33	5641 Brown CT 11	4,733	55.00	-2.00	3.44	55-S3	14.40
34	0470 Trimble Cty CT 5	3,793	55.00	-3.00	3.52	55-S3	20.40
35	0471 Trimble Cty CT 6	3,788	55.00	-3.00	3.52	55-S3	20.40
36	0474 Trimble Cty CT 7	2,977	55.00	-3.00	3.47	55-S3	22.40
37	0475 Trimble Cty CT 8	2,964	55.00	-3.00	3.47	55-S3	22.40
38	0476 Trimble Cty CT 9	2,984	55.00	-3.00	3.48	55-S3	22.40
39	0477 Trimble Cty CT 10	2,983	55.00	-3.00	3.48	55-S3	22.40
40	5696 Haeflg Unts 1,2,3	2,682	55.00	-2.00	1.91	55-S3	7.80
41							
42	345 Assesry Elec Eqpmt						
43	5697 Paddys Run Gen 13	2,468	45.00	-2.00	3.62	45-R3	18.70
44	5635 Brown CT 5	2,310	45.00	-2.00	3.90	45-R3	18.70
45	5636 Brown CT 6	2,027	45.00	-2.00	3.99	45-R3	16.80
46	5637 Brown CT 7	1,987	45.00	-2.00	4.00	45-R3	16.80
47	5638 Brown CT 8	3,167	45.00	-2.00	4.03	45-R3	12.90
48	5639 Brown CT 9	4,559	45.00	-2.00	3.02	45-R3	18.10
49	5640 Brown CT 10	3,098	45.00	-2.00	3.00	45-R3	18.00
50	5641 Brown CT 11	2,280	45.00	-2.00	4.33	45-R3	13.90

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DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Continued)

C. Factors Used in Estimating Depreciation Charges

Line No.	Account No. (a)	Depreciable Plant Base (In Thousands) (b)	Estimated Avg. Service Life (c)	Net Salvage (Percent) (d)	Applied Depr. rates (Percent) (e)	Mortality Curve Type (f)	Average Remaining Life (g)
12	0470 Trimble Cty CT 5	1,752	45.00	-3.00	3.69	45-R3	19.70
13	0471 Trimble Cty CT 6	4,330	45.00	-3.00	4.02	45-R3	19.70
14	0474 Trimble Cty CT 7	3,198	45.00	-3.00	3.60	45-R3	21.60
15	0475 Trimble Cty CT 8	3,145	45.00	-3.00	3.60	45-R3	21.60
16	0476 Trimble Cty CT 9	3,247	45.00	-3.00	3.62	45-R3	21.60
17	0477 Trimble Cty CT 10	7,234	45.00	-3.00	3.83	45-R3	21.60
18	5696 Haeflg Unts 1,2,3	816	45.00	-2.00	7.66	45-R3	8.20
19							
20	346 Misc Plant Equipmt						
21	5697 Paddys Run Gen 13	1,090	35.00	-2.00	3.87	35-R2	17.20
22	5635 Brown CT 5	2,139	35.00	-2.00	3.88	35-R2	17.30
23	5636 Brown CT 6	54	35.00	-2.00	4.28	35-R2	16.00
24	5637 Brown CT 7	141	35.00	-2.00	4.06	35-R2	15.80
25	5638 Brown CT 8	291	35.00	-2.00	4.45	35-R2	12.40
26	5639 Brown CT 9	760	35.00	-2.00	2.80	35-R2	15.90
27	5640 Brown CT 10	274	35.00	-2.00	3.21	35-R2	16.30
28	5641 Brown CT 11	591	35.00	-2.00	4.82	35-R2	13.50
29	0470 Trimble Cty CT 5	29	35.00	-3.00	3.94	35-R2	18.80
30	0474 Trimble Cty CT 7	9	35.00	-3.00	3.87	35-R2	19.90
31	0475 Trimble Cty CT 8	9	35.00	-3.00	3.87	35-R2	19.90
32	0476 Trimble Cty CT 9	9	35.00	-3.00	3.88	35-R2	19.90
33	0477 Trimble Cty CT 10	42	35.00	-3.00	4.50	35-R2	20.70
34	5696 Haeflg Unts 1,2,3	106	35.00	-2.00	1.13	35-R2	5.50
35							
36	Transmission Plant						
37	350.1 Land Rights	29,137	60.00		0.96	60-R3	33.10
38	350.2 Land	2,270					
39	352.1 Strct Impr Non S	22,056	65.00	-25.00	1.75	65-S2.5	55.10
40	352.2 Strct Impr Sys C	193	60.00	-25.00	1.58	60-R3	34.50
41	353.1 Station Equipmnt	231,151	60.00	-10.00	1.67	60-R2	44.80
42	353.2 Sys Cntrl Mcrwv	14,649	35.00	-10.00		35-R2.5	
43	354 Towers & Fixtures	74,998	70.00	-25.00	1.36	70-R4	54.20
44	355 Poles & Fixtures	186,653	55.00	-55.00	2.34	55-R2	46.50
45	356 Ovrhd Cndctr Dvcs	165,071	60.00	-50.00	1.94	60-R3	42.30
46	357 Undrgrnd Conduit	449	45.00		2.27	45-R4	25.60
47	358 Undrgrnd Cndctrs D	1,161	35.00		0.98	35-R3	21.30
48	359 Asset Rtiremt Oblg	413					
49							
50	Distribution Plant						

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Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Continued)

C. Factors Used in Estimating Depreciation Charges

Line No.	Account No. (a)	Depreciable Plant Base (In Thousands) (b)	Estimated Avg. Service Life (c)	Net Salvage (Percent) (d)	Applied Depr. rates (Percent) (e)	Mortality Curve Type (f)	Average Remaining Life (g)
12	360.1 Land Rights	2,248	65.00		0.58	65-R4	46.60
13	360.2 Land	5,674					
14	361 Strctrs & Imprvmnt	9,062	60.00	-20.00	2.00	60-R2.5	48.30
15	362 Station Equipment	157,940	54.00	-20.00	2.27	54-R2	40.40
16	364 Poles Twrs Fixture	323,401	50.00	-45.00	2.33	50-R1	42.30
17	365 Ovrhd Cndctrs Dvc	306,048	48.00	-60.00	3.23	48-R1.5	37.40
18	366 Undrgrnd Conduit	1,756	50.00	-5.00	2.70	50-R4	25.90
19	367 Undrgrnd Cndctrs D	156,453	44.00	-10.00	2.37	44-R2	37.70
20	368 Line Transformers	295,211	43.00	-15.00	2.45	43-R2	30.10
21	369 Services	94,594	43.00	-30.00	2.03	43-R1.5	32.10
22	370 Meters	73,060	39.00		2.29	39-R2	23.40
23	371 Instltns Cust Prms	18,236	25.00	-10.00	0.81	25-O1	18.10
24	373 St Lghtng Sgnl Sys	90,344	28.00	-10.00	4.00	28-S0	21.20
25	374 Asset Rtiremt Oblg	930					
26							
27	General Plant						
28	389.2 Land	2,805					
29	390.1 Strctrs Imprvmnt	50,221	55.00	-10.00	2.01	55-S0	44.50
30	390.2 Imprvmt Lesd Prp	532	30.00	-10.00	1.72	30-R1	18.80
31	391.1 Ofc Furnitur Eqp	8,225	20.00		4.46	20-SQ	10.00
32	391.2 Non PC Cmptr Eqp	22,886	5.00		21.58	5-SQ	2.80
33	391.31 Prsnl Comptr Eq	6,319	4.00		8.93	4-SQ	3.20
34	392 Trans Eq Cars	15,076	7.00		2.44	7-L2.5	6.30
35	392.10 Trans Eq Hvy Tr	911	14.00		0.54	14-S1.5	12.30
36	393 Stores Equipment	616	25.00		5.07	25-SQ	13.90
37	394 Tool Shop Garage E	10,444	25.00		4.27	25-SQ	18.00
38	396 Pwr Operated Eqp	1,411	12.00		8.89	12-L1.5	9.90
39	397.00 Comm Eq Microwa	10,883	10.00		5.70	10-SQ	8.50
40	397.10 Comm Eq General	20,058	25.00		3.75	25-S1	19.10
41	397.20 DSM Comm Eq	2,112	10.00		5.70	10-SQ	8.50
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Name of Respondent	This Report is:	Date of Report	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	(Mo, Da, Yr) / /	2013/Q4

FOOTNOTE DATA

Schedule Page: 336   Line No.: 12   Column: e

See footnote data detail on Schedule Page: 114, Line No.: 7, Column: c.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

REGULATORY COMMISSION EXPENSES

1. Report particulars (details) of regulatory commission expenses incurred during the current year (or incurred in previous years, if being amortized) relating to format cases before a regulatory body, or cases in which such a body was a party.
2. Report in columns (b) and (c), only the current year's expenses that are not deferred and the current year's amortization of amounts deferred in previous years.

Line No.	Description (Furnish name of regulatory commission or body the docket or case number and a description of the case) (a)	Assessed by Regulatory Commission (b)	Expenses of Utility (c)	Total Expense for Current Year (b) + (c) (d)	Deferred in Account 182.3 at Beginning of Year (e)
1	FERC				
2	Annual Charge	503,918		503,918	
3	2011 Services Company Audit		379,002	379,002	
4					
5	State Corporation Commission of Virginia				
6	2013 Rate Case		231,941	231,941	
7					
8	KPSC				
9	2009 Rate Case (Aug-10 to Jul-13)		391,722	391,722	391,722
10	2012 Rate Case (Jan-13 to Dec-15)		551,375	551,375	1,654,125
11	General Management Audit (Jan-13 to Dec-15)		47,507	47,507	142,521
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46	TOTAL	503,918	1,601,547	2,105,465	2,188,368

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

REGULATORY COMMISSION EXPENSES (Continued)

3. Show in column (k) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization.
4. List in column (f), (g), and (h) expenses incurred during year which were charged currently to income, plant, or other accounts.
5. Minor items (less than $25,000) may be grouped.

EXPENSES INCURRED DURING YEAR				AMORTIZED DURING YEAR			
CURRENTLY CHARGED TO			Deferred to Account 182.3	Contra Account	Amount	Deferred in Account 182.3 End of Year	Line No.
Department (f)	Account No. (g)	Amount (h)	(i)	(j)	(k)	(l)	
							1
Electric	928	503,918					2
Electric	928	379,002					3
							4
							5
Electric	928	231,941					6
							7
							8
Electric	928	391,722		928	391,722		9
Electric	928	551,375	116	928	551,375	1,102,866	10
Electric	928	47,507		928	47,507	95,014	11
							12
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		2,105,465	116		990,604	1,197,880	46

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACTIVITIES

1. Describe and show below costs incurred and accounts charged during the year for technological research, development, and demonstration (R, D & D) project initiated, continued or concluded during the year. Report also support given to others during the year for jointly-sponsored projects.(Identify recipient regardless of affiliation.) For any R, D & D work carried with others, show separately the respondent's cost for the year and cost chargeable to others (See definition of research, development, and demonstration in Uniform System of Accounts).
2. Indicate in column (a) the applicable classification, as shown below:

Classifications:

A. Electric R, D & D Performed Internally:
- (1) Generation
  - a. hydroelectric
    - i. Recreation fish and wildlife
    - ii Other hydroelectric
  - b. Fossil-fuel steam
  - c. Internal combustion or gas turbine
  - d. Nuclear
  - e. Unconventional generation
  - f. Siting and heat rejection
- (2) Transmission
  - a. Overhead
  - b. Underground
- (3) Distribution
- (4) Regional Transmission and Market Operation
- (5) Environment (other than equipment)
- (6) Other (Classify and include items in excess of $50,000.)
- (7) Total Cost Incurred

B. Electric, R, D & D Performed Externally:
- (1) Research Support to the electrical Research Council or the Electric Power Research Institute

Line No.	Classification (a)	Description (b)
1	EPRI (1)	Annual Membership and Annual Research Portfolio
2	EPRI (1)	Annual Membership and Annual Research Portfolio
3	EPRI (1)	Plant Reliability Interest Group
4	EPRI (1)	BSA Power Plant Parameter Derivation Software User's Group
5	EPRI (1)	CF Effluent Guidelines Information Collection and Evaluation
6	EPRI (1)	Tailored Collaboration
7	Kentucky Consortium for Carbon Storage (4)	Amortization of Carbon Storage Project Regulatory Asset
8	University of Kentucky Research Foundation (4)	Amortization of Carbon Capturing Research Regulatory Asset
9	University of Texas at Austin (4)	Tailored Collaboration
10	Georgia Tech Research Corporation (1)	NEETRAC Membership Renewal
11	Anodamine Inc (1)	55 Gallon Boiler Passivation Technology
12	University of Kentucky (1)	Design Drawings for ClearEdge Fuel Cell
13	Ronald Doades and Company (1)	Annual Participation in Research & Technology Management Forum
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACTIVITIES (Continued)

(2) Research Support to Edison Electric Institute
(3) Research Support to Nuclear Power Groups
(4) Research Support to Others (Classify)
(5) Total Cost Incurred

3. Include in column (c) all R, D & D items performed internally and in column (d) those items performed outside the company costing $50,000 or more, briefly describing the specific area of R, D & D (such as safety, corrosion control, pollution, automation, measurement, insulation, type of appliance, etc.). Group items under $50,000 by classifications and indicate the number of items grouped. Under Other, (A (6) and B (4)) classify items by type of R, D & D activity.
4. Show in column (e) the account number charged with expenses during the year or the account to which amounts were capitalized during the year, listing Account 107, Construction Work in Progress, first. Show in column (f) the amounts related to the account charged in column (e)
5. Show in column (g) the total unamortized accumulating of costs of projects. This total must equal the balance in Account 188, Research, Development, and Demonstration Expenditures, Outstanding at the end of the year.
6. If costs have not been segregated for R, D &D activities or projects, submit estimates for columns (c), (d), and (f) with such amounts identified by "Est."
7. Report separately research and related testing facilities operated by the respondent.

Costs Incurred Internally Current Year (c)	Costs Incurred Externally Current Year (d)	AMOUNTS CHARGED IN CURRENT YEAR Account (e)	Amount (f)	Unamortized Accumulation (g)	Line No.
	155,504	107	155,504		1
	1,773,290	930	1,773,290		2
	1,525	500	1,525		3
	3,965	510	3,965		4
	23,888	930	23,888		5
	261,308	930	261,308		6
	230,490	930	230,490		7
	102,440	930	102,440		8
	45,750	930	45,750		9
	15,250	930	15,250		10
	2,550	930	2,550		11
	3,270	500	3,270		12
	8,845	930	8,845		13
					14
			2,628,075		15
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

DISTRIBUTION OF SALARIES AND WAGES

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)
1	Electric			
2	Operation			
3	Production	24,474,143		
4	Transmission	4,201,198		
5	Regional Market			
6	Distribution	9,824,676		
7	Customer Accounts	10,727,692		
8	Customer Service and Informational	1,081,392		
9	Sales			
10	Administrative and General	21,473,043		
11	TOTAL Operation (Enter Total of lines 3 thru 10)	71,782,144		
12	Maintenance			
13	Production	14,385,469		
14	Transmission	896,015		
15	Regional Market			
16	Distribution	5,350,039		
17	Administrative and General	3,150,438		
18	TOTAL Maintenance (Total of lines 13 thru 17)	23,781,961		
19	Total Operation and Maintenance			
20	Production (Enter Total of lines 3 and 13)	38,859,612		
21	Transmission (Enter Total of lines 4 and 14)	5,097,213		
22	Regional Market (Enter Total of Lines 5 and 15)			
23	Distribution (Enter Total of lines 6 and 16)	15,174,715		
24	Customer Accounts (Transcribe from line 7)	10,727,692		
25	Customer Service and Informational (Transcribe from line 8)	1,081,392		
26	Sales (Transcribe from line 9)			
27	Administrative and General (Enter Total of lines 10 and 17)	24,623,481		
28	TOTAL Oper. and Maint. (Total of lines 20 thru 27)	95,564,105	24,840,092	120,404,197
29	Gas			
30	Operation			
31	Production-Manufactured Gas			
32	Production-Nat. Gas (Including Expl. and Dev.)			
33	Other Gas Supply			
34	Storage, LNG Terminaling and Processing			
35	Transmission			
36	Distribution			
37	Customer Accounts			
38	Customer Service and Informational			
39	Sales			
40	Administrative and General			
41	TOTAL Operation (Enter Total of lines 31 thru 40)			
42	Maintenance			
43	Production-Manufactured Gas			
44	Production-Natural Gas (Including Exploration and Development)			
45	Other Gas Supply			
46	Storage, LNG Terminaling and Processing			
47	Transmission			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

DISTRIBUTION OF SALARIES AND WAGES (Continued)

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)
48	Distribution			
49	Administrative and General			
50	TOTAL Maint. (Enter Total of lines 43 thru 49)			
51	Total Operation and Maintenance			
52	Production-Manufactured Gas (Enter Total of lines 31 and 43)			
53	Production-Natural Gas (Including Expl. and Dev.) (Total lines 32,			
54	Other Gas Supply (Enter Total of lines 33 and 45)			
55	Storage, LNG Terminaling and Processing (Total of lines 31 thru			
56	Transmission (Lines 35 and 47)			
57	Distribution (Lines 36 and 48)			
58	Customer Accounts (Line 37)			
59	Customer Service and Informational (Line 38)			
60	Sales (Line 39)			
61	Administrative and General (Lines 40 and 49)			
62	TOTAL Operation and Maint. (Total of lines 52 thru 61)			
63	Other Utility Departments			
64	Operation and Maintenance			
65	TOTAL All Utility Dept. (Total of lines 28, 62, and 64)	95,564,105	24,840,092	120,404,197
66	Utility Plant			
67	Construction (By Utility Departments)			
68	Electric Plant	23,526,463	17,270,058	40,796,521
69	Gas Plant			
70	Other (provide details in footnote):			
71	TOTAL Construction (Total of lines 68 thru 70)	23,526,463	17,270,058	40,796,521
72	Plant Removal (By Utility Departments)			
73	Electric Plant	1,562,004	1,011,596	2,573,600
74	Gas Plant			
75	Other (provide details in footnote):			
76	TOTAL Plant Removal (Total of lines 73 thru 75)	1,562,004	1,011,596	2,573,600
77	Other Accounts (Specify, provide details in footnote):			
78	Accounts Receivable (work done for others)	885,838	201,740	1,087,578
79	Miscellaneous Deferred Debits	48,858	-219,755	-170,897
80	Certain Civic, Political and Related Activities and Other	518,063	157,377	675,440
81	Accounts Receivable (Non-jurisdictional - Trimble County)	1,538,447	388,433	1,926,880
82				
83				
84				
85				
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87				
88				
89				
90				
91				
92				
93				
94				
95	TOTAL Other Accounts	2,991,206	527,795	3,519,001
96	TOTAL SALARIES AND WAGES	123,643,778	43,649,541	167,293,319

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

AMOUNTS INCLUDED IN ISO/RTO SETTLEMENT STATEMENTS

1. The respondent shall report below the details called for concerning amounts it recorded in Account 555, Purchase Power, and Account 447, Sales for Resale, for items shown on ISO/RTO Settlement Statements. Transactions should be separately netted for each ISO/RTO administered energy market for purposes of determining whether an entity is a net seller or purchaser in a given hour. Net megawatt hours are to be used as the basis for determining whether a net purchase or sale has occurred. In each monthly reporting period, the hourly sale and purchase net amounts are to be aggregated and separately reported in Account 447, Sales for Resale, or Account 555, Purchased Power, respectively.

Line No.	Description of Item(s) (a)	Balance at End of Quarter 1 (b)	Balance at End of Quarter 2 (c)	Balance at End of Quarter 3 (d)	Balance at End of Year (e)
1	Energy				
2	Net Purchases (Account 555)	504,777	610,363	809,756	1,196,449
3	Net Sales (Account 447)	52,479	226,659	498,322	873,111
4	Transmission Rights				
5	Ancillary Services				
6	Other Items (list separately)				
7					
8					
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45					
46	TOTAL	557,256	837,022	1,308,078	2,069,560

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	(Mo, Da, Yr) / /	2013/Q4

FOOTNOTE DATA

Schedule Page: 397 Line No.: 2 Column: b

The amount reflects transactions recorded in accordance with KU's Power Supply System Agreement with LG&E, as approved by the KPSC in October 1997, in which purchases and sales are calculated based on joint dispatch of the Companies' units. Such calculations do not distinguish between purchases and sales made in the Day Ahead and Real Time markets. There was no difference between the different calculation methods in the first quarter of 2013 for purchases recorded in accordance with the FERC Order No. 668-A.

Schedule Page: 397 Line No.: 2 Column: c

The amount reflects transactions recorded in accordance with KU's Power Supply System Agreement with LG&E, as approved by the KPSC in October 1997, in which purchases and sales are calculated based on joint dispatch of the Companies' units. Such calculations do not distinguish between purchases and sales made in the Day Ahead and Real Time markets. There was no difference between the different calculation methods in the second quarter of 2013 for purchases recorded in accordance with the FERC Order No. 668-A.

Schedule Page: 397 Line No.: 2 Column: d

The amount reflects transactions recorded in accordance with KU's Power Supply System Agreement with LG&E, as approved by the KPSC in October 1997, in which purchases and sales are calculated based on joint dispatch of the Companies' units. Such calculations do not distinguish between purchases and sales made in the Day Ahead and Real Time markets. There was no difference between the different calculation methods in the third quarter of 2013 for purchases recorded in accordance with the FERC Order No. 668-A.

Schedule Page: 397 Line No.: 2 Column: e

The amount reflects transactions recorded in accordance with KU's Power Supply System Agreement with LG&E, as approved by the KPSC in October 1997, in which purchases and sales are calculated based on joint dispatch of the Companies' units. Such calculations do not distinguish between purchases and sales made in the Day Ahead and Real Time markets. There was no difference between the different calculation methods in the fourth quarter of 2013 for purchases recorded in accordance with the FERC Order No. 668-A.

Schedule Page: 397 Line No.: 3 Column: b

The amount reflects transactions recorded in accordance with KU's Power Supply System Agreement with LG&E, as approved by the KPSC in October 1997, in which purchases and sales are calculated based on joint dispatch of the Companies' units. Such calculations do not distinguish between purchases and sales made in the Day Ahead and Real Time markets. There was no difference between the different calculation methods in the first quarter of 2013 for purchases recorded in accordance with the FERC Order No. 668-A.

Schedule Page: 397 Line No.: 3 Column: c

The amount reflects transactions recorded in accordance with KU's Power Supply System Agreement with LG&E, as approved by the KPSC in October 1997, in which purchases and sales are calculated based on joint dispatch of the Companies' units. Such calculations do not distinguish between purchases and sales made in the Day Ahead and Real Time markets. There was no difference between the different calculation methods in the second quarter of 2013 for purchases recorded in accordance with the FERC Order No. 668-A.

Schedule Page: 397 Line No.: 3 Column: d

The amount reflects transactions recorded in accordance with KU's Power Supply System Agreement with LG&E, as approved by the KPSC in October 1997, in which purchases and sales are calculated based on joint dispatch of the Companies' units. Such calculations do not distinguish between purchases and sales made in the Day Ahead and Real Time markets. There was no difference between the different calculation methods in the third quarter of 2013 for purchases recorded in accordance with the FERC Order No. 668-A.

Schedule Page: 397 Line No.: 3 Column: e

The amount reflects transactions recorded in accordance with KU's Power Supply System Agreement with LG&E, as approved by the KPSC in October 1997, in which purchases and sales are calculated based on joint dispatch of the Companies' units. Such calculations do not distinguish between purchases and sales made in the Day Ahead and Real Time markets. There was no difference between the different calculation methods in the fourth quarter of 2013 for purchases recorded in accordance with the FERC Order No. 668-A.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

PURCHASES AND SALES OF ANCILLARY SERVICES

Report the amounts for each type of ancillary service shown in column (a) for the year as specified in Order No. 888 and defined in the respondents Open Access Transmission Tariff.

In columns for usage, report usage-related billing determinant and the unit of measure.

(1) On line 1 columns (b), (c), (d), (e), (f) and (g) report the amount of ancillary services purchased and sold during the year.

(2) On line 2 columns (b) (c), (d), (e), (f), and (g) report the amount of reactive supply and voltage control services purchased and sold during the year.

(3) On line 3 columns (b) (c), (d), (e), (f), and (g) report the amount of regulation and frequency response services purchased and sold during the year.

(4) On line 4 columns (b), (c), (d), (e), (f), and (g) report the amount of energy imbalance services purchased and sold during the year.

(5) On lines 5 and 6, columns (b), (c), (d), (e), (f), and (g) report the amount of operating reserve spinning and supplement services purchased and sold during the period.

(6) On line 7 columns (b), (c), (d), (e), (f), and (g) report the total amount of all other types ancillary services purchased or sold during the year. Include in a footnote and specify the amount for each type of other ancillary service provided.

		Amount Purchased for the Year			Amount Sold for the Year		
		Usage - Related Billing Determinant			Usage - Related Billing Determinant		
Line No.	Type of Ancillary Service (a)	Number of Units (b)	Unit of Measure (c)	Dollars (d)	Number of Units (e)	Unit of Measure (f)	Dollars (g)
1	Scheduling, System Control and Dispatch	431,134	MWH	334,784	4,848,564	MWH	727,734
2	Reactive Supply and Voltage	431,134	MWH	103,982	4,848,564	MWH	302,464
3	Regulation and Frequency Response				4,848,564	MWH	117,866
4	Energy Imbalance						
5	Operating Reserve - Spinning				4,848,564	MWH	182,692
6	Operating Reserve - Supplement				4,848,564	MWH	182,692
7	Other			7,571			
8	Total (Lines 1 thru 7)	862,268		446,337	24,242,820		1,513,448

Name of Respondent Kentucky Utilities Company	This Report is: (1) X An Original (2) __ A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2013/Q4

FOOTNOTE DATA

Schedule Page: 398 Line No.: 7 Column: b

The Other services amounts are not associated with a number of units or a unit of measure.

Schedule Page: 398 Line No.: 7 Column: d

This amount consists of Black Start services.

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

MONTHLY TRANSMISSION SYSTEM PEAK LOAD

(1) Report the monthly peak load on the respondent's transmission system. If the respondent has two or more power systems which are not physically integrated, furnish the required information for each non-integrated system.
(2) Report on Column (b) by month the transmission system's peak load.
(3) Report on Columns (c) and (d) the specified information for each monthly transmission - system peak load reported on Column (b).
(4) Report on Columns (e) through (j) by month the system' monthly maximum megawatt load by statistical classifications. See General Instruction for the definition of each statistical classification.

NAME OF SYSTEM:

Line No.	Month (a)	Monthly Peak MW - Total (b)	Day of Monthly Peak (c)	Hour of Monthly Peak (d)	Firm Network Service for Self (e)	Firm Network Service for Others (f)	Long-Term Firm Point-to-point Reservations (g)	Other Long-Term Firm Service (h)	Short-Term Firm Point-to-point Reservation (i)	Other Service (j)
1	January	4,905	22	8	4,153	466	242	44		
2	February	4,953	1	8	4,150	516	242	45		
3	March	4,459	22	7	3,723	460	242	34		
4	Total for Quarter 1	14,317			12,026	1,442	726	123		
5	April	3,737	3	7	3,143	321	242	31		
6	May	4,195	30	16	3,472	450	242	31		
7	June	4,627	12	16	3,847	503	242	35		
8	Total for Quarter 2	12,559			10,462	1,274	726	97		
9	July	5,026	17	15	3,943	528	242	38	275	
10	August	4,624	28	17	3,819	525	242	38		
11	September	4,642	10	15	3,919	444	242	37		
12	Total for Quarter 3	14,292			11,681	1,497	726	113	275	
13	October	3,848	4	16	3,246	338	242	22		
14	November	4,232	27	19	3,526	434	242	30		
15	December	4,744	12	9	3,978	489	242	35		
16	Total for Quarter 4	12,824			10,750	1,261	726	87		
17	Total Year to Date/Year	53,992			44,919	5,474	2,904	420	275	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

ELECTRIC ENERGY ACCOUNT

Report below the information called for concerning the disposition of electric energy generated, purchased, exchanged and wheeled during the year.

Line No.	Item (a)	MegaWatt Hours (b)
1	SOURCES OF ENERGY	
2	Generation (Excluding Station Use):	
3	Steam	19,505,317
4	Nuclear	
5	Hydro-Conventional	106,623
6	Hydro-Pumped Storage	
7	Other	326,938
8	Less Energy for Pumping	
9	Net Generation (Enter Total of lines 3 through 8)	19,938,878
10	Purchases	2,678,097
11	Power Exchanges:	
12	Received	346,978
13	Delivered	
14	Net Exchanges (Line 12 minus line 13)	346,978
15	Transmission For Other (Wheeling)	
16	Received	4,848,564
17	Delivered	4,730,222
18	Net Transmission for Other (Line 16 minus line 17)	118,342
19	Transmission By Others Losses	
20	TOTAL (Enter Total of lines 9, 10, 14, 18 and 19)	23,082,295

Line No.	Item (a)	MegaWatt Hours (b)
21	DISPOSITION OF ENERGY	
22	Sales to Ultimate Consumers (Including Interdepartmental Sales)	19,389,816
23	Requirements Sales for Resale (See instruction 4, page 311.)	1,880,020
24	Non-Requirements Sales for Resale (See instruction 4, page 311.)	360,157
25	Energy Furnished Without Charge	53
26	Energy Used by the Company (Electric Dept Only, Excluding Station Use)	22,493
27	Total Energy Losses	1,429,756
28	TOTAL (Enter Total of Lines 22 Through 27) (MUST EQUAL LINE 20)	23,082,295

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

MONTHLY PEAKS AND OUTPUT

1. Report the monthly peak load and energy output. If the respondent has two or more power which are not physically integrated, furnish the required information for each non- integrated system.
2. Report in column (b) by month the system's output in Megawatt hours for each month.
3. Report in column (c) by month the non-requirements sales for resale. Include in the monthly amounts any energy losses associated with the sales.
4. Report in column (d) by month the system's monthly maximum megawatt load (60 minute integration) associated with the system.
5. Report in column (e) and (f) the specified information for each monthly peak load reported in column (d).

NAME OF SYSTEM:

Line No.	Month (a)	Total Monthly Energy (b)	Monthly Non-Requirments Sales for Resale & Associated Losses (c)	MONTHLY PEAK Megawatts (See Instr. 4) (d)	MONTHLY PEAK Day of Month (e)	MONTHLY PEAK Hour (f)
29	January	2,155,462	16,466	4,153	22	800
30	February	1,930,096	8,564	4,193	1	900
31	March	2,033,908	12,896	3,723	22	700
32	April	1,634,153	8,354	3,143	3	700
33	May	1,771,613	48,071	3,472	30	1600
34	June	1,882,906	40,823	3,847	12	1600
35	July	1,986,445	35,696	3,943	17	1500
36	August	2,013,215	19,823	3,819	28	1700
37	September	1,758,878	14,510	3,919	10	1500
38	October	1,804,725	83,022	3,246	4	1600
39	November	1,869,456	17,896	3,588	13	800
40	December	2,241,438	54,036	3,978	12	900
41	TOTAL	23,082,295	360,157			

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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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FOOTNOTE DATA

Schedule Page: 401 Line No.: 29 Column: b
The value reported in the first quarter was revised due to the inclusion of IMEA and IMPA generation. The previously reported balance was 2,240,151 MWH.

Schedule Page: 401 Line No.: 30 Column: b
The value reported in the first quarter was revised due to the inclusion of IMEA and IMPA generation. The previously reported balance was 1,987,302 MWH.

Schedule Page: 401 Line No.: 31 Column: b
The value reported in the first quarter was revised due to the inclusion of IMEA and IMPA generation. The previously reported balance was 2,084,251 MWH.

Schedule Page: 401 Line No.: 34 Column: b
The value reported in the second quarter was revised due to the inclusion of IMEA and IMPA generation. The previously reported balance was 1,966,169 MWH.

Schedule Page: 401 Line No.: 35 Column: b
The value reported in the third quarter was revised due to the inclusion of IMEA and IMPA generation. The previously reported balance was 2,094,482 MWH.

Schedule Page: 401 Line No.: 36 Column: b
The value reported in the third quarter was revised due to the inclusion of IMEA and IMPA generation. The previously reported balance was 2,121,051 MWH.

Schedule Page: 401 Line No.: 37 Column: b
The value reported in the third quarter was revised due to the inclusion of IMEA and IMPA generation. The previously reported balance was 1,847,714 MWH.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

STEAM-ELECTRIC GENERATING PLANT STATISTICS (Large Plants)

1. Report data for plant in Service only. 2. Large plants are steam plants with installed capacity (name plate rating) of 25,000 Kw or more. Report in this page gas-turbine and internal combustion plants of 10,000 Kw or more, and nuclear plants. 3. Indicate by a footnote any plant leased or operated as a joint facility. 4. If net peak demand for 60 minutes is not available, give data which is available, specifying period. 5. If any employees attend more than one plant, report on line 11 the approximate average number of employees assignable to each plant. 6. If gas is used and purchased on a therm basis report the Btu content or the gas and the quantity of fuel burned converted to Mct. 7. Quantities of fuel burned (Line 38) and average cost per unit of fuel burned (Line 41) must be consistent with charges to expense accounts 501 and 547 (Line 42) as show on Line 20. 8. If more than one fuel is burned in a plant furnish only the composite heat rate for all fuels burned.

Line No.	Item (a)	Plant Name: *Tyrone* (b)			Plant Name: *Green River* (c)		
1	Kind of Plant (Internal Comb, Gas Turb, Nuclear			Steam			Steam
2	Type of Constr (Conventional, Outdoor, Boiler, etc)			Conventional			Conventional
3	Year Originally Constructed			1947			1950
4	Year Last Unit was Installed			1971			1959
5	Total Installed Cap (Max Gen Name Plate Ratings-MW)			75.00			189.00
6	Net Peak Demand on Plant - MW (60 minutes)			0			169
7	Plant Hours Connected to Load			0			7362
8	Net Continuous Plant Capability (Megawatts)			71			161
9	When Not Limited by Condenser Water			71			161
10	When Limited by Condenser Water			0			0
11	Average Number of Employees			1			44
12	Net Generation, Exclusive of Plant Use - KWh			-114000			963864000
13	Cost of Plant: Land and Land Rights			53143			30764
14	Structures and Improvements			2096896			11543083
15	Equipment Costs			815600			60058447
16	Asset Retirement Costs			5917179			13424803
17	Total Cost			8882818			85057097
18	Cost per KW of Installed Capacity (line 17/5) Including			118.4376			450.0376
19	Production Expenses: Oper, Supv, & Engr			43890			584568
20	Fuel			79557			28912900
21	Coolants and Water (Nuclear Plants Only)			0			0
22	Steam Expenses			0			1687123
23	Steam From Other Sources			0			0
24	Steam Transferred (Cr)			0			0
25	Electric Expenses			0			1139147
26	Misc Steam (or Nuclear) Power Expenses			356152			824393
27	Rents			0			0
28	Allowances			0			69763
29	Maintenance Supervision and Engineering			9077			1320243
30	Maintenance of Structures			0			819724
31	Maintenance of Boiler (or reactor) Plant			-1007			3057342
32	Maintenance of Electric Plant			0			710807
33	Maintenance of Misc Steam (or Nuclear) Plant			-1551			303434
34	Total Production Expenses			486118			39429444
35	Expenses per Net KWh			-4.2642			0.0409
36	Fuel: Kind (Coal, Gas, Oil, or Nuclear)	Coal	Oil		Coal	Oil	
37	Unit (Coal-tons/Oil-barrel/Gas-mcf/Nuclear-indicate)	tons	barrels		tons	barrels	
38	Quantity (Units) of Fuel Burned	0	0	0	481658	3088	0
39	Avg Heat Cont - Fuel Burned (btu/indicate if nuclear)	0	0	0	11735	3333	0
40	Avg Cost of Fuel/unit, as Delvd f.o.b. during year	0.000	0.000	0.000	58.010	131.542	0.000
41	Average Cost of Fuel per Unit Burned	0.000	0.000	0.000	58.511	131.542	0.000
42	Average Cost of Fuel Burned per Million BTU	0.000	0.000	0.000	2.494	22.368	0.000
43	Average Cost of Fuel Burned per KWh Net Gen	-0.698	0.000	0.000	0.029	0.000	0.000
44	Average BTU per KWh Net Generation	0.000	0.000	0.000	11729.000	0.000	0.000

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STEAM-ELECTRIC GENERATING PLANT STATISTICS (Large Plants)*(Continued)*

9. Items under Cost of Plant are based on U. S. of A. Accounts. Production expenses do not include Purchased Power, System Control and Load Dispatching, and Other Expenses Classified as Other Power Supply Expenses. 10. For IC and GT plants, report Operating Expenses, Account Nos. 547 and 549 on Line 25 "Electric Expenses," and Maintenance Account Nos. 553 and 554 on Line 32, "Maintenance of Electric Plant." Indicate plants designed for peak load service. Designate automatically operated plants. 11. For a plant equipped with combinations of fossil fuel steam, nuclear steam, hydro, internal combustion or gas-turbine equipment, report each as a separate plant. However, if a gas-turbine unit functions in a combined cycle operation with a conventional steam unit, include the gas-turbine with the steam plant. 12. If a nuclear power generating plant, briefly explain by footnote (a) accounting method for cost of power generated including any excess costs attributed to research and development; (b) types of cost units used for the various components of fuel cost; and (c) any other informative data concerning plant type fuel used, fuel enrichment type and quantity for the report period and other physical and operating characteristics of plant.

Plant Name: *EW Brown* (d)			Plant Name: *Ghent* (e)			Plant Name: *Trimble County* (f)			Line No.
		Steam			Steam			Steam	1
		Conventional			Conventional			Conventional	2
		1957			1973			2011	3
		1971			1984			2011	4
		757.00			2226.00			509.00	5
		693			1955			620	6
		7438			7996			6532	7
		682			1932			445	8
		682			1932			445	9
		0			0			0	10
		155			247			171	11
		2854525000			13153643000			3391757000	12
		1744651			9842884			6841	13
		74637688			133646090			104253588	14
		794182065			1801292245			735365118	15
		19129044			118328071			6440020	16
		889693448			2063109290			846065567	17
		1175.2886			926.8236			1662.2113	18
		2126919			4220963			1107461	19
		99855860			317014103			80468331	20
		0			0			0	21
		4713758			11758799			2612670	22
		0			0			0	23
		0			0			0	24
		2139738			3659943			977924	25
		3484889			18244479			4685286	26
		11913			0			0	27
		25355			144034			14	28
		2183735			3548421			471432	29
		1411452			3286179			773262	30
		8330080			22084171			6813069	31
		1547719			3314223			993207	32
		596176			717683			425130	33
		126427594			387992998			99327786	34
		0.0443			0.0295			0.0293	35
Coal	Oil		Coal	Oil		Coal	Oil		36
tons	barrels		tons	barrels		tons	barrels		37
1406282	9732	0	6352976	21284	0	1481792	27368	0	38
11375	3333	0	11270	3333	0	10667	3333	0	39
69.150	132.910	0.000	49.880	137.332	0.000	39.420	136.080	0.000	40
70.087	132.910	0.000	49.440	137.332	0.000	51.633	136.080	0.000	41
3.081	22.603	0.000	2.193	23.356	0.000	2.420	23.143	0.000	42
0.035	0.000	0.000	0.024	0.000	0.000	0.023	0.000	0.000	43
11208.000	0.000	0.000	10886.000	0.000	0.000	9320.000	0.000	0.000	44

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

STEAM-ELECTRIC GENERATING PLANT STATISTICS (Large Plants) *(Continued)*

1. Report data for plant in Service only. 2. Large plants are steam plants with installed capacity (name plate rating) of 25,000 Kw or more. Report in this page gas-turbine and internal combustion plants of 10,000 Kw or more, and nuclear plants. 3. Indicate by a footnote any plant leased or operated as a joint facility. 4. If net peak demand for 60 minutes is not available, give data which is available, specifying period. 5. If any employees attend more than one plant, report on line 11 the approximate average number of employees assignable to each plant. 6. If gas is used and purchased on a therm basis report the Btu content or the gas and the quantity of fuel burned converted to Mct. 7. Quantities of fuel burned (Line 38) and average cost per unit of fuel burned (Line 41) must be consistent with charges to expense accounts 501 and 547 (Line 42) as show on Line 20. 8. If more than one fuel is burned in a plant furnish only the composite heat rate for all fuels burned.

Line No.	Item (a)	Plant Name: *Haefling* (b)			Plant Name: *Brown CT* (c)		
1	Kind of Plant (Internal Comb, Gas Turb, Nuclear	Combustion Turbine			Combustion Turbine		
2	Type of Constr (Conventional, Outdoor, Boiler, etc)	Outdoor			Conventional		
3	Year Originally Constructed	1970			1994		
4	Year Last Unit was Installed	1970			2001		
5	Total Installed Cap (Max Gen Name Plate Ratings-MW)	41.00			781.00		
6	Net Peak Demand on Plant - MW (60 minutes)	27			472		
7	Plant Hours Connected to Load	16			179		
8	Net Continuous Plant Capability (Megawatts)	24			730		
9	When Not Limited by Condenser Water	24			730		
10	When Limited by Condenser Water	0			0		
11	Average Number of Employees	0			0		
12	Net Generation, Exclusive of Plant Use - KWh	408900			69684000		
13	Cost of Plant: Land and Land Rights	0			272805		
14	Structures and Improvements	291130			11991514		
15	Equipment Costs	4076654			262381517		
16	Asset Retirement Costs	0			0		
17	Total Cost	4367784			274645836		
18	Cost per KW of Installed Capacity (line 17/5) Including	106.5313			351.6592		
19	Production Expenses: Oper, Supv, & Engr	0			222336		
20	Fuel	82952			4077438		
21	Coolants and Water (Nuclear Plants Only)	0			0		
22	Steam Expenses	0			0		
23	Steam From Other Sources	0			0		
24	Steam Transferred (Cr)	0			0		
25	Electric Expenses	31504			76350		
26	Misc Steam (or Nuclear) Power Expenses	0			0		
27	Rents	0			11414		
28	Allowances	0			0		
29	Maintenance Supervision and Engineering	0			44062		
30	Maintenance of Structures	0			209526		
31	Maintenance of Boiler (or reactor) Plant	0			0		
32	Maintenance of Electric Plant	224162			1163301		
33	Maintenance of Misc Steam (or Nuclear) Plant	0			0		
34	Total Production Expenses	338618			5804427		
35	Expenses per Net KWh	0.8281			0.0833		
36	Fuel: Kind (Coal, Gas, Oil, or Nuclear)	Gas	Oil		Gas	Oil	
37	Unit (Coal-tons/Oil-barrel/Gas-mcf/Nuclear-indicate)	mcf	barrels		mcf	barrels	
38	Quantity (Units) of Fuel Burned	11671	13	0	954201	661	0
39	Avg Heat Cont - Fuel Burned (btu/indicate if nuclear)	1025	3335	0	1025	3333	0
40	Avg Cost of Fuel/unit, as Delvd f.o.b. during year	7.034	65.753	0.000	4.204	100.143	0.000
41	Average Cost of Fuel per Unit Burned	7.034	65.753	0.000	4.204	100.143	0.000
42	Average Cost of Fuel Burned per Million BTU	6.862	11.247	0.000	4.101	17.021	0.000
43	Average Cost of Fuel Burned per KWh Net Gen	0.201	0.000	0.000	0.058	0.401	0.000
44	Average BTU per KWh Net Generation	29259.000	0.000	0.000	14069.000	23570.000	0.000

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

STEAM-ELECTRIC GENERATING PLANT STATISTICS (Large Plants)*(Continued)*

9. Items under Cost of Plant are based on U. S. of A. Accounts. Production expenses do not include Purchased Power, System Control and Load Dispatching, and Other Expenses Classified as Other Power Supply Expenses. 10. For IC and GT plants, report Operating Expenses, Account Nos. 547 and 549 on Line 25 "Electric Expenses," and Maintenance Account Nos. 553 and 554 on Line 32, "Maintenance of Electric Plant." Indicate plants designed for peak load service. Designate automatically operated plants. 11. For a plant equipped with combinations of fossil fuel steam, nuclear steam, hydro, internal combustion or gas-turbine equipment, report each as a separate plant. However, if a gas-turbine unit functions in a combined cycle operation with a conventional steam unit, include the gas-turbine with the steam plant. 12. If a nuclear power generating plant, briefly explain by footnote (a) accounting method for cost of power generated including any excess costs attributed to research and development; (b) types of cost units used for the various components of fuel cost; and (c) any other informative data concerning plant type fuel used, fuel enrichment type and quantity for the report period and other physical and operating characteristics of plant.

Plant Name: *Paddy's Run 13 CT* (d)	Plant Name: *Trimble County CT* (e)	Plant Name: (f)	Line No.
Combustion Turbine	Combustion Turbine		1
Conventional	Conventional		2
2001	2002		3
2001	2004		4
84.00	784.00	0.00	5
55	648	0	6
75	636	0	7
69	619	0	8
69	619	0	9
0	0	0	10
0	0	0	11
13790000	243055000	0	12
0	19912	0	13
1910328	21745929	0	14
30221919	215271312	0	15
0	0	0	16
32132247	237037153	0	17
382.5268	302.3433	0	18
0	0	0	19
1012117	24407245	0	20
0	0	0	21
0	0	0	22
0	0	0	23
0	0	0	24
6443	396779	0	25
0	0	0	26
6545	1401	0	27
0	0	0	28
0	0	0	29
3270	0	0	30
0	0	0	31
196496	626575	0	32
0	0	0	33
1224871	25432000	0	34
0.0888	0.1046	0.0000	35

(d)			(e)			(f)			Line No.
Gas	Oil		Gas	Oil					36
mcf	barrels		mcf	barrels					37
152378	0	0	3036580	0	0	0	0	0	38
1025	0	0	1025	0	0	0	0	0	39
6.642	0.000	0.000	8.038	0.000	0.000	0.000	0.000	0.000	40
6.642	0.000	0.000	8.038	0.000	0.000	0.000	0.000	0.000	41
6.480	0.000	0.000	7.842	0.000	0.000	0.000	0.000	0.000	42
0.073	0.000	0.000	0.100	0.000	0.000	0.000	0.000	0.000	43
11326.000	0.000	0.000	12806.000	0.000	0.000	0.000	0.000	0.000	44

Name of Respondent Kentucky Utilities Company	This Report is: (1) X An Original (2) __ A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2013/Q4

FOOTNOTE DATA

Schedule Page: 402 Line No.: -1 Column: b

Tyrone Generating Station was fully retired in February 2013. However, land, structures and ashpond assets remain on the books.

Schedule Page: 403 Line No.: -1 Column: f

Partnership Expenses included in Column f:

Line No.: 19	Production Expenses: Oper, Supv, & Engr	$ (276,866)
Line No.: 20	Fuel	(20,285,183)
Line No.: 22	Steam Expenses	(656,627)
Line No.: 25	Electric Expenses	(244,481)
Line No.: 26	Misc Steam Power Expenses	(1,171,323)
Line No.: 28	Allowances	(4)
Line No.: 29	Maintenance Supervision and Engineering	(117,858)
Line No.: 30	Maintenance of Structures	(193,316)
Line No.: 31	Maintenance of Boiler Plant	(1,780,240)
Line No.: 32	Maintenance of Electric Plant	(248,302)
Line No.: 33	Maintenance of Misc Steam Plant	(106,283)
Line No.: 34	Total Production Expenses	$ (25,080,483)

Total Power Production Expenses per Schedule Page: 402-403, Sum of Line No.: 34, Column: b-f	$ 686,463,856
IMEA-IMPA Partnership Expenses	(25,080,483)
Rounding	(1)
Total Power Production Expenses per Schedule Page: 320-321, Sum of Line No.: 21 & 74, Column: b	$ 661,383,372

Schedule Page: 403 Line No.: 5 Column: f

The Nameplate Rating for Trimble County Steam Unit 2 represents a 60.75% ownership for KU. Total Nameplate Rating for the unit is 629 MW. The remaining percentage is owned by LG&E, IMEA and IMPA.

Schedule Page: 402.1 Line No.: -1 Column: b

Haefling Unit 3 was retired during the month of December 2013. (Haefling Units 1 and 2 remain in-service.)

Schedule Page: 403.1 Line No.: -1 Column: f

Pineville Generating Station is fully retired. However, land and ashpond assets amounting to $3,954,549 remain on the books.

Schedule Page: 402.1 Line No.: 5 Column: c

The Nameplate Rating for Brown CT represents a 47% ownership of unit 5, a 123 MW unit, and 62% ownership of units 6 and 7, which are 177 MW each, for KU. The remaining percentages of units 5, 6 and 7 are owned by LG&E.

Schedule Page: 403.1 Line No.: 5 Column: d

The Nameplate Rating for Paddy's Run 13 CT represents a 47% ownership for KU. Total Nameplate Rating for the unit is 178 MW. The remaining percentage is owned by LG&E.

Schedule Page: 403.1 Line No.: 5 Column: e

The Nameplate Rating for Trimble County CT represents 71% ownership of units 5 and 6 and 63% of units 7, 8, 9 and 10 for KU. The remaining percentages for units 5, 6, 7, 8, 9 and 10 are owned by LG&E. Total Nameplate Ratings for these units are 199 MW per unit.

Schedule Page: 402.1 Line No.: 11 Column: b

No production/operation employees are directly assigned to Haefling turbines. Employees from the Brown Plant operate and maintain the Haefling turbines.

Schedule Page: 402.1 Line No.: 11 Column: c

Employees at the Brown Plant include those assigned to the steam plant and the Brown CT site and are reflected in the Brown Steam Plant statistics.

Schedule Page: 403.1 Line No.: 11 Column: d

No production/operation employees are directly assigned to Paddy's Run turbines. Employees from the LG&E Cane Run Plant operate and maintain the Paddy's Run turbines.

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	/ /	2013/Q4

FOOTNOTE DATA

Schedule Page: 403.1 Line No.: 11 Column: e

Employees at the Trimble County Plant include those assigned to the steam plant and the Trimble County CT site and are reflected in the Trimble County steam plant statistics.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

HYDROELECTRIC GENERATING PLANT STATISTICS (Large Plants)

1. Large plants are hydro plants of 10,000 Kw or more of installed capacity (name plate ratings)
2. If any plant is leased, operated under a license from the Federal Energy Regulatory Commission, or operated as a joint facility, indicate such facts in a footnote. If licensed project, give project number.
3. If net peak demand for 60 minutes is not available, give that which is available specifying period.
4. If a group of employees attends more than one generating plant, report on line 11 the approximate average number of employees assignable to each plant.

Line No.	Item (a)	FERC Licensed Project No. 0 Plant Name: Dix Dam (b)	FERC Licensed Project No. 0 Plant Name: (c)
1	Kind of Plant (Run-of-River or Storage)	Storage	
2	Plant Construction type (Conventional or Outdoor)	Conventional	
3	Year Originally Constructed	1923	
4	Year Last Unit was Installed	1924	
5	Total installed cap (Gen name plate Rating in MW)	28.00	0.00
6	Net Peak Demand on Plant-Megawatts (60 minutes)	31	0
7	Plant Hours Connect to Load	4,269	0
8	Net Plant Capability (in megawatts)		
9	(a) Under Most Favorable Oper Conditions	24	0
10	(b) Under the Most Adverse Oper Conditions	0	0
11	Average Number of Employees	3	0
12	Net Generation, Exclusive of Plant Use - Kwh	106,623,000	0
13	Cost of Plant		
14	Land and Land Rights	879,312	0
15	Structures and Improvements	607,745	0
16	Reservoirs, Dams, and Waterways	0	0
17	Equipment Costs	37,068,666	0
18	Roads, Railroads, and Bridges	0	0
19	Asset Retirement Costs	388,627	0
20	TOTAL cost (Total of 14 thru 19)	38,944,350	0
21	Cost per KW of Installed Capacity (line 20 / 5)	1,390.8696	0.0000
22	Production Expenses		
23	Operation Supervision and Engineering	9,463	0
24	Water for Power	0	0
25	Hydraulic Expenses	0	0
26	Electric Expenses	0	0
27	Misc Hydraulic Power Generation Expenses	56,980	0
28	Rents	0	0
29	Maintenance Supervision and Engineering	128,762	0
30	Maintenance of Structures	181,172	0
31	Maintenance of Reservoirs, Dams, and Waterways	1,600	0
32	Maintenance of Electric Plant	64,521	0
33	Maintenance of Misc Hydraulic Plant	13,950	0
34	Total Production Expenses (total 23 thru 33)	456,448	0
35	Expenses per net KWh	0.0043	0.0000

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

HYDROELECTRIC GENERATING PLANT STATISTICS (Large Plants) (Continued)

5. The items under Cost of Plant represent accounts or combinations of accounts prescribed by the Uniform System of Accounts. Production Expenses do not include Purchased Power, System control and Load Dispatching, and Other Expenses classified as "Other Power Supply Expenses."
6. Report as a separate plant any plant equipped with combinations of steam, hydro, internal combustion engine, or gas turbine equipment.

FERC Licensed Project No. 0 Plant Name: (d)	FERC Licensed Project No. 0 Plant Name: (e)	FERC Licensed Project No. 0 Plant Name: (f)	Line No.
			1
			2
			3
			4
0.00	0.00	0.00	5
0	0	0	6
0	0	0	7
			8
0	0	0	9
0	0	0	10
0	0	0	11
0	0	0	12
			13
0	0	0	14
0	0	0	15
0	0	0	16
0	0	0	17
0	0	0	18
0	0	0	19
0	0	0	20
0.0000	0.0000	0.0000	21
			22
0	0	0	23
0	0	0	24
0	0	0	25
0	0	0	26
0	0	0	27
0	0	0	28
0	0	0	29
0	0	0	30
0	0	0	31
0	0	0	32
0	0	0	33
0	0	0	34
0.0000	0.0000	0.0000	35

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

TRANSMISSION LINE STATISTICS

1. Report information concerning transmission lines, cost of lines, and expenses for year. List each transmission line having nominal voltage of 132 kilovolts or greater. Report transmission lines below these voltages in group totals only for each voltage.
2. Transmission lines include all lines covered by the definition of transmission system plant as given in the Uniform System of Accounts. Do not report substation costs and expenses on this page.
3. Report data by individual lines for all voltages if so required by a State commission.
4. Exclude from this page any transmission lines for which plant costs are included in Account 121, Nonutility Property.
5. Indicate whether the type of supporting structure reported in column (e) is: (1) single pole wood or steel; (2) H-frame wood, or steel poles; (3) tower; or (4) underground construction If a transmission line has more than one type of supporting structure, indicate the mileage of each type of construction by the use of brackets and extra lines. Minor portions of a transmission line of a different type of construction need not be distinguished from the remainder of the line.
6. Report in columns (f) and (g) the total pole miles of each transmission line. Show in column (f) the pole miles of line on structures the cost of which is reported for the line designated; conversely, show in column (g) the pole miles of line on structures the cost of which is reported for another line. Report pole miles of line on leased or partly owned structures in column (g). In a footnote, explain the basis of such occupancy and state whether expenses with respect to such structures are included in the expenses reported for the line designated.

Line No.	DESIGNATION		VOLTAGE (KV) (Indicate where other than 60 cycle, 3 phase)		Type of Supporting Structure	LENGTH (Pole miles) (In the case of underground lines report circuit miles)		Number Of Circuits
	From (a)	To (b)	Operating (c)	Designed (d)	(e)	On Structure of Line Designated (f)	On Structures of Another Line (g)	(h)
1	Pocket	Pineville	500.00	500.00	ST	35.48		
2	Pocket	Phipps Bend	500.00	500.00	ST	21.39		
3								
4	Ghent Plant	Brown North	345.00	345.00	ST	113.87		
5	Ghent Plant	Batesville	345.00	345.00	ST	7.80		
6	Brown Plant	Elmer Smith	345.00	345.00	HF,SP & ST	171.06		
7	Brown North	K.U. Park	345.00	345.00	ST	102.47		2
8	Grahamville	DOE	161.00	161.00	SP	1.69		
9	Green River	AEC Buss	161.00	161.00	HF,ST & WP	181.40		
10	Green River	Morganfield	161.00	161.00	HF & WP	55.38		
11	Elihu	Dorchester	161.00	161.00	HF & ST	86.06		
12	Lake Reba	Dorchester	161.00	161.00	HF & ST	99.15		1
13	Pineville	Harlan	161.00	161.00	HF & WP	48.34		
14	Pineville 149	Pineville 192	161.00	161.00	HF	0.12		1
15	East Ky. Power Cooperative	Taylor County	161.00	161.00	SP	3.97		1
16	Imboden	Harlan	161.00	161.00	HF,SP,WP,ST	43.82		
17	Ghent Plant	Brown Plant	138.00	138.00	ST	90.47		
18	Brown Plant	Green River	138.00	138.00	HF,SP,WP,ST	169.18		
19	Green River Plant	Matanzas	138.00	138.00	SP	0.25		
20	Kenton	Rodburn	138.00	138.00	HF	45.74		1
21	Green River	Brown North	138.00	138.00	HF,SP & ST	166.68		
22	Fawkes	Rodburn	138.00	138.00	HF,ST & WP	64.52		1
23	Clifty Creek	Carrollton	138.00	138.00	HF,SP,ST,WP	144.71		
24	Brown Plant	Lake Reba	138.00	138.00	HF,SP	29.44		1
25	Brown Plant	Haefling	138.00	138.00	HF,SP,ST,WP	29.32		
26	Ghent Plant	Kenton Station	138.00	138.00	HF & WF	72.78		1
27	Ghent Plant	Adams	138.00	138.00	HF,SP & ST	56.77		
28	Hardin County	Rogersville	138.00	138.00	HF	10.24		1
29	Virginia City	Clinch River (AEP Int. Pt)	138.00	138.00	HF	7.89		1
30	69KV Lines		69.00	69.00	Various	2,219.20		
31								
32								
33								
34	Exp Applicable to All Lines							
35								
36					TOTAL	4,079.19		11

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

TRANSMISSION LINE STATISTICS (Continued)

7. Do not report the same transmission line structure twice. Report Lower voltage Lines and higher voltage lines as one line. Designate in a footnote if you do not include Lower voltage lines with higher voltage lines. If two or more transmission line structures support lines of the same voltage, report the pole miles of the primary structure in column (f) and the pole miles of the other line(s) in column (g)
8. Designate any transmission line or portion thereof for which the respondent is not the sole owner. If such property is leased from another company, give name of lessor, date and terms of Lease, and amount of rent for year. For any transmission line other than a leased line, or portion thereof, for which the respondent is not the sole owner but which the respondent operates or shares in the operation of, furnish a succinct statement explaining the arrangement and giving particulars (details) of such matters as percent ownership by respondent in the line, name of co-owner, basis of sharing expenses of the Line, and how the expenses borne by the respondent are accounted for, and accounts affected. Specify whether lessor, co-owner, or other party is an associated company.
9. Designate any transmission line leased to another company and give name of Lessee, date and terms of lease, annual rent for year, and how determined. Specify whether lessee is an associated company.
10. Base the plant cost figures called for in columns (j) to (l) on the book cost at end of year.

Size of Conductor and Material (i)	COST OF LINE (Include in Column (j) Land, Land rights, and clearing right-of-way) Land (j)	Construction and Other Costs (k)	Total Cost (l)	EXPENSES, EXCEPT DEPRECIATION AND TAXES Operation Expenses (m)	Maintenance Expenses (n)	Rents (o)	Total Expenses (p)	Line No.
954 mcm	1,385,561	15,459,178	16,844,739					1
954 mcm	2,012,401	7,950,059	9,962,460					2
								3
795 mcm	2,495,681	17,057,362	19,553,043					4
954 mcm	437,159	6,003,194	6,440,353					5
954 mcm	5,490,631	61,596,197	67,086,828					6
954 mcm	1,111,580	26,051,356	27,162,936					7
1272 mcm		2,751,871	2,751,871					8
556 mcm	1,284,447	14,377,522	15,661,969					9
556 mcm	268,660	2,072,024	2,340,684					10
556 mcm	270,147	8,102,215	8,372,362					11
556 mcm	559,988	5,035,185	5,595,173					12
795 mcm	300,849	6,887,723	7,188,572					13
954 mcm		14,306	14,306					14
556 mcm	261,988	307,188	569,176					15
795 mcm	84,143	5,694,355	5,778,498					16
954 mcm	419,701	6,355,881	6,775,582					17
556 mcm	450,425	11,574,204	12,024,629					18
556 mcm		420,264	420,264					19
397 mcm	98,119	1,408,468	1,506,587					20
795 mcm	736,912	12,054,806	12,791,718					21
556 mcm	579,168	2,716,677	3,295,845					22
795 mcm	891,092	18,951,734	19,842,826					23
556 mcm	80,240	1,297,927	1,378,167					24
795 mcm	191,989	5,092,974	5,284,963					25
795 mcm	446,861	5,574,383	6,021,244					26
795 mcm	245,501	6,133,332	6,378,833					27
795 mcm	245,093	1,103,331	1,348,424					28
795 mcm	344,980	4,788,455	5,133,435					29
Various	8,406,799	170,682,591	179,089,390					30
								31
								32
								33
				700,333	5,269,858	191,576	6,161,767	34
								35
	29,100,115	427,514,762	456,614,877	700,333	5,269,858	191,576	6,161,767	36

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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	/ /	2013/Q4

FOOTNOTE DATA

Schedule Page: 422 Line No.: 1 Column: h
Contains both single and double circuitry.

Schedule Page: 422 Line No.: 2 Column: h
Contains both single and double circuitry.

Schedule Page: 422 Line No.: 4 Column: h
Contains both single and double circuitry.

Schedule Page: 422 Line No.: 5 Column: h
Contains both single and double circuitry.

Schedule Page: 422 Line No.: 6 Column: h
Contains both single and double circuitry.

Schedule Page: 422 Line No.: 9 Column: h
Contains both single and double circuitry.

Schedule Page: 422 Line No.: 10 Column: h
Contains both single and double circuitry.

Schedule Page: 422 Line No.: 11 Column: h
Contains both single and double circuitry.

Schedule Page: 422 Line No.: 13 Column: h
Contains both single and double circuitry.

Schedule Page: 422 Line No.: 16 Column: h
Contains both single and double circuitry.

Schedule Page: 422 Line No.: 17 Column: h
Contains both single and double circuitry.

Schedule Page: 422 Line No.: 18 Column: h
Contains both single and double circuitry.

Schedule Page: 422 Line No.: 21 Column: h
Contains both single and double circuitry.

Schedule Page: 422 Line No.: 23 Column: h
Contains both single and double circuitry.

Schedule Page: 422 Line No.: 25 Column: h
Contains both single and double circuitry.

Schedule Page: 422 Line No.: 27 Column: h
Contains both single and double circuitry.

Schedule Page: 422 Line No.: 30 Column: h
Contains both single and double circuitry.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

TRANSMISSION LINES ADDED DURING YEAR

1. Report below the information called for concerning Transmission lines added or altered during the year. It is not necessary to report minor revisions of lines.
2. Provide separate subheadings for overhead and under- ground construction and show each transmission line separately. If actual costs of competed construction are not readily available for reporting columns (l) to (o), it is permissible to report in these columns the

Line No.	LINE DESIGNATION From (a)	LINE DESIGNATION To (b)	Line Length in Miles (c)	SUPPORTING STRUCTURE Type (d)	SUPPORTING STRUCTURE Average Number per Miles (e)	CIRCUITS PER STRUCTURE Present (f)	CIRCUITS PER STRUCTURE Ultimate (g)
1	Overhead Lines:						
2	Green River Plant - Ohio Co.	Tap to Matanzas	0.25	SP		1	1
3	Tap	Cardinal #2	0.02	WP		1	1
4	Tap	Uniontown Cap Bank	0.01	WP		1	1
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
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27							
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29							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							
40							
41							
42							
43							
44	TOTAL		0.28			3	3

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

TRANSMISSION LINES ADDED DURING YEAR (Continued)

costs. Designate, however, if estimated amounts are reported. Include costs of Clearing Land and Rights-of-Way, and Roads and Trails, in column (l) with appropriate footnote, and costs of Underground Conduit in column (m).
3. If design voltage differs from operating voltage, indicate such fact by footnote; also where line is other than 60 cycle, 3 phase, indicate such other characteristic.

CONDUCTORS			Voltage KV (Operating)	LINE COST					Line No.
Size (h)	Specification (i)	Configuration and Spacing (j)	(k)	Land and Land Rights (l)	Poles, Towers and Fixtures (m)	Conductors and Devices (n)	Asset Retire. Costs (o)	Total (p)	
									1
556 mcm			138,000		262,758	157,506		420,264	2
2/0 ACSR			69,000		79,994	34,533		114,527	3
266.8 ACSR			69,000		209,817	329,124		538,941	4
									5
									6
									7
									8
									9
									10
									11
									12
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									34
									35
									36
									37
									38
									39
									40
									41
									42
									43
					552,569	521,163		1,073,732	44

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SUBSTATIONS

1. Report below the information called for concerning substations of the respondent as of the end of the year.
2. Substations which serve only one industrial or street railway customer should not be listed below.
3. Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
4. Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation	Character of Substation	VOLTAGE (In MVa)		
			Primary	Secondary	Tertiary
	(a)	(b)	(c)	(d)	(e)
1	A. O. Smith - Mt. Sterling	Transmission*	69.00		
2	Adams - Georgetown	Transmission*	138.00	69.00	13.20
3	Alcade - Somerset	Transmission*	345.00	161.00	13.20
4	American Ave. - Lexington	Transmission*	138.00	69.00	13.20
5	Arnold - Cumberland	Transmission*	161.00	69.00	13.20
6	Artemus - Pineville	Transmission*	161.00	69.00	13.20
7	Bardstown - Campbellsville	Transmission*	138.00	69.00	13.20
8	Bardstown City - Campbellsville	Transmission*	69.00		
9	Barlow	Transmission*	69.00		
10	Beattyville - Richmond	Transmission*	161.00	69.00	13.20
11	Bimble	Transmission*	69.00		
12	Blackwell	Transmission*	138.00		
13	Bond - Coeburn	Transmission*	69.00		
14	Bonds Mill	Transmission*	69.00		
15	Bonnieville - Horse Cave	Transmission*	138.00	69.00	13.20
16	Boone Ave. - Winchester	Transmission*	69.00		
17	Boonesboro North - Winchester	Transmission*	138.00	69.00	13.20
18	Boyle County	Transmission*	69.00		
19	Broadhead Switching	Transmission*	69.00		
20	Bromley	Transmission*	69.00		
21	Brown CT - Harrodsburg	Transmission*	138.00		
22	Brown North - Harrodsburg	Transmission*	345.00	138.00	13.20
23	Carntown - Augusta	Transmission*	138.00	69.00	13.20
24	Carrollton - Carrollton	Transmission*	138.00	69.00	13.20
25	Cary Switching	Transmission*	69.00		
26	Clark County - Winchester	Transmission*	138.00	69.00	13.20
27	Clinton	Transmission*	69.00		
28	Coleman Road - McCracken Co.	Transmission*	161.00		
29	Corydon - Henderson	Transmission*	161.00	69.00	13.20
30	Crittendon County - Marion	Transmission*	161.00	69.00	13.20
31	Cynthiana Switching	Transmission*	69.00		
32	Danville North - Danville	Transmission*	138.00	69.00	13.20
33	Daviess County	Transmission*	345.00		
34	Delvinta	Transmission*	161.00		
35	Dow Corning West	Transmission*	138.00		
36	Dorchester - Norton	Transmission*	161.00	69.00	13.20
37	Earlington North - Earlington	Transmission*	161.00	69.00	13.20
38	East Frankfort - Frankfort	Transmission*	138.00	69.00	13.20
39	Elihu - Somerset	Transmission*	161.00	69.00	13.20
40	Elizabethtown - Elizabethtown	Transmission*	138.00	69.00	13.20

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SUBSTATIONS (Continued)

5. Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVa) (f)	Number of Transformers In Service (g)	Number of Spare Transformers (h)	CONVERSION APPARATUS AND SPECIAL EQUIPMENT Type of Equipment (i)	Number of Units (j)	Total Capacity (In MVa) (k)	Line No.
			NONE			1
186	2		NONE			2
448	1		NONE			3
150	1		NONE			4
56	1		NONE			5
56	1		NONE			6
94	1		NONE			7
			NONE			8
			NONE			9
56	1		NONE			10
			NONE			11
			NONE			12
			NONE			13
			NONE			14
34	1		NONE			15
			NONE			16
150	1		NONE			17
			NONE			18
			NONE			19
			NONE			20
			NONE			21
448	1		NONE			22
50	1		NONE			23
187	2		NONE			24
			NONE			25
93	1		NONE			26
			NONE			27
			NONE			28
112	1		NONE			29
112	1		NONE			30
			NONE			31
112	1		NONE			32
			NONE			33
			NONE			34
			NONE			35
187	2		NONE			36
224	1	1	NONE			37
224	2		NONE			38
187	2		NONE			39
149	1		NONE			40

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SUBSTATIONS

1. Report below the information called for concerning substations of the respondent as of the end of the year.
2. Substations which serve only one industrial or street railway customer should not be listed below.
3. Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
4. Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation (a)	Character of Substation (b)	VOLTAGE (In MVa) Primary (c)	Secondary (d)	Tertiary (e)
1	Eminence	Transmission*	69.00		
2	Evarts	Transmission*	69.00		
3	Farley - Corbin	Transmission*	161.00	69.00	13.20
4	Farmers - Morehead	Transmission*	80.00	40.00	13.20
5	Fawkes - Richmond	Transmission*	138.00	69.00	13.20
6	Finchville	Transmission*	69.00		
7	FMC - Lexington	Transmission*	69.00		
8	Ghent Plant - Carrollton	Transmission*	345.00	138.00	
9	Ghent Plant - Carrollton	Transmission*	345.00	138.00	25.00
10	Goddard	Transmission*	138.00		
11	Gorge Switching	Transmission*	69.00		
12	Grahamville - Barlow	Transmission*	161.00	69.00	13.20
13	Green River Plant - Greenville	Transmission*	138.00	69.00	13.20
14	Green River Plant - Greenville	Transmission*	161.00	138.00	13.20
15	Green River Steel - Greenville	Transmission*	138.00	69.00	13.20
16	Haefling - Lexington	Transmission*	138.00	69.00	13.20
17	Hardin County - Elizabethtown	Transmission*	345.00	138.00	13.20
18	Hardin County - Elizabethtown	Transmission*	138.00	69.00	13.20
19	Hardinsburg - Hardinsburg	Transmission*	138.00		
20	Harrodsburg	Transmission*	69.00		
21	Harlan "Y" - Harlan	Transmission*	161.00	69.00	13.20
22	Higby Mill - Lexington	Transmission*	138.00	69.00	13.20
23	Hillside	Transmission*	69.00		
24	Howards Branch	Transmission*	161.00		
25	Hughes Lane - Lexington	Transmission*	69.00		
26	Imboden - Big Stone Gap	Transmission*	161.00	69.00	13.20
27	Indian Hill	Transmission*	69.00		
28	Kenton - Maysville	Transmission*	138.00	69.00	13.20
29	KU Park - Pineville	Transmission*	69.00		
30	LaGrange East	Transmission*	69.00		
31	Lake Reba - Richmond	Transmission*	138.00	69.00	13.20
32	Lake Reba Tap - Richmond	Transmission*	161.00	138.00	6.60
33	Lancaster Switching	Transmission*	69.00		
34	Lansdowne - Lexington	Transmission*	138.00	69.00	13.20
35	Lebanon - Lebanon	Transmission*	80.00	40.00	13.20
36	Lebanon City	Transmission*	69.00		
37	Leitchfield - Leitchfield	Transmission*	138.00	69.00	13.20
38	Leitchfield East	Transmission*	69.00		
39	Lexington Plant - Lexington	Transmission*	69.00		
40	Livingston County	Transmission*	161.00		

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Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SUBSTATIONS (Continued)

5. Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVa) (f)	Number of Transformers In Service (g)	Number of Spare Transformers (h)	CONVERSION APPARATUS AND SPECIAL EQUIPMENT Type of Equipment (i)	Number of Units (j)	Total Capacity (In MVa) (k)	Line No.
			NONE			1
			NONE			2
149	1		NONE			3
40	3		NONE			4
299	2		NONE			5
			NONE			6
			NONE			7
450	1	1	NONE			8
448	1		NONE			9
			NONE			10
			NONE			11
93	1		NONE			12
261	2		NONE			13
312	3		NONE			14
93	1		NONE			15
149	1		NONE			16
448	1		NONE			17
149	1		NONE			18
			NONE			19
			NONE			20
94	1		NONE			21
344	3	1	NONE			22
			NONE			23
			NONE			24
			NONE			25
149	1		NONE			26
			NONE			27
145	2		NONE			28
		1	NONE			29
			NONE			30
149	1		NONE			31
200	1		NONE			32
			NONE			33
112	1		NONE			34
100	6		NONE			35
			NONE			36
93	1		NONE			37
			NONE			38
			NONE			39
			NONE			40

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SUBSTATIONS

1. Report below the information called for concerning substations of the respondent as of the end of the year.
2. Substations which serve only one industrial or street railway customer should not be listed below.
3. Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
4. Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation (a)	Character of Substation (b)	VOLTAGE (In MVa) Primary (c)	Secondary (d)	Tertiary (e)
1	London - London	Transmission*	69.00		
2	Loudon Ave - Lexington	Transmission*	138.00	69.00	13.20
3	Lynch - Harlan	Transmission*	69.00		
4	Manchester	Transmission*	69.00		
5	Marion	Transmission*	69.00		
6	Matanzas	Transmission*	161.00	138.00	13.20
7	Meldrum Switching	Transmission*	69.00		
8	Middlesboro - Middlesboro	Transmission*	69.00		
9	Millersburg - Millersburg	Transmission*	69.00		
10	Morganfield - Morganfield	Transmission*	161.00	69.00	13.20
11	Mt. Vernon - Mt. Vernon	Transmission*	69.00		
12	N.A.S.	Transmission*	345.00	138.00	
13	Nebo - Nebo	Transmission*	69.00		
14	Nicholasville	Transmission*	69.00		
15	North London - London	Transmission*	69.00		
16	North Princeton - Princeton	Transmission*	161.00		
17	Ohio County - Beaver Dam	Transmission*	138.00	69.00	13.20
18	Paducah Primary - Paducah	Transmission*	161.00		
19	Paris	Transmission*	138.00	69.00	13.20
20	Pineville - Pineville	Transmission*	345.00	161.00	13.20
21	Pineville - Pineville	Transmission*	500.00	345.00	34.50
22	Pineville - Pineville	Transmission*	161.00	69.00	13.20
23	Pineville Switching - Pineville	Transmission*	161.00		
24	Pisgah - Lexington	Transmission*	138.00	69.00	13.20
25	Pittsburg - London	Transmission*	161.00	69.00	13.20
26	Pocket - Pennington Gap	Transmission*	161.00	69.00	13.20
27	Pocket North - Pennington Gap	Transmission*	500.00	161.00	
28	Princeton - Princeton	Transmission*	69.00		
29	Richmond - Richmond	Transmission*	69.00		
30	River Queen - Muhlenberg	Transmission*	161.00	69.00	13.20
31	Rocky Branch	Transmission*	69.00		
32	Rodburn - Morehead	Transmission*	138.00	69.00	13.20
33	Rogersville - Radcliff	Transmission*	138.00	69.00	13.20
34	Scott County	Transmission*	138.00	69.00	13.20
35	Shelbyville - Shelbyville	Transmission*	69.00		
36	Simmons	Transmission*	69.00		
37	Somerset North - Somerset	Transmission*	69.00		
38	South Paducah	Transmission*	161.00	69.00	13.20
39	Spears Switching	Transmission*	69.00		
40	Spencer Road - Mt. Sterling	Transmission*	138.00	69.00	13.20

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SUBSTATIONS (Continued)

5. Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVa) (f)	Number of Transformers In Service (g)	Number of Spare Transformers (h)	CONVERSION APPARATUS AND SPECIAL EQUIPMENT: Type of Equipment (i)	Number of Units (j)	Total Capacity (In MVa) (k)	Line No.
			NONE			1
262	2	1	NONE			2
			NONE			3
			NONE			4
			NONE			5
400	2		NONE			6
			NONE			7
			NONE			8
			NONE			9
112	1		NONE			10
			NONE			11
450	1		NONE			12
			NONE			13
			NONE			14
			NONE			15
			NONE			16
93	1	3	NONE			17
		3	NONE			18
150	1		NONE			19
560	1		NONE			20
504	1		NONE			21
299	2		NONE			22
			NONE			23
112	1		NONE			24
112	1		NONE			25
187	1		NONE			26
448	1		NONE			27
			NONE			28
			NONE			29
93			NONE			30
			NONE			31
61	1		NONE			32
93	1		NONE			33
93	1		NONE			34
			NONE			35
			NONE			36
			NONE			37
50	1		NONE			38
			NONE			39
89	2		NONE			40

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SUBSTATIONS

1. Report below the information called for concerning substations of the respondent as of the end of the year.
2. Substations which serve only one industrial or street railway customer should not be listed below.
3. Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
4. Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation	Character of Substation	VOLTAGE (In MVa)		
			Primary	Secondary	Tertiary
	(a)	(b)	(c)	(d)	(e)
1	St. Paul	Transmission*	69.00		
2	Stanford North	Transmission*	69.00		
3	Sweet Hollow	Transmission*	69.00		
4	Taylor County - Campbellsville	Transmission*	161.00	69.00	13.20
5	Tyrone - Versailles	Transmission*	138.00	69.00	13.20
6	UK Medical Center - Lexington	Transmission*	69.00		
7	Uniontown	Transmission*	69.00		
8	Versailles Bypass - Versailles	Transmission*	69.00		
9	Virginia City - Norton	Transmission*	138.00	69.00	13.20
10	Walker - Earlington	Transmission*	161.00	69.00	13.20
11	West Cliff - Harrodsburg	Transmission*	138.00	69.00	13.20
12	West Frankfort - Shelbyville	Transmission*	345.00	138.00	13.20
13	West Frankfort - Shelbyville	Transmission*	138.00	69.00	13.20
14	West Garrard - Lancaster	Transmission*	345.00		
15	West Irvine - Irvine	Transmission*	161.00	69.00	13.20
16	West Lexington - Lexington	Transmission*	345.00	138.00	13.20
17	Wheatcroft	Transmission*	69.00		
18	Wickliffe - Barlow	Transmission*	161.00	69.00	13.20
19	Williamsburg Switching	Transmission*	69.00		
20	Winchester	Transmission*	69.00		
21	Wofford	Transmission*	69.00		
22	Total Transmission		19215.00	6083.00	924.10
23					
24	A.O. Smith - Mt. Sterling	Distribution*	69.00	12.47	
25	Adams	Distribution*	69.00	34.50	
26	Adams	Distribution*	69.00	12.47	
27	Airgas	Distribution*	138.00	13.80	
28	Aisin	Distribution*	69.00	12.47	
29	Alexander - Versailles	Distribution*	69.00	12.47	
30	American Ave. - Lexington	Distribution*	69.00	4.16	
31	Andover - Norton	Distribution*	69.00	34.50	
32	Appalachia	Distribution*	69.00	12.47	
33	Ashland Ave. - Lexington	Distribution*	69.00	4.16	
34	Ashland Pipe - Lexington	Distribution*	69.00	12.47	
35	Augusta 12KV	Distribution*	69.00	12.47	
36	Bardstown City	Distribution*	69.00	12.47	
37	Bardstown Industrial	Distribution*	69.00	12.47	
38	Barlow	Distribution*	69.00	12.47	
39	Beaver Dam - Beaver Dam	Distribution*	69.00	12.47	
40	Beaver Dam North - Beaver Dam	Distribution*	69.00	12.47	

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Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SUBSTATIONS (Continued)

5. Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVa)	Number of Transformers In Service	Number of Spare Transformers	CONVERSION APPARATUS AND SPECIAL EQUIPMENT			Line No.
			Type of Equipment	Number of Units	Total Capacity (In MVa)	
(f)	(g)	(h)	(i)	(j)	(k)	
			NONE			1
			NONE			2
			NONE			3
90	1		NONE			4
112	1		NONE			5
			NONE			6
			NONE			7
			NONE			8
120	1		NONE			9
112	1		NONE			10
392	3		NONE			11
450	1		NONE			12
112	1		NONE			13
			NONE			14
56	1		NONE			15
448	1		NONE			16
			NONE			17
93	1		NONE			18
			NONE			19
			NONE			20
			NONE			21
13745	95	11				22
						23
22	1		NONE			24
20	1		NONE			25
22	1		NONE			26
22	1		NONE			27
14	1		NONE			28
22	1		NONE			29
14	1		NONE			30
37	1		NONE			31
11	1		NONE			32
28	2		NONE			33
20	2		NONE			34
14	1		NONE			35
22	1		NONE			36
45	2		NONE			37
11	1		NONE			38
14	1		NONE			39
14	1		NONE			40

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SUBSTATIONS

1. Report below the information called for concerning substations of the respondent as of the end of the year.
2. Substations which serve only one industrial or street railway customer should not be listed below.
3. Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
4. Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation	Character of Substation	VOLTAGE (In MVa)		
			Primary	Secondary	Tertiary
	(a)	(b)	(c)	(d)	(e)
1	Belt Line - Lexington	Distribution*	69.00	12.47	
2	Bevier - Earlington	Distribution*	69.00	34.50	
3	Big Stone Gap - Big Stone Gap	Distribution*	69.00	12.47	
4	Black Branch Road	Disatribution*	138.00	12.47	
5	Bond - Coeburn	Distribution*	69.00	12.47	
6	Bond - Coeburn	Distribution*	69.00	23.00	
7	Boone Ave. - Winchester	Distribution*	69.00	12.47	
8	Boonesboro Park	Distribution*	69.00	12.47	
9	Borg Warner - Earlington	Distribution*	69.00	12.47	
10	Bryant Road - Lexington	Distribution*	69.00	12.47	
11	Buchanan - Lexington	Distribution*	69.00	4.16	
12	Buena Vista	Distribution*	69.00	12.47	
13	Burnside - Somerset	Distribution*	69.00	12.47	
14	Calloway	Distribution*	69.00	12.47	
15	Camargo - Mt. Sterling	Distribution*	69.00	12.47	
16	Camp Breckinridge	Distribution*	69.00	12.47	
17	Campbellsville 1 - Campbellsville	Distribution*	69.00	12.47	
18	Campbellsville Industrial - Campbellsville	Distribution*	69.00	12.47	
19	Carlisle	Distribution*	69.00	12.47	
20	Carntown - Augusta	Distribution*	69.00	12.47	
21	Caron - London	Distribution*	69.00	12.47	
22	Carrollton - Carrollton	Distribution*	69.00	12.47	
23	Catrons Creek	Distribution*	69.00	12.47	
24	Cawood - Harlan	Distribution*	69.00	12.47	
25	Central City	Distribution*	69.00	12.47	
26	Central City South	Distribution*	69.00	12.47	
27	Clay Mills - Lexington	Distribution*	138.00	12.47	
28	Clinch Valley - Norton	Distribution*	69.00	12.47	
29	Clinton	Distribution*	69.00	12.47	
30	Columbia - Columbia	Distribution*	69.00	12.47	
31	Columbia South - Columbia	Distribution*	69.00	12.47	
32	Corbin East - Corbin	Distribution*	69.00	12.47	
33	Corbin US Steel	Distribution*	69.00	12.47	
34	Corning 12KV	Distribution*	69.00	12.47	
35	Corning Harrodsburg	Distribution*	69.00	12.47	
36	Corporate Drive	Distribution*	69.00	12.47	
37	Cynthiana	Distribution*	69.00	12.47	
38	Cynthiana South	Distribution*	67.00	12.47	
39	Danville Central - Danville	Distribution*	69.00	12.47	
40	Danville East - Danville	Distribution*	69.00	12.47	

Name of Respondent Kentucky Utilities Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2013/Q4

SUBSTATIONS (Continued)

5. Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVa)	Number of Transformers In Service	Number of Spare Transformers	CONVERSION APPARATUS AND SPECIAL EQUIPMENT			Line No.
			Type of Equipment	Number of Units	Total Capacity (In MVa)	
(f)	(g)	(h)	(i)	(j)	(k)	
22	1		NONE			1
14	2		NONE			2
42	3		NONE			3
28	1		NONE			4
45	2		NONE			5
22	1		NONE			6
22	1		NONE			7
11	1		NONE			8
22	1		NONE			9
67	3		NONE			10
14	1		NONE			11
14	1		NONE			12
14	1		NONE			13
11	1		NONE			14
28	2		NONE			15
14	1		NONE			16
45	2		NONE			17
22	1		NONE			18
13	2		NONE			19
22	1		NONE			20
22	1		NONE			21
19	2		NONE			22
11	1		NONE			23
14	1		NONE			24
11	1		NONE			25
11	1		NONE			26
37	1		NONE			27
22	1		NONE			28
11	1		NONE			29
14	1		NONE			30
14	1		NONE			31
36	2		NONE			32
11	1		NONE			33
62	5		NONE			34
15	7		NONE			35
29	2		NONE			36
20	2		NONE			37
14	1		NONE			38
29	2		NONE			39
29	2		NONE			40

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SUBSTATIONS

1. Report below the information called for concerning substations of the respondent as of the end of the year.
2. Substations which serve only one industrial or street railway customer should not be listed below.
3. Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
4. Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation (a)	Character of Substation (b)	VOLTAGE (In MVa) Primary (c)	Secondary (d)	Tertiary (e)
1	Danville Industrial - Danville	Distribution*	69.00	12.47	
2	Danville North - Danville	Distribution*	69.00	12.47	
3	Danville West - Danville	Distribution*	69.00	12.47	
4	Dark Hollow - Richmond	Distribution*	69.00	12.47	
5	Dawson Industrial - Earlington	Distribution*	69.00	4.16	
6	Dayhoit	Distribution*	69.00	12.47	
7	Days Branch	Distribution*	69.00	12.47	
8	Dayton - Walther - Carrollton	Distribution*	138.00	12.47	
9	Delaplain - Georgetown	Distribution*	69.00	12.47	
10	Delaplain - Georgetown	Distribution*	69.00	13.80	
11	Denham Street - Somerset	Distribution*	69.00	12.47	
12	Detroit Harvester - Paris	Distribution*	69.00	12.47	
13	Donerail - Lexington	Distribution*	69.00	12.47	
14	Dorchester - Norton	Distribution*	69.00	22.00	
15	Dorchester - Norton	Distribution*	69.00	34.50	
16	Dorchester - Norton	Distribution*	69.00	12.47	
17	Dow Corning - Carrollton	Distribution*	69.00	12.47	
18	Dozier Heights	Distribution*	69.00	12.47	
19	Earlington - Earlington	Distribution*	69.00	34.50	
20	Earlington - Earlington	Distribution*	69.00	12.47	
21	East Bernstadt - London	Distribution*	69.00	12.47	
22	East Stone - Big Stone Gap	Distribution*	69.00	12.47	
23	Eastland - Lexington	Distribution*	69.00	12.47	
24	Eastview	Distribution*	69.00	12.47	
25	Eddyville	Distribution*	69.00	12.47	
26	Eddyville Prison	Distribution*	69.00	12.47	
27	Elizabethtown Industrial - Elizabethtown	Distribution*	69.00	12.47	
28	Eminence - Shelbyville	Distribution*	69.00	12.47	
29	Esserville - Norton	Distribution*	69.00	12.47	
30	Etown #2 - Elizabethtown	Distribution*	69.00	12.47	
31	Etown #3 - Elizabethtown	Distribution*	69.00	12.47	
32	Etown #4 - Elizabethtown	Distribution*	69.00	12.47	
33	Etown #5 - Elizabethtown	Distribution*	69.00	12.47	
34	Etown West - Elizabethtown	Distribution*	69.00	12.47	
35	Evarts	Distribution*	69.00	12.47	
36	Ewington - Mt. Sterling	Distribution*	69.00	12.47	
37	Fairfield - Fairfield	Distribution*	69.00	12.47	
38	Farmers	Distribution*	69.00	12.47	
39	Ferguson South - Somerset	Distribution*	69.00	12.47	
40	Flemingsburg	Distribution*	138.00	12.47	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SUBSTATIONS (Continued)

5. Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVa)	Number of Transformers In Service	Number of Spare Transformers	CONVERSION APPARATUS AND SPECIAL EQUIPMENT			Line No.
			Type of Equipment	Number of Units	Total Capacity (In MVa)	
(f)	(g)	(h)	(i)	(j)	(k)	
45	2		NONE			1
14	1		NONE			2
22	1		NONE			3
14	1		NONE			4
14	1		NONE			5
11	1		NONE			6
14	1		NONE			7
14	1		NONE			8
14	1		NONE			9
22	1		NONE			10
14	1		NONE			11
22	1		NONE			12
14	1		NONE			13
28	1		NONE			14
14	1		NONE			15
14	1		NONE			16
14	1		NONE			17
14	1		NONE			18
20	1		NONE			19
14	1		NONE			20
14	1		NONE			21
25	2		NONE			22
22	1		NONE			23
11	1		NONE			24
14	1		NONE			25
11	1		NONE			26
22	1		NONE			27
28	2		NONE			28
22	1		NONE			29
45	2		NONE			30
33	2		NONE			31
22	1		NONE			32
14	1		NONE			33
22	1		NONE			34
11	1		NONE			35
36	2		NONE			36
14	1		NONE			37
11	1		NONE			38
14	1		NONE			39
14	1		NONE			40

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SUBSTATIONS

1. Report below the information called for concerning substations of the respondent as of the end of the year.
2. Substations which serve only one industrial or street railway customer should not be listed below.
3. Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
4. Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation	Character of Substation	VOLTAGE (In MVa)		
			Primary	Secondary	Tertiary
	(a)	(b)	(c)	(d)	(e)
1	Florida Tile - Lawrenceburg	Distribution*	69.00	12.47	
2	FMC - Lexington	Distribution*	69.00	12.47	
3	Forrestdale	Distribution*	69.00	12.47	
4	Forks of Elkhorn - Georgetown	Distribution*	34.50	12.47	
5	Frankfort - Frankfort	Distribution*	69.00	34.50	
6	Gates Rubber	Distribution*	69.00	2.40	
7	GE Lamp Works - Lexington	Distribution*	69.00	4.16	
8	Georgetown - Georgetown	Distribution*	69.00	12.47	
9	Ghent Plant	Distribution*	138.00	13.20	
10	Green River Steel	Distribution*	69.00	12.47	
11	Green River	Distribution*	69.00	34.50	
12	Greensburg - Campbellsville	Distribution*	69.00	12.47	
13	Greenville 12KV - Muhlenburg	Distribution*	69.00	12.47	
14	Greenville 4KV - Muhlenburg	Distribution*	69.00	4.16	
15	Greenville North - Muhlenburg	Distribution*	69.00	12.47	
16	Haefling - Lexington	Distribution*	138.00	12.47	
17	Haley - Lexington	Distribution*	69.00	12.47	
18	Hamblin - Pennington Gap	Distribution*	69.00	12.47	
19	Hanson - Earlington	Distribution*	69.00	12.47	
20	Hardesty - Earlington	Distribution*	69.00	34.50	
21	Harlan - Harlan	Distribution*	69.00	12.47	
22	Harlan Wye - Harlan	Distribution*	69.00	12.47	
23	Harrodsburg East - Harrodsburg	Distribution*	69.00	12.47	
24	Harrodsburg Industrial - Harrodsburg	Distribution*	69.00	12.47	
25	Harrodsburg North	Distribution*	69.00	12.47	
26	Hartford	Distribution*	69.00	4.16	
27	Higby Mill - Lexington	Distribution*	138.00	12.47	
28	Higby Mill - Lexington	Distribution*	69.00	12.47	
29	Highsplint - Harlan	Distribution*	69.00	12.47	
30	Hodgenville 12KV	Distribution*	69.00	12.47	
31	Hoover 12KV - Georgetown	Distribution*	69.00	12.47	
32	Hopewell - Corbin	Distribution*	69.00	12.47	
33	Horse Cave	Distribution*	69.00	12.47	
34	Horse Cave Industrial - Horse Cave	Distribution*	69.00	12.47	
35	Hughes Lane - Lexington	Distribution*	69.00	12.47	
36	IBM - Lexington	Distribution*	69.00	12.47	
37	IBM North	Distribution*	138.00	12.47	
38	Imboden - Norton	Distribution*	69.00	34.50	
39	Innovation Drive	Distribution*	138.00	12.47	
40	Irvine - Richmond	Distribution*	69.00	12.47	

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Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SUBSTATIONS (Continued)

5. Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVa)	Number of Transformers In Service	Number of Spare Transformers	CONVERSION APPARATUS AND SPECIAL EQUIPMENT			Line No.
			Type of Equipment	Number of Units	Total Capacity (In MVa)	
(f)	(g)	(h)	(i)	(j)	(k)	
14	1		NONE			1
22	1		NONE			2
14	1		NONE			3
14	1		NONE			4
20	1		NONE			5
11	1		NONE			6
14	1		NONE			7
21	2		NONE			8
56	2		NONE			9
25	2		NONE			10
17	1		NONE			11
14	1		NONE			12
14	1		NONE			13
11	1		NONE			14
14	1		NONE			15
39	1		NONE			16
14	1		NONE			17
14	1		NONE			18
14	1		NONE			19
13	1		NONE			20
21	2		NONE			21
28	2		NONE			22
20	2		NONE			23
14	1		NONE			24
14	1		NONE			25
11	1		NONE			26
37	1		NONE			27
22	1		NONE			28
14	1		NONE			29
19	2		NONE			30
22	1		NONE			31
28	2		NONE			32
28	2		NONE			33
45	2		NONE			34
14	1		NONE			35
75	2		NONE			36
34	1		NONE			37
37	1		NONE			38
51	2		NONE			39
14	1		NONE			40

Name of Respondent Kentucky Utilities Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2013/Q4

SUBSTATIONS

1. Report below the information called for concerning substations of the respondent as of the end of the year.
2. Substations which serve only one industrial or street railway customer should not be listed below.
3. Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
4. Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation (a)	Character of Substation (b)	VOLTAGE (In MVa) Primary (c)	Secondary (d)	Tertiary (e)
1	Joseph	Distribution*	69.00	4.16	
2	Joyland - Lexington	Distribution*	69.00	12.47	
3	Kawneer - Cynthiana	Distribution*	69.00	12.47	
4	Kentenia	Distribution*	69.00	12.47	
5	Kenton - Maysville	Distribution*	69.00	12.47	
6	Kentucky State Hospital	Distribution*	69.00	12.47	
7	Kentucky River	Distribution*	69.00	4.16	
8	LaGrange East	Distribution*	69.00	12.47	
9	LaGrange - Penal - LaGrange	Distribution*	69.00	12.47	
10	Lakeshore - Lexington	Distribution*	69.00	12.47	
11	Lancaster - Danville	Distribution*	69.00	4.16	
12	Lansdowne - Lexington	Distribution*	69.00	12.47	
13	Lawrenceburg - Lawrenceburg	Distribution*	69.00	12.47	
14	Lebanon - Lebanon	Distribution*	69.00	12.47	
15	Lebanon East	Distribution*	69.00	12.47	
16	Lebanon Industrial	Distribution*	69.00	12.47	
17	Lebanon South	Distribution*	69.00	12.47	
18	Lebanon Junction	Distribution*	161.00	12.47	
19	Lebanon West	Distribution*	138.00	12.47	
20	Leitchfield - Leitchfield	Distribution*	69.00	12.47	
21	Leitchfield East - Leitchfield	Distribution*	69.00	12.47	
22	Lemons Mill - Georgetown	Distribution*	69.00	12.47	
23	Lexington Water Company	Distribution*	69.00	12.47	
24	Lexington Water Company	Distribution*	69.00	4.16	
25	Lexington Plant - Lexington	Distribution*	69.00	4.16	
26	Liberty - Liberty	Distribution*	69.00	12.47	
27	Liberty Road - Lexington	Distribution*	69.00	12.47	
28	Liggett	Distribution*	69.00	12.47	
29	Lockport	Distribution*	138.00	12.47	
30	London - London	Distribution*	69.00	12.47	
31	Loudon Ave. - Lexington	Distribution*	138.00	12.47	
32	Madisonville GE	Distribution*	69.00	12.47	
33	Madisonville Hospital	Distribution*	69.00	12.47	
34	Madisonville North	Distribution*	69.00	12.47	
35	Madisonville West	Distribution*	69.00	12.47	
36	Madisonville East	Distribution*	69.00	12.47	
37	Manchester South	Distribution*	69.00	12.47	
38	Marion South - Marion	Distribution*	69.00	12.47	
39	Maysville East - Maysville	Distribution*	69.00	4.16	
40	Maysville Mid - Maysville	Distribution*	69.00	4.16	

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Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SUBSTATIONS (Continued)

5. Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
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Capacity of Substation (In Service) (In MVa) (f)	Number of Transformers In Service (g)	Number of Spare Transformers (h)	CONVERSION APPARATUS AND SPECIAL EQUIPMENT Type of Equipment (i)	Number of Units (j)	Total Capacity (In MVa) (k)	Line No.
11	1		NONE			1
36	2		NONE			2
14	1		NONE			3
11	1		NONE			4
28	2		NONE			5
11	1		NONE			6
35	3		NONE			7
36	2		NONE			8
22	1		NONE			9
37	1		NONE			10
14	1		NONE			11
75	2		NONE			12
45	2		NONE			13
14	1		NONE			14
14	1		NONE			15
11	1		NONE			16
14	1		NONE			17
22	1		NONE			18
14	1		NONE			19
14	1		NONE			20
14	1		NONE			21
45	2		NONE			22
45	2		NONE			23
11	1		NONE			24
28	2		NONE			25
14	1		NONE			26
37	1		NONE			27
11	1		NONE			28
11	1		NONE			29
45	2		NONE			30
37	1		NONE			31
22	1		NONE			32
14	1		NONE			33
22	1		NONE			34
22	1		NONE			35
14	1		NONE			36
14	1		NONE			37
14	1		NONE			38
11	1		NONE			39
14	1		NONE			40

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SUBSTATIONS

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2. Substations which serve only one industrial or street railway customer should not be listed below.
3. Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
4. Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation	Character of Substation	VOLTAGE (In MVa)		
			Primary	Secondary	Tertiary
	(a)	(b)	(c)	(d)	(e)
1	McCoy Avenue	Distribution*	69.00	12.47	
2	McKee Road	Distribution*	69.00	12.47	
3	Meldrum - Middlesboro	Distribution*	69.00	12.47	
4	Metal & Thermit - Carrollton	Distribution*	69.00	12.47	
5	Middlesboro #1	Distribution*	69.00	12.47	
6	Middlesboro #2	Distribution*	69.00	12.47	
7	Midway - Versailles	Distribution*	138.00	12.47	
8	Mill Creek	Distribution*	69.00	12.47	
9	Minor Farm	Distribution*	69.00	12.47	
10	Morehead - Morehead	Distribution*	69.00	12.47	
11	Morehead - Morehead	Distribution*	69.00	4.14	
12	Morehead East - Morehead	Distribution*	69.00	4.14	
13	Morehead West - Morehead	Distribution*	69.00	12.47	
14	Morganfield City - Morganfield	Distribution*	69.00	4.14	
15	Morganfield Industrial - Morganfield	Distribution*	69.00	12.47	
16	Mt. Sterling - Mt. Sterling	Distribution*	69.00	12.47	
17	Mt. Vernon - Mt. Vernon	Distribution*	69.00	12.47	
18	Muhlenburg Prison - Muhlenburg	Distribution*	69.00	12.47	
19	Munfordville	Distribution*	69.00	12.47	
20	New Haven	Distribution*	69.00	12.47	
21	Newtown	Distribution*	69.00	12.47	
22	Norton East - Norton	Distribution*	69.00	12.47	
23	Nortonville	Distribution*	34.50	12.47	
24	Oakhill - Earlington	Distribution*	69.00	34.50	
25	Okonite - Richmond	Distribution*	69.00	12.47	
26	Owingsville	Distribution*	69.00	12.47	
27	Oxford - Georgetown	Distribution*	69.00	12.47	
28	Paris - Paris	Distribution*	69.00	12.47	
29	Parker Seal - Winchester	Distribution*	69.00	12.47	
30	Parkers Mill	Distribution*	69.00	12.47	
31	Pepper Pike - Georgetown	Distribution*	34.50	12.47	
32	Picadome - Lexington	Distribution*	69.00	12.47	
33	Picadome - Lexington	Distribution*	69.00	4.16	
34	Pineville	Distribution*	69.00	12.47	
35	Pocket - Norton	Distribution*	69.00	34.50	
36	Poor Valley - Pennington Gap	Distribution*	69.00	12.47	
37	Powderly - Muhlenburg	Distribution*	69.00	12.47	
38	Princeton - Princeton	Distribution*	69.00	34.50	
39	Proctor & Gamble	Distribution*	69.00	4.16	
40	Race Street - Lexington	Distribution*	69.00	12.47	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SUBSTATIONS (Continued)

5. Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVa)	Number of Transformers In Service	Number of Spare Transformers	CONVERSION APPARATUS AND SPECIAL EQUIPMENT			Line No.
			Type of Equipment	Number of Units	Total Capacity (In MVa)	
(f)	(g)	(h)	(i)	(j)	(k)	
14	1		NONE			1
14	1		NONE			2
14	1		NONE			3
14	1		NONE			4
35	3		NONE			5
35	3		NONE			6
14	1		NONE			7
11	1		NONE			8
14	1		NONE			9
14	1		NONE			10
11	1		NONE			11
11	1		NONE			12
11	1		NONE			13
11	1		NONE			14
14	1		NONE			15
14	1		NONE			16
14	1		NONE			17
14	1		NONE			18
11	1		NONE			19
11	1		NONE			20
14	1		NONE			21
14	1		NONE			22
14	1		NONE			23
20	1		NONE			24
36	2		NONE			25
14	1		NONE			26
28	2		NONE			27
28	2		NONE			28
22	1		NONE			29
45	2		NONE			30
14	1		NONE			31
22	1		NONE			32
11	1		NONE			33
28	2		NONE			34
24	4		NONE			35
14	1		NONE			36
14	1		NONE			37
13	1		NONE			38
14	1		NONE			39
14	1		NONE			40

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SUBSTATIONS

1. Report below the information called for concerning substations of the respondent as of the end of the year.
2. Substations which serve only one industrial or street railway customer should not be listed below.
3. Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
4. Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation (a)	Character of Substation (b)	VOLTAGE (In MVa) Primary (c)	Secondary (d)	Tertiary (e)
1	Race Street - Lexington	Distribution*	69.00	4.16	
2	Radcliff - Radcliff	Distribution*	69.00	12.47	
3	Radcliff South - Radcliff	Distribution*	69.00	12.47	
4	Red House	Distribution*	69.00	12.47	
5	Reynolds - Lexington	Distribution*	138.00	12.47	
6	Richmond	Distribution*	69.00	12.47	
7	Richmond #2	Distribution*	69.00	12.47	
8	Richmond #3 (EKU)	Distribution*	69.00	12.47	
9	Richmond East	Distribution*	69.00	12.47	
10	Richmond Industrial	Distribution*	69.00	12.47	
11	Richmond South	Distribution*	69.00	12.47	
12	Rineyville	Distribution*	69.00	12.47	
13	Robbins	Distribution*	69.00	12.47	
14	Rockwell - Winchester	Distribution*	69.00	12.47	
15	Rogers Gap	Distribution*	69.00	12.47	
16	Rogersville - Radcliff	Distribution*	69.00	12.47	
17	Rose Hill	Distribution*	69.00	12.47	
18	Rumsey - Earlington	Distribution*	69.00	34.50	
19	Russell Springs	Distribution*	69.00	12.47	
20	Salem - Earlington	Distribution*	69.00	34.50	
21	Shadrack	Distribution*	69.00	12.47	
22	Shannon Run	Distribution*	69.00	12.47	
23	Sharon - Augusta	Distribution*	69.00	12.47	
24	Shavers Chapel	Distribution*	69.00	12.47	
25	Shawnee Gas	Distribution*	69.00	12.47	
26	Shelbyville North	Distribution*	69.00	12.47	
27	Shelbyville East	Distribution*	69.00	12.47	
28	Shelbyville South	Distribution*	69.00	12.47	
29	Shun Pike	Distribution*	69.00	12.47	
30	Simpsonville - Shelbyville	Distribution*	69.00	12.47	
31	Somerset #2	Distribution*	69.00	4.16	
32	Somerset #3	Distribution*	69.00	12.47	
33	Somerset South	Distribution*	69.00	12.47	
34	Sonora	Distribution*	69.00	12.47	
35	Springfield - Campbellsville	Distribution*	69.00	12.47	
36	St. Paul	Distribution*	69.00	12.47	
37	Stamping Ground	Distribution*	34.50	12.47	
38	Stanford	Distribution*	69.00	12.47	
39	Stanford North	Distribution*	69.00	12.47	
40	Stonewall - Lexington	Distribution*	69.00	12.47	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SUBSTATIONS (Continued)

5. Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVa) (f)	Number of Transformers In Service (g)	Number of Spare Transformers (h)	CONVERSION APPARATUS AND SPECIAL EQUIPMENT: Type of Equipment (i)	Number of Units (j)	Total Capacity (In MVa) (k)	Line No.
21	2		NONE			1
22	1		NONE			2
11	1		NONE			3
14	1		NONE			4
77	2		NONE			5
45	2		NONE			6
22	1		NONE			7
45	2		NONE			8
22	1		NONE			9
22	1		NONE			10
22	1		NONE			11
14	1		NONE			12
11	1		NONE			13
22	1		NONE			14
22	1		NONE			15
22	1		NONE			16
11	1		NONE			17
13	1		NONE			18
14	1		NONE			19
14	1		NONE			20
11	1		NONE			21
14	1		NONE			22
14	1		NONE			23
14	1		NONE			24
15	1		NONE			25
22	1		NONE			26
22	1		NONE			27
36	2		NONE			28
14	1		NONE			29
25	2		NONE			30
14	1		NONE			31
14	1		NONE			32
14	1		NONE			33
11	1		NONE			34
25	2		NONE			35
45	2		NONE			36
14	1		NONE			37
14	1		NONE			38
14	1		NONE			39
37	1		NONE			40

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SUBSTATIONS

1. Report below the information called for concerning substations of the respondent as of the end of the year.
2. Substations which serve only one industrial or street railway customer should not be listed below.
3. Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
4. Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation (a)	Character of Substation (b)	VOLTAGE (In MVa) Primary (c)	Secondary (d)	Tertiary (e)
1	Sylvania - Winchester	Distribution*	69.00	12.47	
2	Taylorsville - Shelbyville	Distribution*	69.00	12.47	
3	Toms Creek	Distribution*	69.00	4.16	
4	Toyota North	Distribution*	138.00	13.20	
5	Toyota South	Distribution*	138.00	13.20	
6	Trafton Ave. - Lexington	Distribution*	69.00	12.47	
7	Trafton Ave. - Lexington	Distribution*	69.00	4.16	
8	UK Scott Street	Distribution*	69.00	12.47	
9	UK Medical Center - Lexington	Distribution*	69.00	12.47	
10	UK West - Lexington	Distribution*	69.00	13.09	
11	Union Underwear - Russell Springs	Distribution*	69.00	12.47	
12	Vaksdahl Avenue	Distribution*	69.00	12.47	
13	Verda - Harlan	Distribution*	69.00	12.47	
14	Versailles West - Versailles	Distribution*	69.00	12.47	
15	Versailles Bypass - Versailles	Distribution*	69.00	12.47	
16	Viley Road - Lexington	Distribution*	138.00	12.47	
17	Vine Street - Lexington	Distribution*	69.00	12.47	
18	Waco	Distribution*	69.00	12.47	
19	Waitsboro - Somerset	Distribution*	69.00	12.47	
20	Warsaw East - Owenton	Distribution*	69.00	12.47	
21	West Hickman - Lexington	Distribution*	69.00	12.47	
22	West High Street - Lexington	Distribution*	69.00	12.47	
23	Westvaco	Distribution*	69.00	13.80	
24	Whitley	Distribution*	69.00	12.47	
25	Wickliffe	Distribution*	69.00	13.80	
26	Wilson Downing - Lexington	Distribution*	69.00	12.47	
27	Williamsburg South - Williamsburg	Distribution*	69.00	12.47	
28	Wilmore - Versailles	Distribution*	69.00	12.47	
29	Winchester Industrial - Winchester	Distribution*	69.00	12.47	
30	Winchester Water	Distribution*	69.00	12.47	
31	Wise - Norton	Distribution*	69.00	12.47	
32	Woodlawn	Distribution*	69.00	12.47	
33	202 Stations Less Than 10 MVa				
34					
35	Total Distribution		21135.00	3739.18	
36					
37	* Unattended				
38					
39					
40	Summary				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SUBSTATIONS (Continued)

5. Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVa) (f)	Number of Transformers In Service (g)	Number of Spare Transformers (h)	CONVERSION APPARATUS AND SPECIAL EQUIPMENT Type of Equipment (i)	Number of Units (j)	Total Capacity (In MVa) (k)	Line No.
26	2		NONE			1
14	1		NONE			2
11	1		NONE			3
84	3		NONE			4
84	3		NONE			5
22	1		NONE			6
14	1		NONE			7
37	1		NONE			8
75	2		NONE			9
42	2		NONE			10
28	2		NONE			11
14	1		NONE			12
14	1		NONE			13
22	1		NONE			14
45	2		NONE			15
39	1		NONE			16
20	2		NONE			17
14	1		NONE			18
14	1		NONE			19
14	1		NONE			20
22	1		NONE			21
28	2		NONE			22
67	3		NONE			23
11	1		NONE			24
14	1		NONE			25
45	2		NONE			26
25	2		NONE			27
18	2		NONE			28
22	1		NONE			29
14	1		NONE			30
22	1		NONE			31
14	1		NONE			32
896	274		NONE			33
						34
7268	656					35
						36
						37
						38
						39
						40

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SUBSTATIONS

1. Report below the information called for concerning substations of the respondent as of the end of the year.
2. Substations which serve only one industrial or street railway customer should not be listed below.
3. Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
4. Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation (a)	Character of Substation (b)	VOLTAGE (In MVa) Primary (c)	Secondary (d)	Tertiary (e)
1	Transmission 137				
2	Distribution 480				
3	Total 617				
4					
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

SUBSTATIONS (Continued)

5. Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVa) (f)	Number of Transformers In Service (g)	Number of Spare Transformers (h)	CONVERSION APPARATUS AND SPECIAL EQUIPMENT: Type of Equipment (i)	Number of Units (j)	Total Capacity (In MVa) (k)	Line No.
13745	95	12				1
7268	656					2
21013	751	12				3
						4
						5
						6
						7
						8
						9
						10
						11
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2013/Q4

TRANSACTIONS WITH ASSOCIATED (AFFILIATED) COMPANIES

1. Report below the information called for concerning all non-power goods or services received from or provided to associated (affiliated) companies.
2. The reporting threshold for reporting purposes is $250,000. The threshold applies to the annual amount billed to the respondent or billed to an associated/affiliated company for non-power goods and services. The good or service must be specific in nature. Respondents should not attempt to include or aggregate amounts in a nonspecific category such as "general".
3. Where amounts billed to or received from the associated (affiliated) company are based on an allocation process, explain in a footnote.

Line No.	Description of the Non-Power Good or Service (a)	Name of Associated/Affiliated Company (b)	Account Charged or Credited (c)	Amount Charged or Credited (d)
1	**Non-power Goods or Services Provided by Affiliated**			
2	Capital Expenditures	Louisville Gas and Electric Company	see footnote	6,246,988
3	Direct-Indirect Labor	Louisville Gas and Electric Company	see footnote	8,432,774
4	Equipment and Facilities	Louisville Gas and Electric Company	see footnote	500,056
5	Office and Administrative Services	Louisville Gas and Electric Company	see footnote	14,508
6	Materials and Fuels	Louisville Gas and Electric Company	see footnote	235,049
7	Outside Services	Louisville Gas and Electric Company	see footnote	507,669
8				
9	Capital Expenditures	LG&E and KU Services Company	see footnote	36,317,342
10	Direct-Indirect Labor	LG&E and KU Services Company	see footnote	88,581,778
11	Equipment and Facilities	LG&E and KU Services Company	see footnote	11,965,455
12	Office and Administrative Services	LG&E and KU Services Company	see footnote	5,962,704
13	Materials and Fuels	LG&E and KU Services Company	see footnote	1,459,620
14	Outside Services	LG&E and KU Services Company	see footnote	15,114,564
15				
16				
17				
18				
19				
20	**Non-power Goods or Services Provided for Affiliate**			
21	Capital Expenditures	Louisville Gas and Electric Company	see footnote	5,508,657
22	Direct-Indirect Labor	Louisville Gas and Electric Company	see footnote	1,139,227
23	Equipment and Facilities	Louisville Gas and Electric Company	see footnote	296,311
24	Office and Administrative Services	Louisville Gas and Electric Company	see footnote	83,705
25	Materials and Fuels	Louisville Gas and Electric Company	see footnote	30,728
26	Outside Services	Louisville Gas and Electric Company	see footnote	164,101
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40	see footnote for allocation process			
41				
42				

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) X An Original (2) __ A Resubmission	/ /	2013/Q4

FOOTNOTE DATA

Schedule Page: 429 Line No.: 2 Column: c
Accounts charged include: 107 and 108

Schedule Page: 429 Line No.: 3 Column: c
Accounts charged include: 163, 173, 183, 184, 232, 236, 408, 426, 500-502, 505, 506, 510-514, 535, 546, 548, 549, 552-554, 556, 560-562 566, 570, 573, 580, 581-583, 586, 588, 592-595, 598, 901-903, 905, 908, 920, 925, 926, 930 and 935

Schedule Page: 429 Line No.: 4 Column: c
Accounts charged include: 163, 165, 184, 186, 426, 454, 500, 501, 510-513, 550, 552-554, 556, 560-563, 566, 570, 571, 573, 580-583, 586, 588, 590, 592-595, 598, 901-903, 907, 925, 930, 931 and 935

Schedule Page: 429 Line No.: 5 Column: c
Accounts charged include: 158, 500, 506, 549, 553, 561, 566, 570, 580, 581, 583, 586, 588, 592, 594, 595, 598, 901, 903, 920, 921 and 935

Schedule Page: 429 Line No.: 6 Column: c
Accounts charged include: 158, 163, 184, 506, 511-514, 544, 550, 552-554, 562, 563, 566, 570, 573, 580, 583, 586, 588, 590, 592-594 and 923

Schedule Page: 429 Line No.: 7 Column: c
Accounts charged include: 184, 186, 500, 501, 550, 552-554, 562, 563, 566, 570, 573, 584, 588, 594, 595 and 923

Schedule Page: 429 Line No.: 9 Column: c
Accounts charged include: 107 and 108

Schedule Page: 429 Line No.: 10 Column: c
Accounts charged include: 163, 183, 184, 186, 232, 236, 408, 426, 500-502, 506, 510-513, 553, 556, 560-563, 566, 570, 571, 573, 580-583, 586, 588, 590, 592-594, 598, 901-903, 905, 907, 908, 920, 921, 925, 926, 930 and 935

Schedule Page: 429 Line No.: 11 Column: c
Accounts charged include: 163, 165, 183, 184, 186, 426, 500-502, 506, 510-514, 556, 560-563, 566, 570, 571, 573, 580-583, 586, 588, 592-594, 598, 901-903, 905, 907, 908, 921, 923, 925, 930, 931 and 935

Schedule Page: 429 Line No.: 12 Column: c
Accounts charged include: 165, 184, 426, 500-502, 505, 506, 510, 512-514, 549, 553, 556, 560-563, 566, 570, 571, 573, 580-583, 586, 588, 590, 592, 593, 598, 901-903, 905, 907-910, 920, 921, 923, 925, 928, 930 and 935

Schedule Page: 429 Line No.: 13 Column: c
Accounts charged include: 163, 184, 426, 500-502, 506, 510, 514, 553, 560, 561, 566, 570, 573, 580, 583, 586, 588, 593, 598, 901, 903, 907-909, 921, 923 and 935

Schedule Page: 429 Line No.: 14 Column: c
Accounts charged include: 163, 165, 183, 184, 186, 426, 500-502, 505, 506, 510, 511, 513, 514, 553, 556, 560, 561, 566, 570, 580, 581, 583, 584, 586, 588, 592-594, 598, 901-903, 905, 908, 909, 921, 923, 928, 930 and 935

Schedule Page: 429 Line No.: 21 Column: c
Accounts charged include: 107 and 108

Schedule Page: 429 Line No.: 22 Column: c
Accounts charged include: 183, 184, 232, 236, 408, 500, 506, 513, 546, 549, 551-554, 560, 561, 566, 570, 580, 581, 583, 592, 593, 598, 818, 880, 901, 903, 908, 920, 922, 925, 926 and 935

Schedule Page: 429 Line No.: 23 Column: c
Accounts charged include: 165, 184, 186, 426, 500-502, 506, 510, 513, 552, 560-563, 566, 570, 571, 573, 580-583, 586, 588, 592, 593, 598, 834, 856, 880, 887, 901, 903, 907, 908, 921, 925, 930 and 935

Schedule Page: 429 Line No.: 24 Column: c
Accounts charged include: 184, 426, 500, 501, 506, 549, 560, 566, 570, 580, 583, 588, 592-594, 598, 880, 887, 921, 930 and 935

Schedule Page: 429 Line No.: 25 Column: c
Accounts charged include: 163, 184, 506, 512, 513, 552, 560, 566, 570, 580, 586, 593, 598

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and 921

Schedule Page: 429 Line No.: 26 Column: c

Accounts charged include: 163, 184, 500, 553, 560, 563, 566, 570, 571, 582, 586, 593, 902, 921 and 935

Schedule Page: 429 Line No.: 40 Column: a

Costs between Kentucky Utilities Company and Louisville Gas and Electric Company are charged directly and are not allocated.

LKS will allocate the costs of service among the affiliated companies using one of several methods that most accurately distributes the costs. The method of cost allocation varies based on the department rendering the service. Any of the methods may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes in the business, but are generally determined annually. The assignment methods currently used by LKS are as follows:

Contract Ratio – Based on the sum of the physical amount (i.e. tons of coal, cubic feet of natural gas) of the contract for both coal and natural gas for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affected affiliate company and the denominator of which is for all operating companies and affected affiliate companies. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Departmental Charge Ratio – A specific LKS department ratio based upon various factors. The departmental charge ratio typically applies to indirectly attributable costs such as departmental administrative, support, and/or material and supply costs that benefit more than one affiliate and that require allocation using general measures of cost causation. Methods for assignment are department-specific depending on the type of service being performed and are documented and monitored by the Budget Coordinators for each department. The numerator and denominator vary by department. The ratio is based upon various factors such as labor hours, labor dollars, departmental or entity headcount, capital expenditures, operations & maintenance costs, retail energy sales, charitable contributions, generating plant sites, average allocation of direct reports, net book value of utility plant, total line of business assets, electric capital expenditures, substation assets and transformer assets. These ratios are calculated on an annual basis. Any changes in these ratios will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in any of these ratios from that used in the prior year.

Electric Peak Load Ratio – Based on the sum of the monthly electric maximum system demands for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company and the denominator of which is for all operating companies. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Energy Marketing Ratio – Based on the absolute value of megawatt hours purchased and sold for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affiliate and the denominator of which is for all operating companies and affected affiliate companies. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Generation Ratio – Based on the annual forecast of megawatt hours, the numerator of which is for an operating company or an affiliate and the denominator of which is for all operating companies and affected affiliate companies. This ratio is calculated on an annual

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annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Non-Fuel Material and Services Expenditures – Based on non-fuel material and services expenditures, net of reimbursements, for the immediately preceding twelve consecutive calendar months. The numerator is equal to such expenditures for a specific entity and/or line-of-business as appropriate and the denominator is equal to such expenditures for all applicable entities. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Number of Customers Ratio – Based on the number of retail electric and/or gas customers. This ratio will be determined based on the actual number of customers at the end of the previous calendar year. In some cases, the ratio may be calculated based on the type of customer class being served (i.e. Residential, Commercial or Industrial). The numerator is the total number of each Company’s retail customers. The denominator is the total number of retail customers for both LG&E and KU. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Number of Employees Ratio – Based on the number of employees benefiting from the performance of a service. This ratio will be determined based on actual counts of applicable employees at the end of the previous calendar year. A two-step assignment methodology is utilized to properly allocate LKS employee costs to the proper legal entity. The numerator for the first step of this ratio is the total number of employees for each specific company, and the denominator is the total number of employees for all companies in which an allocator is assigned (i.e. LG&E, KU and LKS). For the second step, the ratio of LKS to total employees will then be allocated to the other companies (LG&E, KU and LKC) based on each company’s ratio of labor dollars to total labor dollars. (LKC has no employees, but non-utility related labor is charged to it.) This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Number of Meters Ratio – Based on the number or types of meters being utilized by all levels of customer classes within the system for the immediately preceding twelve consecutive calendar months. The numerator is equal to the number of meters for each utility and the denominator is equal to the total meters for KU and LG&E. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Number of Transactions Ratio – Based on the sum of transactions occurring in the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affected affiliate company and the denominator of which is for all operating companies and affected affiliate companies. For example, services pertaining to Materials Logistics would define the transaction as the number of items ordered, picked and disbursed out of the warehouse. Services pertaining to Accounts Payable would define the transaction as the number of invoices processed. The Controller’s organization is responsible for maintaining and monitoring specific product/service methodology documentation for actual transactions related to LKS billings. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Revenue Ratio – Based on the sum of the revenue for the immediately preceding twelve

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consecutive calendar months, the numerator of which is for an operating company or an affected affiliate company and the denominator of which is for all operating companies and affected affiliate companies. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Revenue, Total Assets and Number of Employees Ratio – Based on an average of the revenue, total assets and number of employees ratios. This ratio is independently calculated for LG&E and KU. The numerator is the sum of Revenue Ratio, Total Assets Ratio and Number of Employees Ratio for the specific company. The denominator is three – the number of ratios being averaged. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Total Assets Ratio – Based on the total assets at year end for the preceding year. In the event of joint ownership of a specific asset, asset ownership percentages are utilized to assign costs. The numerator is the total assets for each specific company at the end of the preceding year. The denominator is the sum of total assets for each company in which an allocator is assigned (LG&E, KU and LKC). This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Total Utility Plant Assets Ratio – Based on the total utility plant assets at year end for the preceding year, the numerator of which is for an operating company or affected affiliate company and the denominator of which is for all operating companies and affected affiliate companies. In the event of joint ownership of a specific asset, ownership percentages are utilized to assign costs. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Transportation Resource Management System Chargeback Ratio – Based on the costs associated with providing and operating transportation fleet for all affiliated companies including developing fleet policy, administering regulatory compliance programs, managing repair and maintenance of vehicles and procuring vehicles. Such rates are applied based on the specific equipment employment and the measured usage of services by the various company entities. This ratio is calculated monthly based on the actual transportation charges from the previous month. The numerator is the department labor charged to a specific company. The denominator is the total labor costs for the specific department. The ratio is then multiplied by the total transportation costs to determine the amount charged to each company.

Ownership Percentages – Based on the contractual ownership percentages of jointly-owned generating units. This ratio is updated as a result of new jointly-owned generating units, and is based on the total forecasted energy needs. The numerator is the specific company's forecasted incremental capacity and/or energy needs. The denominator is the total incremental capacity and/or energy needs of all companies.

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Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(l)
Sponsoring Witness: Kent W. Blake

Description of Filing Requirement:

The annual report to shareholders or members and the statistical supplements covering the most recent two (2) years from the application filing date.

Response:

There are no annual reports to shareholders or members during the period referenced. KU does not publish a statistical supplement.

Federal securities rules generally require the delivery of annual reports to public shareholders when requesting their vote via certain proxy solicitations. During the period in question, the common stock of KU has been wholly-owned by LG&E and KU Energy LLC, which is a wholly-owned subsidiary of PPL Corporation.

Copies of the audited annual financial statements and other financial information of KU relating to the period described are provided in Filing Requirement 807 KAR 5:001 Section 16(7)(p), [Tab No. 46].

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(m)
Sponsoring Witness: Valerie L. Scott

Description of Filing Requirement:

The current chart of accounts if more detailed than the Uniform System of Accounts chart prescribed by the commission.

Response:

See attached.

Account Number	Account Description
101101	PROPERTY UNDER CAPITAL LEASES
101102	PLANT IN SERVICE - ELECTRIC FRANCHISES AND CONSENTS
101103	PLANT IN SERVICE - MISC. INTANGIBLE PLANT
101104	PLANT IN SERVICE - ELECTRIC LAND
101105	PLANT IN SERVICE - ELECTRIC STRUCTURES
101106	PLANT IN SERVICE - ELECTRIC EQUIPMENT
101107	PLANT IN SERVICE - ELECTRIC ARO ASSET RETIREMENT COST-EQUIPMENT
101108	PLANT IN SERVICE - ELECTRIC HYDRO EQUIPMENT
101109	PLANT IN SERVICE - ELECTRIC DISTRIBUTION EQUIPMENT
101110	PLANT IN SERVICE - LEASED PROPERTY
101111	PLANT IN SERVICE - ELECTRIC GENERAL EQUIPMENT
101112	PLANT IN SERVICE - ELECTRIC COMMUNICATION EQUIPMENT
101113	PLANT IN SERVICE - ELECTRIC LAND RIGHTS
101125	PLANT IN SERVICE - ELECTRIC ARO ASSET RETIREMENT COST-LAND/BUILDING
101202	PLANT IN SERVICE - GAS FRANCHISES AND CONSENTS
101204	PLANT IN SERVICE - GAS LAND
101205	PLANT IN SERVICE - GAS STRUCTURES
101206	PLANT IN SERVICE - GAS UNDERGROUND AND TRANSMISSION EQUIPMENT
101207	PLANT IN SERVICE - GAS ARO ASSET RETIREMENT COST-EQUIPMENT
101208	PLANT IN SERVICE - GAS TRANSPORTATION EQUIPMENT
101209	PLANT IN SERVICE - GAS DISTRIBUTION EQUIPMENT
101211	PLANT IN SERVICE - GAS GENERAL EQUIPMENT
101213	PLANT IN SERVICE - GAS LAND RIGHTS
101225	PLANT IN SERVICE - GAS ARO ASSET RETIREMENT COST-LAND/BUILDING
101301	PLANT IN SERVICE - COMMON ORGANIZATION
101302	PLANT IN SERVICE - COMMON FRANCHISES AND CONSENTS
101303	PLANT IN SERVICE - COMMON MISC. INTANGIBLE PLANT
101304	PLANT IN SERVICE - COMMON LAND
101305	PLANT IN SERVICE - COMMON STRUCTURES
101311	PLANT IN SERVICE - COMMON GENERAL EQUIPMENT
101312	PLANT IN SERVICE - COMMON COMMUNICATION EQUIPMENT
101313	PLANT IN SERVICE - COMMON LAND RIGHTS
101315	PLANT IN SERVICE - COMMON GENERAL EQUIPMENT
101325	PLANT IN SERVICE - COMMON ARO ASSET RETIREMENT COST-LAND/BUILDING
102001	ELECTRIC PLANT-PURCHASED OR SOLD
105001	PLT HELD FOR FUT USE
105002	PLANT HELD FOR FUTURE USE - LAND RIGHTS
106103	COMPL CONST NOT CL - MISC. INTANGIBLE PLANT
106104	COMPL CONST NOT CL - ELECTRIC LAND
106105	COMPL CONST NOT CL - ELECTRIC STRUCTURES
106106	COMPL CONST NOT CL - ELECTRIC EQUIPMENT
106108	COMPL CONST NOT CL - ELECTRIC HYDRO EQUIPMENT
106109	COMPL CONST NOT CL - ELECTRIC DISTRIBUTION EQUIPMENT
106111	COMPL CONST NOT CL - ELECTRIC GENERAL EQUIPMENT
106112	COMPL CONST NOT CL - ELECTRIC COMMUNICATION EQUIPMENT
106113	COMPL CONST NON CL-ELECTRIC LAND RIGHTS
106205	COMPL CONST NOT CL - GAS STRUCTURES
106206	COMPL CONST NOT CL - GAS UGD AND TRANSMISSION EQUIP
106208	COMPL CONST NOT CL - GAS TRANSPORTATION EQUIPMENT
106209	COMPL CONST NOT CL - GAS DISTRIBUTION EQUIPMENT
106211	COMPL CONST NOT CL - GAS GENERAL EQUIPMENT
106213	COMPL CONST NON CL-GAS LAND RIGHTS
106303	COMPL CONST NOT CL - COMMON MISC. INTANGIBLE PLANT
106305	COMPL CONST NOT CL - COMMON STRUCTURES
106311	COMPL CONST NOT CL - COMMON GENERAL EQUIPMENT
106312	COMPL CONST NOT CL - COMMON COMMUNICATION EQUIPMENT
106313	COMPL CONST NON CL-COMMON LAND RIGHTS
106315	COMPL CONST NOT CL - COMMON GENERAL EQUIPMENT
107001	CONSTR WORK IN PROG
108104	ACCUM. DEPR. - ELECTRIC LAND RIGHTS
108105	ACCUM. DEPR. - ELECTRIC STRUCTURES
108106	ACCUM. DEPR. - ELECTRIC EQUIPMENT
108107	ACCUM. DEPR. - ELECTRIC ARO ASSET RETIREMENT COST-EQUIPMENT
108108	ACCUM. DEPR. - ELECTRIC HYDRO EQUIPMENT
108109	ACCUM. DEPR. - ELECTRIC DISTRIBUTION EQUIPMENT
108110	ACCUM. DEPR. - LEASED PROPERTY
108111	ACCUM. DEPR. - ELECTRIC GENERAL EQUIPMENT
108112	ACCUM. DEPR. - ELECTRIC COMMUNICATION EQUIP.
108113	ACCUM. DEPR. - ELECTRIC TRANSPORTATION EQUIP.
108114	ACCUM. DEPR. - COR - ELECTRIC LAND RIGHTS
108115	ACCUM. DEPR. - COR - ELECTRIC STRUCTURES
108116	ACCUM. DEPR. - COR - ELECTRIC EQUIPMENT
108118	ACCUM. DEPR. - COR - ELECTRIC HYDRO EQUIPMENT
108119	ACCUM. DEPR. - COR - ELECTRIC DISTRIBUTION
108120	ACCUM. DEPR. - COR - ELECTRIC GENERAL PROPERTY
108121	ACCUM. DEPR. - COR - ELECTRIC COMMUNICATION EQUIP.
108122	ACCUM. DEPR. - COR - LEASED PROPERTY
108125	ACCUM. DEPR. - ELECTRIC ARO ASSET RETIREMENT COST-LAND/BUILDING
108204	ACCUM. DEPR. - GAS LAND RIGHTS
108205	ACCUM. DEPR. - GAS STRUCTURES
108206	ACCUM. DEPR. - GAS UNDERGROUND & TRANSMISSION EQUIPMENT
108207	ACCUM. DEPR. - GAS ARO ASSET RETIREMENT COST-EQUIPMENT
108209	ACCUM. DEPR. - GAS DISTRIBUTION EQUIPMENT
108211	ACCUM. DEPR. - GAS GENERAL EQUIP.
108213	ACCUM. DEPR. - GAS TRANSPORTATION EQUIP.

Account Number	Account Description
108215	ACCUM. DEPR. - COR - GAS STRUCTURES
108216	ACCUM. DEPR. - COR - GAS UNDERGROUND & TRANSMISSION EQUIP.
108219	ACCUM. DEPR. - COR - GAS DISTRIBUTION EQUIPMENT
108220	ACCUM. DEPR. - COR - GAS GENERAL EQUIP.
108225	ACCUM. DEPR. - GAS ARO ASSET RETIREMENT COST-LAND/BUILDING
108304	ACCUM. DEPR. - COMMON LAND RIGHTS
108305	ACCUM. DEPR. - COMMON STRUCTURES
108311	ACCUM. DEPR. - COMMON GENERAL EQUIPMENT
108312	ACCUM. DEPR. - COMMON COMMUNICATION EQUIPMENT
108313	ACCUM. DEPR. - COMMON TRANSPORTATION EQUIP.
108314	ACCUM. DEPR. - COMMON GENERAL EQUIPMENT - NONUTILITY
108315	ACCUM. DEPR. - COR - COMMON STRUCTURES
108321	ACCUM. DEPR. - COR - COMMON EQUIPMENT
108325	ACCUM. DEPR. - COMMON ARO ASSET RETIREMENT COST-LAND/BUILDING
108414	ACCUM. DEPR. - SALVAGE - ELECTRIC LAND RIGHTS
108415	ACCUM. DEPR. - SALVAGE - ELECTRIC STRUCTURES
108416	ACCUM. DEPR. - SALVAGE - ELECTRIC EQUIPMENT
108418	ACCUM. DEPR. - SALVAGE - ELECTRIC HYDRO EQUIPMENT
108419	ACCUM. DEPR. - SALVAGE - ELECTRIC DISTRIBUTION
108420	ACCUM. DEPR. - SALVAGE - ELECTRIC GENERAL PROPERTY
108421	ACCUM. DEPR. - SALVAGE - ELECTRIC COMMUNICATION EQUIP.
108515	ACCUM. DEPR. - SALVAGE - GAS STRUCTURES
108516	ACCUM. DEPR. - SALVAGE - GAS UNDERGROUND & TRANSMISSION EQUIP.
108519	ACCUM. DEPR. - SALVAGE - GAS DISTRIBUTION EQUIPMENT
108520	ACCUM. DEPR. - SALVAGE - GAS GENERAL EQUIP.
108621	ACCUM. DEPR. - SALVAGE - COMMON EQUIPMENT
108622	ACCUM. DEPR. - SALVAGE - COMMON COMMUNICATION EQUIPMENT
108799	RWIP-ARO LEGAL
108901	RETIREMENT - RWIP
111102	AMORTIZATION EXPENSE - ELECTRIC FRANCHISES AND CONSENTS
111103	AMORTIZATION EXPENSE - ELECTRIC INTANGIBLES
111202	AMORTIZATION EXPENSE - GAS FRANCHISES AND CONSENTS
111302	AMORTIZATION EXPENSE - COMMON FRANCHISES AND CONSENTS
111303	AMORTIZATION EXPENSE - COMMON INTANGIBLES
117001	GAS STORED-NONCUR
117101	GAS STORED - NONCURRENT RECOVERABLE BASE GAS
121001	NONUTIL PROP IN SERV
121007	PLANT IN SERVICE - ELECTRIC ARO ASSET RETIREMENT COST-EQUIPMENT
121103	MACHINERY & EQUIPMENT
121105	LEASEHOLD IMPROVEMENTS
121106	COMPUTER EQUIPMENT
121107	FURNITURE & FIXTURES
121108	COMPUTER SOFTWARE
122001	ACCUM DEPR/DEPL
122002	ACCUM AMORT-NONUTIL
122007	ACCUM. DEPR. - ELECTRIC ARO ASSET RETIRMENT COST-EQUIPMENT
122203	MACHINERY & EQUIPMENT - ACCUM DEPRECIATION
122205	LEASEHOLD IMPROVEMENTS - ACCUM DEPRECIATION
122206	COMPUTER EQUIPMENT - ACCUM DEPRECIATION
122207	FURNITURE & FIXTURES - ACCUM DEPRECIATION
122208	COMPUTER SOFTWARE - ACCUM DEPRECIATION
123102	INVESTMENT IN LGE PA ADJS
123103	INVEST IN LGE
123104	INVEST IN LGE CAPITAL
123105	INVESTMENT IN KU
123108	INVEST IN LEM
123109	INVEST IN SERVCO
123116	INVEST IN WKE
123118	INVEST IN FCD LLC
123123	INVESTMENT IN OVEC
123124	INVESTMENT IN DHA
123125	INVEST IN LGE CAPITAL PA ADJS
123126	INVEST IN HOME SERVICES PA ADJS
123127	INVEST IN SERVCO PA ADJS
123128	INVEST IN WKE PA ADJS
123129	INVEST IN FCD LLC PA ADJS
123130	INVEST IN LEM PA ADJS
123133	INVEST IN DOWNTOWN COMMERICAL LOAD FUND
123134	INVESTMENT IN SUBS - CURRENT-YEAR EQUITY IN EARNINGS
123175	INVESTMENT IN KU PA ADJS
128023	PREPAID PENSION
128026	COLLATERAL DEPOSIT - IR SWAPS
128027	RESTRICTED CASH - NON-CURRENT
131024	CASH- BNY MELLON BANK
131033	US BANK - LGE - LOUISVILLE
131050	SUNDRY CASH COLLECT
131069	CASH CLEARING - CCS
131080	CASH LOCKBOX - BANK OF AMERICA - LOUISVILLE
131090	CASH-BOA A/P - CLEARING
131091	CASH-BOA PAYROLL
131092	CASH-BOA FUNDING
131093	CASH AT BANK - ARMORED CAR CREDIT
131203	US BANK - DANVILLE
131204	BANK OF AMERICA - REGULUS - KU
131205	FIRST SOUTHERN NATIONAL BANK - BARLOW
131206	US BANK - ELIZABETHTOWN

Account Number	Account Description
131207	FIRST UNITED BANK OF HOPKINS COUNTY - EARLINGTON
131208	BB&T - KU - EDDYVILLE
131209	FIRST NATIONAL BANK - GREENVILLE
131210	FIFTH THIRD BANK - MORGANFIELD
131211	US BANK - GEORGETOWN
131212	US BANK - WINCHESTER
131213	US BANK - RICHMOND
131214	CITIZENS BANK & TRUST CO - CAMPBELLSVILLE
131215	US BANK - SHELBYVILLE
131216	US BANK - MT. STERLING
131217	US BANK - LEXINGTON
131218	US BANK - MAYSVILLE
131221	US BANK - VERSAILLES
131223	CITIZENS BANK - MOREHEAD
131224	KENTUCKY BANK - PARIS
131226	US BANK - CARROLLTON
131227	US BANK - MASTER ROLL UP ACCOUNT
131229	CUMBERLAND VALLEY NATIONAL - LONDON
131230	FIRST STATE BANK - MIDDLESBORO
131231	BANK OF HARLAN - HARLAN
131232	CITIZENS NATIONAL BANK - SOMERSET
131233	FIRST BANK & TRUST - NORTON
131234	LEE BANK AND TRUST CO - PENNINGTON GAP
131235	BANK OF AMERICA (BANK DRAFTS) - KU LOUISVILLE
131236	US BANK - BARLOW 134-1
131237	US BANK - EARLINGTON 141-5
131238	US BANK - EDDYVILLE 150-1
131239	US BANK - GREENVILLE 161-2
131240	US BANK - MORGANFIELD 171-1
131241	US BANK - CAMPBELLSVILLE 222-2
131242	US BANK - MOREHEAD 342-2
131243	US BANK - PARIS 351-1
131244	US BANK - LONDON 421-2
131245	US BANK - MIDDLESBORO 431-1
131246	US BANK - HARLAN 441-2
131247	US BANK - SOMERSET 451-1
131248	US BANK - NORTON 761-2
131249	US BANK - PENNINGTON GAP 773-1
131250	US BANK - DANVILLE 211-2
131251	US BANK - RICHMOND 231-2
131252	US BANK - E-TOWN 241-1
131253	US BANK - SHELBYVILLE 251-2
131254	US BANK - LEXINGTON 311-9
131255	US BANK - GEORGETOWN 321-3
131256	US BANK - VERSAILLES 331-3
131257	US BANK - MT. STERLING 341-2
131258	US BANK - MAYSVILLE 361-1
131259	US BANK - CARROLLTON 371-2
131260	US BANK - WINCHESTER 385-3
134007	RESTRICTED CASH - SHORT TERM
135001	WORKING FUNDS
136005	TEMP INV-OTHER
136015	TEMP INV-MONEY POOL-GOLDMAN SACHS <3 MOS
136016	TEMP INV-GOLDMAN SACHS-CASH UNRESTRICTED
136018	TEMP INV-FIDELITY INVESTMENTS-CASH UNRESTRICTED
136019	TEMP INV-JPMORGAN-CASH UNRESTRICTED
136020	TEMP INV-UBS-CASH UNRESTRICTED
141004	NOTES RECEIVABLE - INDUSTRIAL AUTHORITY
141005	RESERVE FOR NOTES RECEIVABLE - INDUSTRIAL AUTHORITY
142001	CUST A/R-ACTIVE
142002	A/R - UNPOSTEC CASH
142003	WHOLESALE SALES A/R
142004	TRANSMISSION RECEIVABLE
142012	ACCTS REC - MISC CUSTOMERS - SUNDRY
142999	CUST A/R KU SUSP CIS- ACCTG USE ONLY
143001	A/R-OFFICERS/EMPL
143003	ACCTS REC - IMEA
143004	ACCTS REC - IMPA
143006	ACCTS REC - BILLED PROJECTS
143007	ACCTS REC - NON PROJECT UTIL ACCT USE ONLY
143011	INSURANCE CLAIMS
143012	ACCTS REC - MISCELLANEOUS
143017	ACCTS REC - DAMAGE CLAIMS (DTS)
143022	ACCTS REC - BEYOND THE METER
143024	A/R MUTUAL AID
143027	INCOME TAX RECEIVABLE - FEDERAL
143028	INCOME TAX RECEIVABLE - STATE
143030	EMPLOYEE PAYROLL ADVANCES
143032	ACCTS REC - TAX REFUNDS
143033	DEFAULT EMPLOYEE RECEIVABLES
143035	A/R - EUSIC/EON
143036	SUSPENSE - PPL
143037	STATE INCOME TAX RECEIVABLE
143040	ACCTS REC - WKE UNWIND - DISPATCH, IT ADHOC, & CENTURY
143041	COBRA/LTD BENEFITS - RECEIVABLE
143052	ACCOUNTS RECEIVABLE - IMEA/IMPA OFFSET

Account Number	Account Description
143053	BECHTEL RECEIVABLE LIQUIDATED
144001	UNCOLL ACCT-CR-UTIL
144002	UNCOLL ACCT-DR-C/OFF
144003	UNCOLL ACCT-CR-RECOV
144004	UNCOLL ACCT-CR-OTHER
144006	UNCOLL ACCT-A/R MISC
144011	UNCOLL MISC A/R PROVISION
144014	UNCOLL A/R - WKE RESERVES
144015	UNCOLL A/R - BECHTEL RESERVE
144016	UNCOLL A/R - CENTURY INTEREST
145006	NOTES RECEIVABLE FROM LEM
145011	N/R - MONEY POOL - LGE
145012	N/R - MONEY POOL - KU
145013	N/R - MONEY POOL - LCC
145015	N/R - MONEY POOL - LEM
145020	NOTES RECEIVABLE FROM LKE - CURRENT
145021	NOTES RECEIVABLE - PPL ENERGY FUNDING - CURRENT
145022	N/R - MONEY POOL - FCD
145023	N/R - MONEY POOL - WKE
145025	NOTES RECEIVABLE FROM LG&E AND KU ENERGY LLC NON-CURRENT
145026	NOTES RECEIVABLE FROM LEM-NON CURRENT
145100	N/R MONEY POOL - LG&E AND KU ENERGY LLC
146048	INTERCOMPANY DIVIDENDS RECEIVABLE FROM LG&E COMPANY
146049	INTERCOMPANY ADVANCE FROM LG&E
146050	INTERCOMPANY ADVANCE FROM KU
146053	INTERCOMPANY PENSION RECEIVABLE
146054	I/C RECEIVABLE - PPL ELECTRIC UTILITIES CORPORATION
146055	I/C INTEREST RECEIVABLE - PPL ENERGY FUNDING CURRENT
146056	INTERCOMPANY DIVIDENDS RECEIVABLE FROM KU COMPANY
146057	I/C RECEIVABLE - PPL SERVICES CORPORATION
146058	I/C RECEIVABLE - PPL CORPORATION
146061	INTERCOMPANY INCOME TAX RECEIVABLE - FEDERAL
146100	INTERCOMPANY
151010	FUEL STK-LEASED CARS
151020	COAL PURCHASES - TONS - $
151021	COAL - BTU ADJ - BTU
151022	COAL FINES - CONSIGNED INVENTORY
151023	IN-TRANSIT COAL - TONS - $
151024	COAL - CONSIGNED INVENTORY
151025	TC NON-JURISDICTIONAL CONTRA (IMEA-IMPA) - COAL PURCHASES - TONS - $
151026	TC NON-JURISDICTIONAL CONTRA (IMEA-IMPA) - COAL PURCHASES (STAT ONLY)
151030	FUEL OIL - GAL - $
151031	FUEL OIL - BTU
151032	TC NON-JURISDICTIONAL CONTRA (IMEA-IMPA) - FUEL OIL - GAL - $
151033	TC NON-JURISDICTIONAL CONTRA (IMEA-IMPA) - FUEL OIL (STAT ONLY)
151060	RAILCARS-OPER/MTCE
151061	GAS PIPELINE OPER/MTCE - MCF - $
151070	PETROL COKE-TEM STOR - TONS
151071	PETROL COKE-TEM STOR - BTU
151073	IN-TRANSIT COAL-MMBTU/IN-TRANSIT PET COKE <AUG 2009
151080	COAL BARGE SHUTTLING
154001	MATERIALS/SUPPLIES
154003	LIMESTONE
154004	COMMERCIAL LIME
154006	OTHER REAGENTS
154007	TC NON-JURISDICTIONAL CONTRA (IMEA/IMPA) - LIMESTONE
154008	TC NON-JURISDICTIONAL CONTRA (IMEA-IMPA) - M&S
154023	LIMESTONE IN-TRANSIT
158121	SO2 ALLOWANCE INVENTORY
158122	NOX OZONE SEASON ALLOWANCE INVENTORY
158124	SO2 ALLOWANCE INVENTORY-FUTURE VINTAGE (LT)
158125	NOX ANNUAL ALLOWANCE INVENTORY
158126	NOX OZONE SEASON ALLOWANCE INVENTORY - FUTURE VINTAGE (LT)
158127	NOX ANNUAL ALLOWANCE INVENTORY - FUTURE VINTAGE (LT)
163001	STORES EXPENSE-T&D
163002	WAREHOUSE EXPENSES-T&D
163003	FREIGHT-T&D
163004	ASSET RECOVERY-T&D
163005	SALES TAX-T&D
163006	PHYS INVENT ADJUSTMT-T&D
163007	INVOICE PRICE VARIANCES-T&D
163011	STORES EXPENSE - GENERATION
163012	WAREHOUSE EXPENSES - GENERATION
163013	FREIGHT - GENERATION
163014	ASSET RECOVERY - GENERATION
163015	SALES TAX - GENERATION
163016	PHYS INVENT ADJUSTMT - GENERATION
163017	INVOICE PRICE VARIANCES - GENERATION
163100	OTHER-T&D
163101	OTHER - GENERATION
163201	TC NON-JURISDICTIONAL CONTRA (IMEA-IMPA) - STORES
164101	GAS STORED-CURRENT
165001	PREPAID INSURANCE
165002	PREPAID TAXES
165006	PREPAID GAS FRANCH
165012	PREPAID LEASE

Account Number	Account Description
165013	PREPAID RIGHTS OF WAY
165018	PREPAID RISK MGMT AND WC
165025	PREPAID SALES & USE TAX
165100	PREPAID OTHER
165101	PREPAID IT CONTRACTS
165102	TC NON-JURISDICTIONAL CONTRA (IMEA-IMPA) - PREPAID INSURANCE
171001	INTEREST RECEIVABLE
171003	DIVIDENDS RECEIVABLE-EXTERNAL
172001	RENTS RECEIVABLE FOR POLE ATTACHMENTS
173001	ACCRUED UTIL REVENUE
173002	ACCRUED REVENUE - UNBILLED BEYOND THE METER
173005	ACCRUED WHOLESALE SALES REVENUE - UNBILLED
174001	MISC CURR/ACCR ASSET
176003	ST DERIV ASSET FAS133 HEDGING - NON-LKE AFFILIATE
176004	LT DERIV ASSET FAS133 HEDGING - NON-LKE AFFILIATE
181100	UAMORTIZED DEBT EXPENSE
182305	REGULATORY ASSET - FAS 158 OPEB
182306	FUEL ADJUSTMENT CLAUSE
182307	ENVIRONMENTAL COST RECOVERY
182308	REG ASSET - GAS SUPPLY CLAUSE
182309	VA FUEL COMPONENT - JURISDICTIONAL CUSTOMERS (CURRENT)
182311	FERC JURISDICTIONAL PENSION EXPENSE
182314	OTHER REGULATORY ASSETS
182315	REGULATORY ASSET - FAS 158 PENSION
182317	OTHER REGULATORY ASSETS ARO - GENERATION
182318	OTHER REG ASSETS ARO - TRANSMISSION
182320	WINTER STORM - ELECTRIC
182321	MISO EXIT FEE
182322	RATE CASE EXPENSES - ELECTRIC - PRE-PPL MERGER CURRENT PORTION
182323	RATE CASE EXPENSES - GAS - PRE-PPL MERGER CURRENT PORTION
182325	OTHER REGULATORY ASSETS ARO - DISTRIBUTION
182326	OTHER REGULATORY ASSETS ARO - GAS
182327	OTHER REGULATORY ASSETS ARO - COMMON
182328	FASB 109 ADJ-FED
182329	FASB 109 GR-UP-FED
182330	FASB 109 ADJ-STATE
182331	FASB 109 GR-UP-STATE
182332	CMRG FUNDING (CARBON MGT RESEARCH GROUP)
182333	KCCS FUNDING (KY CONSORTIUM FOR CARBON STORAGE)
182334	WIND STORM REGULATORY ASSET
182335	RATE CASE EXPENSES - ELECTRIC
182336	RATE CASE EXPENSES - GAS
182337	EKPC FERC TRANSMISSION COSTS - KY PORTION
182339	MOUNTAIN STORM - ELECTRIC
182340	REG ASSET - PERFORMANCE-BASED RATES
182342	WINTER STORM - GAS
182343	ASSET - SWAP TERMINATION - PRE-PPL MERGER CURRENT PORTION
182344	REG ASSET - LT - SWAP TERMINATION
182345	WINTER STORM - ELECTRIC - PRE-PPL MERGER CURRENT PORTION
182346	WINTER STORM - GAS - PRE-PPL MERGER CURRENT PORTION
182347	WIND STORM - ELECTRIC - PRE-PPL MERGER CURRENT PORTION
182348	CMRG FUNDING - PRE-PPL MERGER CURRENT PORTION
182349	KCCS FUNDING - PRE-PPL MERGER CURRENT PORTION
182352	REG ASSET - LT INTEREST RATE SWAP
182353	REG. ASSET - COAL CONTRACT - ST
182354	REG. ASSET - COAL CONTRACT
182356	VA FUEL COMPONENT - JURISDICTIONAL CUSTOMERS (NON-CURRENT)
182358	REG ASSET - UNAMORT DEBT EXP PAA
182359	GENERAL MANAGEMENT AUDIT - ELECTRIC
182360	GENERAL MANAGEMENT AUDIT - GAS
182361	2011 SUMMER STORM - ELECTRIC
182363	DSM COST RECOVERY - UNDER-RECOVERY
182364	REG ASSET - LT INTEREST RATE SWAP FORWARD STARTING
182365	GAS LINE TRACKER- REG ASSET
182366	REG ASSET - MUNI GEN TRUE UP
182367	REG ASSET - MUNI MISO EXIT FEE
182368	VA FUEL COMPONENT - NON-JURISDICTIONAL CUSTOMERS (CURRENT)
183201	OTH PREL SUR/INV-GAS
183301	PRELIM SURV/INV-ELEC
183302	PRELIMINARY SURV/INV ELEC - LT
184002	VACATION PAY
184011	HOLIDAY PAY
184021	SICK PAY
184031	OTHER OFF-DUTY PAY
184040	TEAM INCENTIVE AWARD - BURDEN CLEARING
184075	WORKERS COMP - BURDEN CLEARING
184076	ADMINISTRATIVE AND GENERAL - BURDEN CLEARING
184093	LONG TERM DISABILITY - BURDEN CLEARING
184096	PENSIONS - BURDEN CLEARING
184097	FASB 106 (OPEB) - BURDEN CLEARING
184098	FASB 112 (OPEB) - BURDEN CLEARING
184100	WALL STREET SUSPENSE ACCOUNT
184101	GROUP LIFE INSURANCE - BURDEN CLEARING
184104	DENTAL INSURANCE - BURDEN CLEARING
184105	MEDICAL INSURANCE - BURDEN CLEARING
184108	401K - BURDEN CLEARING

Account Number	Account Description
184109	RETIREMENT INCOME - BURDEN CLEARING
184121	OTHER BENEFITS - BURDEN CLEARING
184130	LKS ALLOCATION CLEARING ACCOUNT
184135	ORACLE PROJECT BURDEN CLEARING ACCOUNT
184136	LKS ALLOC. CLEARING ACCOUNT FOR ALLOCATED CAPITAL
184150	SYSTEM ALLOC-CO 1
184301	GASOLINE-TRANSP
184304	VEHICLE REPR-TRANSP
184307	ADMIN/OTH EXP-TRANSP
184308	VALUE-ADD SVCSTR
184309	DIESEL FUEL-TRANSP
184312	RENT/STORAGE-TRANSP
184313	TELECOM VEHICLE RADIO / COMPUTER EXPENSES
184314	LICENSE/TAX-TRANSP
184315	DEPRECIATION-TRANSP
184319	FUEL ADMINISTRATION VEHICLES
184320	TRANSPORTATION EXPENSE ALLOCATION - CLEARING
184450	CL ACC TO OTH DEF CR
184503	OPERATIONS - SIMPSONVILLE
184504	OPERATION-SSC
184505	MAINTENANCE-SSC
184506	MAINTENANCE - SIMPSONVILLE
184507	OPERATIONS - KU GENERAL OFFICE
184508	MAINTENANCE - KU GENERAL OFFICE
184509	OPERATIONS - LGE CENTER
184513	OTHER EXPENSES - LGE CENTER
184514	OPERATION-ESC
184515	MAINTENANCE-ESC
184516	OPERATION-BOC
184517	MAINTENANCE-BOC
184518	OPERATION-AUBURNDALE
184519	MAINT-AUBURNDALE
184521	OPERATIONS - MORGANFIELD
184522	MAINTENANCE - MORGANFIELD
184523	OPERATIONS - DIX DAM
184524	MAINTENANCE - DIX DAM
184530	MISC FACILITIES ALLOCATION-OFFSET
184600	ENGINEERING OVERHEADS - GENERATION
184602	ENGINEERING OVERHEADS - DISTRIBUTION
184603	ENGINEERING OVERHEADS - RETAIL GAS
184605	ENGINEERING OVERHEADS - TRANSMISSION
184612	ENGINEERING OVERHEADS - DISTRIBUTION
184650	CUSTOMER ADVANCES - CLEARING
184701	EMPLOYEE ADVANCES - CLEARING
184702	IEXPENSE CREDIT CARD CLEARING
186001	MISC DEFERRED DEBITS
186004	FINANCING EXPENSE
186035	KEY MAN LIFE INSURANCE
186049	PRELIMINARY CELL SITE COSTS
186505	GOODWILL
186548	OTHER INTANGIBLE ASSETS - SHORT TERM
186549	OTHER INTANGIBLE ASSETS
186553	OTH INTANG ASSETS - OVEC PPA ENERGY CONTRACT
186556	OTH INTANG ASSETS - SO2 ALLOWANCES - CURRENT
186557	OTH INTANG ASSETS - NOX OZONE ALLOWANCES - CURRENT
186558	OTH INTANG ASSETS - NOX ANNUAL ALLOWANCES - CURRENT
186559	OTH INTANG ASSETS - SO2 ALLOWANCES - FUTURE
186560	OTH INTANG ASSETS - NOX OZONE ALLOWANCES - FUTURE
186561	OTH INTANG ASSETS - NOX ANNUAL ALLOWANCES - FUTURE
186576	CARROLLTON SALE/LEASEBACK
189091	UNAM LOSS-FMB Series P $33M 05/15
189093	UNAM LOSS-PCB $7.2M REDEEMED
189100	UAMORTIZED LOSS ON REACQUIRED DEBT
190007	FASB 109 ADJ-FED
190008	FASB 109 GRS-UP-FED
190009	FASB 109 ADJ-STATE
190010	FASB 109 GRS-UP-ST
190315	DTA FEDERAL - CURRENT
190316	NETTING - DEFERRED TAX ASSETS - CURRENT - FEDERAL
190317	NETTING - DEFERRED TAX LIABILITIES - CURRENT - FEDERAL
190414	DTA ON PROVISIONS FOR PENSIONS - OCI - FED (NON-CURRENT)
190415	DTA FEDERAL - NON-CURRENT
190416	DTA ON FIN 48 - UTP - FEDERAL
190515	DTA STATE - CURRENT
190516	NETTING - DEFERRED TAX ASSETS - CURRENT - STATE
190517	NETTING - DEFERRED TAX LIABILITIES - CURRENT - STATE
190614	DTA ON PROVISIONS FOR PENSIONS - OCI - ST (NON-CURRENT)
190615	DTA STATE - NON-CURRENT
190616	DTA ON FIN 48 - UTP - STATE
201001	COMMON STOCK-AUTH SH
201002	COMMON STOCK-W/O PAR
211001	CONTRIBUTED CAPITAL - MISC.
214010	CAP STOCK EXP-COMMON
216001	UNAPP RETAINED EARN
216101	UNAPP UNDST SUB EARN
219010	ACCUM OCI - EQUITY INVEST EEI

Account Number	Account Description
219011	ACCUM OCI OF SUBS - PTAX
219013	OCI - FAS 158 INCREASE FUNDED STATUS - GROSS
219110	DEFERRED TAX - OCI - EQUITY INVEST EEI
219111	ACCUM OCI OF SUBS - TAX
219113	OCI - FAS 158 INCREASE FUNDED STATUS - TAX
221100	LONG TERM DEBT
223006	LT NOTES PAYABLE TO LG&E AND KU CAPITAL LLC
223014	LT NOTES PAYABLE TO SERVCO
223100	LONG TERM NOTES PAYABLE TO PPL CORP PRINCIPAL
224100	PAA PCB FMV ADJUSTMENT
226100	DEBT DISCOUNT BONDS
228201	WORKERS COMPENSATION
228202	WORKERS COMPENSATION - SHORT-TERM
228301	FASB106-POST RET BEN
228304	PENSION PAYABLE
228305	POST EMPLOYMENT BENEFIT PAYABLE
228306	PENSION PAYABLE SERP
228307	FASB 106 - MEDICARE SUBSIDY
228308	PENSION PAYABLE - SERP - NON-MERCER
228318	PENSION PAYABLE - SERP - NON-MERCER - CURRENT
228325	FASB 112 - POST EMPLOY MEDICARE SUBSIDY
230012	ASSET RETIREMENT OBLIGATIONS - STEAM
230013	ASSET RETIREMENT OBLIGATIONS - TRANSMISSION
230015	ASSET RETIREMENT OBLIGATIONS - DISTRIBUTION
230016	ASSET RETIREMENT OBLIGATIONS - GAS
230017	ASSET RETIREMENT OBLIGATIONS - COMMON
230022	ASSET RETIREMENT OBLIGATIONS - STEAM - ST
230023	ASSET RETIREMENT OBLIGATIONS - TRANSMISSION - ST
230025	ASSET RETIREMENT OBLIGATIONS - DISTRIBUTION - ST
230026	ASSET RETIREMENT OBLIGATIONS - GAS - ST
230027	ASSET RETIREMENT OBLIGATIONS - COMMON - ST
231005	COMMERCIAL PAPER PAYABLE
231006	DISCOUNT ON COMMERCIAL PAPER
231008	ST-NP KU REVOLVING CREDIT $400M 12/14
231019	ST-NP LGE REVOLVING CREDIT $400M 12/14
231020	ST NOTE PAYABLE - ARMORED CAR LAG BACK OFFICES
231100	REVOLVING CREDIT FACILITIES
232001	ACCTS PAYABLE-REG
232002	SALS/WAGES ACCRUED
232008	SUNDRY BILLING REFUNDS
232009	PURCHASING ACCRUAL
232010	WHOLESALE PURCHASES A/P
232011	TRANSMISSION PAYABLE
232014	RECEIVING/INSPECTION ACCRUAL
232015	AP FUEL
232022	ACCRUED AUDIT FEES
232023	ACCRUED TAXABLE OFFICER BENEFITS
232024	CREDIT CASH BALANCE
232027	CREDIT CARD PAYMENTS
232030	RETAINAGE FEES
232042	MISO AND PJM ANCILLARY SERVICES CHARGES A/P
232093	SUSPENSE - CCS
232095	SUSPENSE - SALES TAX BURDEN
232096	SUSPENSE - OTHER BURDENS
232097	SUSPENSE - INVENTORY
232098	SUSPENSE - MANUAL DISABLED
232099	SUSPENSE ACCOUNT
232100	ACCOUNTS PAYABLE-TRADE
232111	401K LIABILITY - EMPLOYER
232205	IBEW UNION DUES WITHHOLDING PAYABLE
232206	UNITED WAY WITHHOLDING PAYABLE
232211	TIA LIABILITY
232220	CREDIT UNION WITHHOLDING PAYABLE
232233	401K WITHHOLDING PAYABLE
232235	UNITED STEEL WORKERS UNION DUES
232243	LOUISVILLE PAC WITHHOLDING PAYABLE
232244	GARNISHEES WITHHOLDING PAYABLE
232246	DCAP WITHHOLDING PAYABLE
232248	HCRA WITHHOLDING PAYABLE
232249	UNIVERSAL LIFE INS WITHHOLDING PAYABLE
233011	ST - NOTES PAYABLE TO LKE PARENT
233013	ST - NOTES PAYABLE TO SERVCO
233019	SHORT TERM NOTES PAYABLE TO LG&E AND KU CAPITAL CORP
233030	N/P - MONEY POOL LG&E AND KU ENERGY LLC CURRENT
233100	N/P - MONEY POOL LG&E
233102	N/P - MONEY POOL KU
233103	N/P - MONEY POOL LEM
233104	N/P - MONEY POOL FCD
234012	I/C PAYABLE CEP RESERVES
234017	I/C PAYABLE - KU
234051	INTERCOMPANY PENSION PAYABLE
234052	I/C PAYABLE-PPL SERVICES CORPORATION
234053	I/C PAYABLE TO PPL ENERGY SUPPLY
234054	I/C PAYABLE - LGE
234055	I/C PAYABLE-PPL CORPORATION
234092	I/C PAYABLE TO PPL ENERGY FUNDING CORP

Account Number	Account Description
234100	A/P TO ASSOC CO
235001	CUSTOMER DEPOSITS
235002	CUSTOMER DEPOSITS OFF-SYS
236007	FICA-OPR
236013	ST SALES/USE TAX-KY-OPR
236023	ST SALES/USE TAX-IN-OPR
236025	CORP INC TAX-FED EST-OPR
236026	CORP INC TAX-ST EST-OPR
236031	CORP INCOME-KY-OPR
236032	CORP INCOME-FED-OPR
236033	REAL ESTATE AND PERSONAL PROPERTY TAXES
236034	PROPERTY TAX ON RAILCARS USED FOR COAL
236035	OTHER TAXES ACCRUED-OPR
236036	REAL ESTATE AND PERSONAL PROPERTY TAXES - NON KY
236115	STATE UNEMPLOYMENT-OPR
236116	FEDERAL UNEMPLOYMENT-OPR
237004	ACCR INT-PCB CC2007A $17.8M 02/26
237005	ACCR INT-PCB TC2007A $8.9M 03/37
237007	ACCR INT-COMMERCIAL PAPER
237008	ACCR INT-KU REVOLVING CREDIT $400M 12/14
237009	ACCR INT-FMB KU2010 $250M 11/15
237010	ACCR INT-FMB KU2010 $500M 11/20
237011	ACCR INT-FMB KU2010 $750M 11/40
237019	ACCR INT-LGE REVOLVING CREDIT $400M 12/14
237020	ACCR INT-FMB LGE2010 $250M 11/15
237021	ACCR INT FMB LGE2010 $285M 11/40
237022	ACCR INT FMB LGE2013 $250M 11/43
237023	ACCR INT FMB KU2013 $250M 11/43
237100	ACCR INT LONG-TERM DEBT
237103	ACCR INT-PCB CC2008A $77.9M 02/32
237125	ACCR INT-PCB LM/JC2007A $31M 06/33
237126	ACCR INT-PCB LM/JC2007B $35.2M 06/33
237127	ACCR INT-PCB TC2007A $60M 06/33
237149	ACCR INT-PCB MERC2000A $12.9M 05/23
237168	ACCR INT FROM FORWARD STARTING SWAP SETTLEMENT
237184	ACCR INT-PCB CC2002A $20.93M 2/32
237185	ACCR INT-PCB CC2002B $2.4M 2/32
237186	ACCR INT-PCB MERC2002A $7.4M 2/32
237187	ACCR INT-PCB MUHC2002A $2.4M 2/32
237188	ACCR INT-PCB CC2002C $96M 10/32
237190	ACCR INT-PCB LM/JC2003A $128M 10/33
237192	ACCR INT-PCB CC2004A $50M 10/34
237194	ACCR INT-PCB LM/JC2005A $40M 2/35
237199	ACCR INT-PCB CC2006B $54M 10/34
237300	INT ACC-OTH LIAB
237301	INTEREST ACCRUED ON CUSTOMER DEPOSITS
237304	INTEREST ACCRUED ON TAX LIABILITIES
238200	DIV PAYABLE - PARENT FM LGE
238203	DIV PAYABLE - PARENT FM KU
238204	DIV PAYABLE - PPL FM LKE
241007	TAX COLL PAY-FICA
241018	STATE WITHHOLDING TAX PAYABLE
241036	LOCAL WITHHOLDING TAX PAYABLE
241037	T/C PAY-PERS INC-FED
241038	T/C PAY-ST SALES/USE
241039	T/C PAY-OCCUP/SCHOOL
241046	CONSUMER UTILITY TAX-VA
241047	SALES TAX-NORTON, VA
241049	FRANCHISE FEE PAYABLE-CHARGE UNCOLLECTED
241056	FRANCHISE FEE COLLECTED ON BAD DEBTS
241061	T/C PAY - ST SALES/USE OVER COLLECTIONS
241062	T/C PAY - SCHOOL TAX OVER COLLECTIONS
242001	MISC LIABILITY
242002	MISC LIAB-VESTED VAC
242005	UNEARNED REVENUE - CURRENT
242014	ESCHEATED DEPOSITS
242015	FRANCHISE FEE PAYABLE-FRANCHISE LOCATIONS
242017	HOME ENERGY ASSISTANCE
242018	GREEN POWER REC LIABILITY
242019	GREEN POWER MKT LIABILITY
242021	FASB 106-POST RET BEN - CURRENT
242022	ACCRUED SHORT TERM INCENTIVE
242023	PENSION PAYABLE SERP CURRENT
242026	PENSION PAYABLE - CURRENT
242028	SERVICE DEPOSIT REFUND PAYABLE
242030	WINTERCARE ENERGY FUND
242031	NO-NOTICE GAS PAYABLE
242034	MCI UNEARNED REVENUE
242038	COBRA/LTD BENEFITS - PAYABLE
242039	SUSPENSE - CASH
242080	LEASEHOLD INCENTIVE LG&E CENTER LEASE 07012012 - CURRENT
242101	RETIREMENT INCOME LIABILITY
242102	IBNP MEDICAL AND DENTAL RESERVE
244511	LT DERIVATIVE LIAB FAS 133 JPM
244512	LT DERIV LIAB FAS 133-NON HEDGING MS1
244513	LT DERIV LIAB FAS 133-NON HEDGING MS2

Account Number	Account Description
244514	LT DERIV LIAB FAS 133-NON HEDGING BOA
244515	ST DERIV LIAB FAS 133-NON HEDGING MS1
244516	ST DERIV LIAB FAS 133-NON HEDGING MS2
244517	ST DERIV LIAB FAS 133-NON HEDGING BOA
244519	ST DERIV LIAB FAS 133 JPM
245003	ST DERIV LIAB FAS133 HEDGING - NON-LKE AFFILIATE
245004	LT DERIV LIAB FAS133 HEDGING - NON-LKE AFFILIATE
252011	LINE EXTENSIONS
252012	20% SUPPLEMENT
252013	OTH CUST ADV-CONSTR
252014	CUST OUTDOOR LIGHTING DEPOSITS
252015	MOBILE HOME LINE
252017	LINE EXTENSIONS - SHORT TERM
252018	CUST OUTDOOR LIGHTING DEP - SHORT TERM
252019	20% SUPPLEMENT - SHORT TERM
252101	CUSTOMER ADVANCES - PARTIAL PAYMENTS
253004	OTH DEFERRED CR-OTHR
253005	CL ACC FR OTH DEF DR
253025	DEFERRED COMPENSATION
253027	DEFERRED RENT PAYABLE
253028	OTHER DEFERRED CREDITS-CROSS BORDER LEASE
253031	OTHER LONG TERM OPERATING LIABILITIES
253032	UNCERTAIN TAX POSITION - FEDERAL
253033	UNCERTAIN TAX POSITION - STATE
253034	MCI AMORTIZATION
253037	UNEARNED REVENUE - POLE ATTACHMENTS - LONG-TERM
253038	OTHER DEF. CREDIT - COAL CONTRACT - ST
253039	OTHER DEF. CREDIT - COAL CONTRACT - LT
253040	LEASEHOLD INCENTIVE LG&E CENTER LEASE 07012012 - LONG TERM
253301	PROVISIONS FOR INDEMNITY OBLIGATIONS
253320	UNCERTAIN TAX POSITIONS - INTEREST
253576	DEF GAIN - CARROLLTON SALE/LEASEBACK
254001	FASB 109 ADJ-FED
254002	FASB 109 GR-UP-FED
254003	FASB 109 ADJ-STATE
254004	FASB 109 GR-UP-STATE
254007	REG LIABILITY - GAS SUPPLY CLAUSE
254008	DSM COST RECOVERY
254010	REGULATORY LIABILITY - FAS 158 OPEB
254011	VA FUEL COMPONENT - JURISDICTIONAL CUSTOMERS (CURRENT)
254012	SPARE PARTS
254017	ENVIRONMENTAL COST RECOVERY
254018	REGULATORY LIABILITY FAC
254020	GAS LINE TRACKER- REG LIABILITY
254022	REG LIAB - MUNI GEN TRUE UP
254023	VA FUEL COMPONENT - NON-JURISDICTIONAL CUSTOMERS (CURRENT)
254054	REG. LIABILITY - COAL CONTRACT - ST
254055	REG. LIABILITY - COAL CONTRACT - LT
254056	PAA REG LIABILITY - EMISSION ALLOWANCES - CURRENT
254057	PAA REG LIABILITY - EMISSION ALLOWANCES - LT
254058	PAA REGULATORY LIABILITY - OVEC VALUATION
254100	REG LIAB - LT INTEREST RATE SWAP FORWARD STARTING
254321	MISO EXIT FEE REFUND
254356	VA FUEL COMPONENT - JURISDICTIONAL CUSTOMERS (NON-CURRENT)
255004	ITC TC2
255006	JOB DEVELOP CR
282007	FASB 109 ADJ-FED PRO
282009	FASB 109 ADJ-ST PROP
282503	DTL ON FIXED ASSETS
282703	DTL ON FIXED ASSETS - STATE (NON-CURRENT)
283011	FASB 109 GR-UP-F-OTH
283012	FASB 109 GR-UP-S-OTH
283017	DEF INC TAX - FED EST
283018	DEF INC TAX - ST EST
283418	DTL FEDERAL - CURRENT
283514	DTL ON PROVISIONS FOR PENSIONS - OCI - FED (NON-CURRENT)
283515	DTL FEDERAL - NON-CURRENT
283519	DTL ON LIABILITIES - EEI -FED (NON-CURRENT)
283618	DTL STATE - CURRENT
283714	DTL ON PROVISIONS FOR PENSIONS - OCI - STATE (NON-CURRENT)
283715	DTL STATE - NON-CURRENT
283719	DTL ON LIABILITIES - EEI - STATE (NON-CURRENT)
403011	DEPREC EXP - STEAM POWER GEN
403012	DEPREC EXP - HYDRO POWER GEN
403013	DEPREC EXP - OTH POWER GEN
403014	DEPREC EXP - TRANSMISSION
403015	DEPREC EXP - DISTRIBUTION
403016	GENERAL DEPRECIATION EXPENSE
403021	DEPREC. EXP. - UNDERGROUND - GAS
403022	DEPREC. EXP. - TRANSMISSION - GAS
403023	DEPREC. EXP. - DISTRIBUTION - GAS
403024	DEPREC. EXP. - GENERAL - GAS
403025	DEPREC. EXP. - COMMON
403026	DEPREC. EXP. - STEAM - ECR
403027	DEPREC EXP - ELECTRIC - DSM
403028	DEPREC EXP - GAS - DSM

Account Number	Account Description
403029	DEPREC. EXP. - GENERAL - GLT
403100	DEPREC EXP
403111	DEPREC EXP ARO STEAM
403112	DEPREC EXP ARO TRANSMISSION
403113	DEPREC EXP ARO OTHER PRODUCTION
403114	DEPREC EXP ARO HYDRO
403115	DEPREC EXP ARO DISTRIBUTION
403121	DEPREC EXP ARO GAS UNDERGROUND STORAGE
403122	DEPREC EXP ARO GAS DISTRIBUTION
403123	DEPREC EXP ARO GAS TRANSMISSION
403131	DEPREC EXP ARO COMMON
403181	DEPRECIATION NEUTRALITY - GENERATION DEPRECIATION
403182	DEPRECIATION NEUTRALITY - TRANSMISSION DEPRECIATION
403185	DEPRECIATION NEUTRALITY - DISTRIBUTION DEPRECIATION
403186	DEPRECIATION NEUTRALITY - GAS DEPRECIATION
403187	DEPRECIATION NEUTRALITY - COMMON DEPRECIATON
404301	AMORT-INTANG GAS PLT
404401	AMT-EL INTAN PLT-RTL
404402	AMT-EL INTAN PLT-WHS
408101	TAX-NON INC-UTIL OPR
408102	REAL AND PERSONAL PROP. TAX
408103	KY PUBLIC SERVICE COMMISSION TAX
408105	FEDERAL UNEMP TAX
408106	FICA TAX
408107	STATE UNEMP TAX
408108	REAL AND PERSONAL PROP TAX - ECR
408109	REAL AND PERSONAL PROP TAX - GLT
408195	FEDERAL UNEMP TAX - INDIRECT
408196	FICA TAX - INDIRECT
408197	STATE UNEMP TAX - INDIRECT
408202	TAX-NON INC-OTHER
408203	TC N/A OTHER TAXES
409101	FED INC TAX-UTIL OPR
409102	KY ST INCOME TAXES
409104	FED INC TAXES - EST
409105	ST INC TAXES - EST
409106	FED INC TAX-WKE OPR
409107	KY ST INCOME TAXES-WKE OPR
409108	FED INC TAX - UTIL OPR - SPEC ITEM
409109	KY ST INCOME TAXES - SPEC ITEM
409203	FED INC TAX-OTHER
409206	ST INC TAX-OTHER
409209	FED IN TAXES-OTH EST
409210	ST INC TAXES-OTH EST
409213	FED CURRENT INC TAX-GAIN ON SALE DISCO
409214	ST CURRENT INC TAX-GAIN ON SALE DISCO
409218	FED INC TAX - UTIL OPR - SPEC ITEM-BTL
409219	KY ST INCOME TAXES - SPEC ITEM-BTL
410101	DEF FED INC TAX-OPR
410102	DEF ST INC TAX-OPR
410103	DEF FED INC TAX - OPR EST
410104	DEF ST INC TAX - OPR EST
410106	DEF FED INC TAX-WKE OPR
410107	DEF ST INC TAX-WKE OPR
410108	DEF FED INC TAX-SPEC ITEM
410109	DEF ST INC TAX-SPEC ITEM
410203	DEF FEDERAL INC TX
410204	DEF STATE INC TAX
410208	DEF FED INC TAX-SPEC ITEM-BTL
410209	DEF ST INC TAX-SPEC ITEM-BTL
411100	ACCRETION EXPENSE - NEUTRALITY
411101	FED INC TX DEF-CR-OP
411102	ST INC TAX DEF-CR-OP
411103	ACCRETION EXPENSE - ELECTRIC
411104	ACCRETION EXPENSE - GAS
411105	ACCRETION EXPENSE - COMMON
411106	FED INC TX DEF-CR-WKE OPR
411107	ST INC TAX DEF-CR-WKE OPR
411108	FED INC TX DEF-CR-SPEC ITEM
411109	ST INC TAX DEF-CR-SPEC ITEM
411201	FD INC TX DEF-CR-OTH
411202	ST INC TX DEF-CR-OTH
411208	FED INC TAX DEF-CR-SPEC ITEM-BTL
411209	ST INC TAX DEF-CR-SPEC ITEM-BTL
411403	ITC DEFERRED
411404	AMORTIZATION OF ITC
411802	GAIN-DISP OF ALLOW
412001	SERVICE COMPANY CONSTRUCTION OR OTHER SERVICES EXP
415001	REVENUE FROM CUSTOMER SERVICE LINES
415004	MERCHANDISE SALES
416001	EXPENSES FROM CUSTOMER SERVICE LINES
416004	MERCHANDISE COST OF SALES
417004	SERVICE CHARGE AND SUPERVISORY FEE - IMEA AND IMPA
417005	IMPA-WORKING CAPITAL
417006	IMEA-WORKING CAPITAL
417102	STEAM EXPENSES - (TC ALLOC ONLY)

Account Number	Account Description
417105	ELECTRIC EXPENSES - (TC ALLOC ONLY)
417106	MISC EXPENSES - (TC ALLOC ONLY)
417107	RENTS
417108	OPERATION SUPERVISION / ENGR - (TC ALLOC ONLY)
417109	EMISSION ALLOWANCES - (TC ALLOC ONLY)
417110	MTCE SUPERVISION/ENG - (TC ALLOC ONLY)
417111	MTCE OF STRUCTURES - (TC ALLOC ONLY)
417112	MTCE OF BOILER PLANT - (TC ALLOC ONLY)
417113	MTCE OF ELEC PLANT - (TC ALLOC ONLY)
417114	MTCE OF MISC PLANT - (TC ALLOC ONLY)
417120	ADMIN AND GEN SAL - (TC ALLOC ONLY)
417121	OFFICE SUPP AND EXP - (TC ALLOC ONLY)
417123	OUSIDE SVCE EMPLOYED - (TC ALLOC ONLY)
417124	PROPERTY INSURANCE - (TC ALLOC ONLY)
417125	INJURIES AND DAMAGES - (TC ALLOC ONLY)
417126	EMPL PENSIONS/BEN - (TC ALLOC ONLY)
417129	DUPLICATE CGS - CR - (TC ALLOC ONLY)
417130	MISC GENERAL EXP - (TC ALLOC ONLY)
417131	ADMIN AND GEN RENTS - (TC ALLOC ONLY)
417135	MTCE OF GEN PLANT - (TC ALLOC ONLY)
418001	NONOPR RENT INCOME
418107	EQUITY IN EARNINGS OF SUBS-EEI
418109	AMORTIZATION-EEI PAA
418110	EQUITY IN EARNINGS OF CONSOLIDATED SUBSIDIARIES
418111	IMPAIRMENT OF SUBS - EEI
419002	INT INC-US TREAS SEC
419005	INT INC-FED TAX PMT
419006	INT INC-ST TAX PMT
419014	DIVS FROM INVESTMENT
419150	ALLOW FOR FUNDS USED DURING CONSTRUC-EQUITY
419205	INTEREST INCOME FROM FINANCIAL HOLDINGS
419206	INTEREST INCOME FROM OTHER LOANS & RECEIVABLES
419207	INTEREST INCOME FROM SPECIAL FUNDS
419208	INT INC - PPL ENERGY FUNDING
419209	INT INC-ASSOC CO
419211	DIVIDENDS FROM OVEC
420003	AMORTIZATION OF ITC
421001	MISC NONOPR INCOME
421003	KM LIFE INS - CASH SURRENDER VALUE
421005	MISC NONOPR INCOME-NON-UTILITY ASSET DEPR
421006	AOCI ADJUSTMENT OF SUBSIDIARY - EEI
421101	GAIN-PROPERTY DISP
421105	GAIN ON ARO SETTLEMENT
421201	LOSS-PROPERTY DISP
421301	PRETAX GAIN/LOSS ON DISPOSAL OF DISC OPERS
421306	PRETAX GAIN/LOSS ON DISPOSAL OF DISC OPERS - CENTURY RECEIVABLE
426101	DONATIONS
426191	DONATIONS - INDIRECT
426201	LIFE INSURANCE
426301	PENALTIES
426401	EXP-CIVIC/POL/REL
426491	EXP-CIVIC/POL/REL - INDIRECT
426501	OTHER DEDUCTIONS
426502	SERP
426504	OFFICERS TIA
426505	OFFICER LONG-TERM INCENT
426509	SERP - NON-MERCER
426511	LOSS ON ASSET IMPAIRMENT
426513	OTHER OFFICER BENEFITS
426514	AOCI ADJUSTMENT OF SUBSIDIARY - EEI
426517	SERP - INTEREST
426518	GOODWILL IMPAIRMENT
426557	AMORT OF OCI-PCB JC2003A $128M
426558	AMORT OF REG ASSET - SWAP TERMINATION
426560	ECONOMIC DEVELOPMENT RIDER-CREDITS EARNED
426591	OTHER DEDUCTIONS - INDIRECT
427007	INT EXP-KU REVOLVING CREDIT $400M 12/14
427019	INT EXP-LGE REVOLVING CREDIT $400M 12/14
427100	INTEREST EXPENSE
427150	INT EXP-PCB JC2000A $25M 11/16
427154	INT EXP-PCB JC2007A $31M 06/17
427155	INT EXP-PCB JC2005A $40M 07/19
427164	INT EXP-SWAP-MS $32M 10/32 3.657%
428009	AM EXP-FMB KU2010 $250M 11/15
428010	AM EXP-FMB KU2010 $500M 11/20
428011	AM EXP-FMB KU2010 $750M 11/40
428023	AM EXP-FMB KU2013 $250M 11/43
428090	OTHER AMORT OR DEBT DISCOUNT AND EXP
428190	OTHER AMORT-REACQ DEBT
428200	AM DISC-LONG TERM DEBT
430002	INT-DEBT TO ASSOC CO
430004	I/C INT EXP CEP RESERVES
430100	ANTICIPATED DEBT WITH PPL CORP
431002	INT-CUST DEPOSITS
431003	INT-FED TAX DEFNCY
431004	INT-OTHER TAX DEFNCY

Account Number	Account Description
431008	INT-DSM COST RECOVER
431009	INT-SHORT TERM DEBT-CP
431015	INTEREST ON RATES REFUND-RETAIL
431016	INTEREST ON REFUNDS - MUNICIPALS
431017	UTP INTEREST - FED INC TAX
431018	UTP INTEREST - STATE INC TAX
431104	INTEREST EXPENSE FROM FINANCIAL LIABILITIES
431200	OTHER INTEREST EXPENSE
432001	ALLOW FOR FUNDS USED DURING CONSTRUC-BORROWED
433100	REVENUES - DISCONTINUED OPERATIONS
433101	OTHER EXPENSES - DISCONTINUED OPERATIONS
433102	FED CURRENT INCOME TAXES - DISCO OPS
433103	ST CURRENT INCOME TAXES - DISCO OPS
433104	FED DEFERRED INCOME TAXES - DISCO OPS
433105	ST DEFERRED INCOME TAXES - DISCO OPS
438003	COMMON STK DIVS DECL - LEL
438005	COMMON STK DIVS DECL - PARENT FM KU
438006	COMMON STOCK DIV DECLARED PPL FM LKE
440010	RESID (FUEL) - KWH - (STAT ONLY)
440011	RESID (FUEL) - CUS - (STAT ONLY)
440012	ELECTRIC RESIDENTIAL KW
440101	ELECTRIC RESIDENTIAL DSM
440102	ELECTRIC RESIDENTIAL ENERGY NON-FUEL REV
440103	ELECTRIC RESIDENTIAL ENERGY FUEL REV
440104	ELECTRIC RESIDENTIAL FAC
440111	ELECTRIC RESIDENTIAL ECR
440112	ELECTRIC RESIDENTIAL MSR
440113	ELECTRIC RESIDENTIAL ESM
440114	ELECTRIC RESIDENTIAL VDT
440116	ELECTRIC RESIDENTIAL DEMAND ECR
440117	ELECTRIC RESIDENTIAL ENERGY ECR
440118	ELECTRIC RESIDENTIAL DEMAND CHG REV
440119	ELECTRIC RESIDENTIAL CUST CHG REV
442010	SM COMRC/IND SALE-EL - KWH - (STAT ONLY)
442011	SM COMRC/IND SALE-EL - CUS - (STAT ONLY)
442012	SM COMRC/IND SALE-EL - KW - (STAT ONLY)
442020	LG COMMERC SALES-EL - KWH - (STAT ONLY)
442021	LG COMMERC SALES-EL - CUS - (STAT ONLY)
442022	LG COMMERC SALES-EL - KW - (STAT ONLY)
442025	KU COMMERCIAL SALES - KWH - (STAT ONLY)
442026	KU COMMERCIAL SALES - CUS - (STAT ONLY)
442027	KU COMMERCIAL SALES - KW - (STAT ONLY)
442030	LG INDUSTR SALES-El-OTHER - KWH - (STAT ONLY)
442031	LG INDUSTR SALES-EL-OTHER - CUS - (STAT ONLY)
442034	LG INDUSTR SALES-EL-OTHER - KW - (STAT ONLY)
442035	KU INDUSTRIAL SALES - KWH - (STAT ONLY)
442036	KU INDUSTRIAL SALES - CUS - (STAT ONLY)
442037	KU INDUSTRIAL SALES - KW - (STAT ONLY)
442065	MINE POWER SALES (COAL) - KWH - (STAT ONLY)
442066	MINE POWER SALES (COAL) - CUS - (STAT ONLY)
442067	MINE POWER SALES (COAL) - KW - (STAT ONLY)
442101	ELECTRIC SMALL COMMERCIAL DSM
442102	ELECTRIC SMALL COMMERCIAL ENERGY NON-FUEL REV
442103	ELECTRIC SMALL COMMERCIAL ENERGY FUEL REV
442104	ELECTRIC SMALL COMMERCIAL FAC
442105	ELECTRIC SMALL COMMERCIAL STOD
442111	ELECTRIC SMALL COMMERCIAL ECR
442112	ELECTRIC SMALL COMMERCIAL MSR
442113	ELECTRIC SMALL COMMERCIAL ESM
442114	ELECTRIC SMALL COMMERCIAL VDT
442116	ELECTRIC SMALL COMMERCIAL DEMAND ECR
442117	ELECTRIC SMALL COMMERCIAL ENERGY ECR
442118	ELECTRIC SMALL COMMERCIAL DEMAND CHG REV
442119	ELECTRIC SMALL COMMERCIAL CUST CHG REV
442201	ELECTRIC LARGE COMMERCIAL DSM
442202	ELECTRIC LARGE COMMERCIAL ENERGY NON-FUEL REV
442203	ELECTRIC LARGE COMMERCIAL ENERGY FUEL REV
442204	ELECTRIC LARGE COMMERCIAL FAC
442205	ELECTRIC LARGE COMMERCIAL STOD
442211	ELECTRIC LARGE COMMERCIAL ECR
442212	ELECTRIC LARGE COMMERCIAL MSR
442213	ELECTRIC LARGE COMMERCIAL ESM
442214	ELECTRIC LARGE COMMERCIAL VDT
442216	ELECTRIC LARGE COMMERCIAL DEMAND ECR
442217	ELECTRIC LARGE COMMERCIAL ENERGY ECR
442218	ELECTRIC LARGE COMMERCIAL DEMAND CHG REV
442219	ELECTRIC LARGE COMMERCIAL CUST CHG REV
442301	ELECTRIC INDUSTRIAL DSM
442302	ELECTRIC INDUSTRIAL ENERGY NON-FUEL REV
442303	ELECTRIC INDUSTRIAL ENERGY FUEL REV
442304	ELECTRIC INDUSTRIAL FAC
442305	ELECTRIC INDUSTRIAL STOD
442311	ELECTRIC INDUSTRIAL ECR
442312	ELECTRIC INDUSTRIAL MSR
442313	ELECTRIC INDUSTRIAL ESM
442314	ELECTRIC INDUSTRIAL VDT

Account Number	Account Description
442316	ELECTRIC INDUSTRIAL DEMAND ECR
442317	ELECTRIC INDUSTRIAL ENERGY ECR
442318	ELECTRIC INDUSTRIAL DEMAND CHG REV
442319	ELECTRIC INDUSTRIAL CUST CHG REV
442601	MINE POWER DSM
442602	MINE POWER ENERGY NON-FUEL REV
442603	MINE POWER ENERGY FUEL REV
442604	MINE POWER FAC
442605	MINE POWER STOD
442611	MINE POWER ECR
442612	MINE POWER MSR
442613	MINE POWER ESM
442614	MINE POWER VDT
442616	MINE POWER DEMAND ECR
442617	MINE POWER ENERGY ECR
442618	MINE POWER DEMAND CHG REV
442619	MINE POWER CUST CHG REV
444010	PUBLIC ST/HWY LIGHTS - KWH - (STAT ONLY)
444011	PUBLIC ST/HWY LIGHTS - CUS - (STAT ONLY)
444012	PUBLIC ST/HWY LIGHTS - KW - (STAT ONLY)
444101	ELECTRIC STREET LIGHTING DSM
444102	ELECTRIC STREET LIGHTING ENERGY NON-FUEL REV
444103	ELECTRIC STREET LIGHTING ENERGY FUEL REV
444104	ELECTRIC STREET LIGHTING FAC
444105	ELECTRIC STREET LIGHTING STOD
444111	ELECTRIC STREET LIGHTING ECR
444112	ELECTRIC STREET LIGHTING MSR
444113	ELECTRIC STREET LIGHTING ESM
444114	ELECTRIC STREET LIGHTING VDT
444117	ELECTRIC STREET LIGHTING ENERGY ECR
444118	ELECTRIC STREET LIGHTING DEMAND CHG REV
444119	ELECTRIC STREET LIGHTING CUST CHG REV
445010	SALES-PUB AUTH-ELEC - KWH - (STAT ONLY)
445011	SALES-PUB AUTH-ELEC - CUS - (STAT ONLY)
445012	SALES-PUB AUTH-ELEC - KW - (STAT ONLY)
445030	MUNICIPAL PUMPING - KWH - (STAT ONLY)
445031	MUNICIPAL PUMPING - CUS - (STAT ONLY)
445032	MUNICIPAL PUMPING - KW - (STAT ONLY)
445101	ELECTRIC PUBLIC AUTH DSM
445102	ELECTRIC PUBLIC AUTH ENERGY NON-FUEL REV
445103	ELECTRIC PUBLIC AUTH ENERGY FUEL REV
445104	ELECTRIC PUBLIC AUTH FAC
445105	ELECTRIC PUBLIC AUTH STOD PCR
445111	ELECTRIC PUBLIC AUTH ECR
445112	ELECTRIC PUBLIC AUTH MSR
445113	ELECTRIC PUBLIC AUTH ESM
445114	ELECTRIC PUBLIC AUTH VDT
445116	ELECTRIC PUBLIC AUTH DEMAND ECR
445117	ELECTRIC PUBLIC AUTH ENERGY ECR
445118	ELECTRIC PUBLIC AUTH DEMAND CHG REV
445119	ELECTRIC PUBLIC AUTH CUST CHG REV
445301	MUNI PUMPING DSM
445302	MUNI PUMPING ENERGY NON-FUEL REV
445303	MUNI PUMPING ENERGY FUEL REV
445304	MUNI PUMPING FAC
445305	MUNICIPAL PUMPING STOD
445311	MUNI PUMPING ECR
445312	MUNI PUMPING MSR
445313	MUNI PUMPING ESM
445314	MUNI PUMPING VDT
445316	MUNI PUMPING DEMAND ECR
445317	MUNI PUMPING ENERGY ECR
445318	MUNI PUMPING DEMAND CHG REV
445319	MUNI PUMPING CUST CHG REV
447005	I/C SALES - OSS
447006	I/C SALES NL
447010	FIRM SALES - ENERGY-OTHER - KWH - (STAT ONLY)
447011	FIRM SALES - ENERGY-OTHER - CUS - (STAT ONLY)
447017	FIRM SALES - ENERGY-OTHER - KW - (STAT ONLY)
447021	FIRM SALES - MUNI/BEREA - KWH - (STAT ONLY)
447022	FIRM SALES - MUNI/BEREA - CUS
447023	FIRM SALES - MUNICIPALS - KW - (STAT ONLY)
447049	SPOT SALES - ENERGY
447050	OFF-SYSTEM SALES REVENUE TO THIRD PARTIES
447051	SPOT SALES - ENERGY - KW - (STAT ONLY)
447100	BROKERED SALES
447110	SETTLED SWAP REVENUE
447200	BROKERED PURCHASES
447302	RESALE MUNICIPALS BASE REV
447303	RESALE MUNICIPALS BASE REV FUEL
447304	RESALE MUNICIPALS FAC
447318	RESALE MUNICIPALS DEMAND CHG REV
447319	RESALE MUNICIPALS CUST CHG REV
449102	PROVISION FOR RATE REFUND/COLLECTION
449105	RATE REFUNDS-RETAIL
450001	FORFEITED DISC/LATE PAYMENT CHARGE-ELEC

Account Number	Account Description
450002	FORFEITED DISC/LATE PAYMENT CHARGE - MUNI INTEREST
451001	RECONNECT CHRG-ELEC
451002	TEMPORARY SERV-ELEC
451004	OTH SERVICE REV-ELEC
454001	CATV ATTACH RENT
454002	OTH RENT-ELEC PROP
454003	RENT FRM FIBER OPTIC
454006	FACILITY CHARGES
454900	I/C JOINT USE RENT REVENUE-ELEC-INDIRECT
454901	I/C JOINT USE RENT REVENUE-ELEC-INDIRECT (PPL ELIM)
456003	COMP-TAX REMIT-ELEC
456004	COMP-STBY PWR-H2O CO
456007	RET CHECK CHRG-ELEC
456008	OTHER MISC ELEC REVS
456022	COAL RESALE REVENUES
456028	EXCESS FACILITIES CHARGES/NRB ELECTRIC REV (ENDED 04/09)
456029	GYPSUM REVENUES
456030	FORFEITED REFUNDABLE ADVANCES
456099	POWER DELIVERED TO GOVERNMENT (STAT ONLY)
456101	BASE OTHER ELECTRIC REVENUES-WHEELING-MISO - (STAT ONLY)
456102	ANCILLARY SERVICE SCHEDULE 1-MISO
456103	ANCILLARY SERVICE SCHEDULE 2-MISO
456105	ANCILLARY SERVICE SCHEDULE 1-OSS-MISO
456106	ANCILLARY SERVICE SCHEDULE 2-OSS-MISO
456109	NL TRANSMISSION OF ELECTRIC ENERGY-3RD PARTY
456114	INTERCOMPANY TRANSMISSION REVENUE - RETAIL SOURCING OSS
456116	INTERCOMPANY TRANSMISSION REVENUE - MUNICIPALS
456118	INTRACOMPANY TRANSMISSION REVENUE - NATIVE LOAD
456119	INTRACOMPANY TRANSMISSION REVENUE - RETAIL SOURCING OSS
456124	I/C TRANSMISSION RETAIL REVENUE - NATIVE LOAD
456127	TRANSMISSION SERVICE REVENUE - CC (OSS-STAT ONLY)
456130	THIRD PARTY ENERGY NATIVE LOAD TRANSMISSION
456131	THIRD PARTY SCHEDULE 1 NATIVE LOAD TRANSMISSION
456132	THIRD PARTY SCHEDULE 2 NATIVE LOAD TRANSMISSION
456133	THIRD PARTY SCHEDULE 3 NATIVE LOAD TRANSMISSON
456134	THIRD PARTY DEMAND NATIVE LOAD TRANSMISSION
456135	THIRD PARTY SCHEDULE 5 NATIVE LOAD TRANSMISSION
456136	THIRD PARTY SCHEDULE 6 NATIVE LOAD TRANSMISSION
456140	INTERCOMPANY NATIVE LOAD ENERGY TRANSMISSION
456141	INTERCOMPANY NATIVE LOAD SCH 1 TRANSMISSION
456142	INTERCOMPANY NATIVE LOAD SCH 2 TRANSMISSION
456143	INTERCOMPANY NATIVE LOAD DEMAND TRANSMISSION
456150	INTERCOMPANY RETAIL SOURCE ENERGY TRANSMISSION
456151	INTERCOMPANY RETAIL SOURCE SCH 1 TRANSMISSION
456152	INTERCOMPANY RETAIL SOURCE SCH 2 TRANSMISSION
456153	INTERCOMPANY RETAIL SOURCE DEMAND TRANSMISSION
456160	INTRACOMPANY NATIVE LOAD ENERGY TRANSMISSION
456161	INTRACOMPANY NATIVE LOAD SCH 1 TRANSMISSION
456162	INTRACOMPANY NATIVE LOAD SCH 2 TRANSMISSION
456163	INTRACOMPANY NATIVE LOAD DEMAND TRANSMISSION
456170	INTRACOMPANY RETAIL SOURCE ENERGY TRANSMISSION
456171	INTRACOMPANY RETAIL SOURCE SCH 1 TRANSMISSION
456172	INTRACOMPANY RETAIL SOURCE SCH 2 TRANSMISSION
456173	INTRACOMPANY RETAIL SOURCE DEMAND TRANSMISSION
456198	INTRACOMPANY TRANSMISSION REVENUE ELIMINATION - NL
456199	INTRACOMPANY TRANSMISSION REVENUE ELIMINATION - RETAIL SOURCING OSS
457101	DIRECT COSTS CHARGED
457201	INDIRECT COSTS CHARGED
480010	RESID VARIABLE(FUEL) - MCF - (STAT ONLY)
480011	RESID VARIABLE(FUEL) - CUS - (STAT ONLY)
480101	GAS RESIDENTIAL DSM
480102	GAS RESIDENTIAL ENERGY REV
480104	GAS RESIDENTIAL GSC
480106	GAS RESIDENTIAL GLT
480107	GAS RESIDENTIAL WNA
480114	GAS RESIDENTIAL VDT
480119	GAS RESIDENTIAL CUST CHG REV
481010	COMMERCIAL SALES-GAS - CU - (STAT ONLY)
481011	COMMERCIAL SALES-GAS - MCF - (STAT ONLY)
481020	INDUSTRIAL SALES-GAS - CU - (STAT ONLY)
481021	INDUSTRIAL SALES-GAS - MCF - (STAT ONLY)
481101	GAS COMMERCIAL DSM
481102	GAS COMMERCIAL ENERGY REV
481104	GAS COMMERCIAL GSC
481105	GAS COMMERCIAL CASHOUT
481106	GAS COMMERICAL GLT
481107	GAS COMMERCIAL WNA
481114	GAS COMMERCIAL VDT
481119	GAS COMMERCIAL CUST CHG REV
481201	GAS INDUSTRIAL DSM
481202	GAS INDUSTRIAL ENERGY REV
481204	GAS INDUSTRIAL GSC
481205	GAS INDUSTRIAL CASHOUT
481206	GAS INDUSTRIAL GLT
481214	GAS INDUSTRIAL VDT
481219	GAS INDUSTRIAL CUST CHG REV

Account Number	Account Description
482010	SALES-PUB AUTH-GAS - CUS - (STAT ONLY)
482011	SALES-PUB AUTH-GAS - MCF - (STAT ONLY)
482101	GAS PUBLIC AUTH DSM
482102	GAS PUBLIC AUTH ENERGY REV
482104	GAS PUBLIC AUTH GSC
482105	GAS PUBLIC AUTH CASHOUT
482106	GAS PUBLIC AUTH GLT
482107	GAS PUBLIC AUTH WNA
482114	GAS PUBLIC AUTH VDT
482119	GAS PUBLIC AUTH CUST CHG REV
483001	OFF SYSTEM SALES FOR RESALE (MCF) - (STAT ONLY)
484001	GAS INTERDEPARTMENTAL SALES
484102	GAS INTERDEPARTMENTAL BASE REVENUES
484104	GAS INTERDEPARTMENTAL GSC
484105	PADDYS RUN CASHOUT - INTRACOMPANY
484106	GAS INTERDEPARTMENTAL GLT
484119	GAS INTERDEPARTMENTAL CUSTOMER CHARGE
487001	FORFEITED DISC/LATE PAYMENT CHARGE-GAS
488001	RECONNECT CHRG-GAS
488003	INSPECTION CHARGE-GAS
488004	METER TESTS-GAS
488005	GAS METER PULSE SERVICE
489201	GAS TRANSPORT INTERDEPARTMENTAL - BASE
489204	GAS TRANSPORT INTERDEP - CASHOUT OFO/UCDI
489215	GAS TRANSPORT - INTERDEPARTMENTAL
489301	GAS TRANSPORT - DSM
489302	GAS TRANSPORT - INDUSTRIAL
489304	GAS TRANSPORT - CASHOUT OFO/UCDI
489310	GAS TRANSPORT - CUSTOMERS (STAT ONLY)
489312	GAS TRANSPORT - DIRECT PAY - STATS ONLY
489314	GAS TRANSPORT - VDT
489319	TRANSPORT GAS - CUSTOMER CHARGE
489322	GAS TRANSPORT - COMMERCIAL
489332	GAS TRANSPORT - PUBLIC AUTHORITY
493001	RENT-GAS PROPERTY
493900	I/C JOINT USE RENT REVENUE-GAS-INDIRECT
493901	I/C JOINT USE RENT REVENUE FROM PPL-GAS-INDIRECT
495002	COMP-TAX REMIT-GAS
495005	RET CHECK CHRG-GAS
495006	OTHER GAS REVENUES
495102	PURCHASED GAS REFUND
495103	OVER/UNDER GAS SUPPLY COST ACTUAL ADJ
495104	OVER/UNDER GAS SUPPLY COST BALANCE ADJ
495107	WHOLESALE SALES MARGIN
495108	ACQ AND TRANS INCENTIVE
495109	PRB RECOVERY
500100	OPER SUPER/ENG
500900	OPER SUPER/ENG - INDIRECT
501001	FUEL-COAL - TON
501002	FUEL-COAL - BTU - (STAT ONLY)
501003	COAL ADDITIVES
501004	FUEL COAL - TO SOURCE UTILITY OSS
501005	FUEL COAL - OSS
501006	FUEL COAL - OFFSET
501007	FUEL COAL - TO SOURCE UTILITY RETAIL
501020	START-UP OIL -GAL
501021	START-UP OIL - BTU - (STAT ONLY)
501022	STABILIZATION OIL - GAL
501023	STABILIZATION OIL - BTU - (STAT ONLY)
501024	GENERATION OIL - GAL - (STAT ONLY)
501025	GENERATION OIL - BTU - (STAT ONLY)
501026	COAL RESALE EXPENSES
501030	PETROLEUM COKE - TON - (STAT ONLY)
501090	FUEL HANDLING
501091	FUEL SAMPLING AND TESTING
501092	FUEL HANDLING-GALS - (STAT ONLY)
501099	KWH GENERATED-COAL - (STAT ONLY)
501100	START-UP GAS - MCF
501101	START-UP GAS - BTU - (STAT ONLY)
501102	STABILIZATION GAS - MCF
501103	STABILIZATION GAS - BTU - (STAT ONLY)
501110	GENERATION GAS - MAIN BOILER -MCF - (STAT ONLY)
501200	BOTTOM ASH DISPOSAL
501201	PLANT-ECR BOTTOM ASH DISPOSAL
501202	BOTTOM ASH PROCEEDS
501203	ECR BOTTOM ASH DISPOSAL
501250	FLY ASH PROCEEDS
501251	FLY ASH DISPOSAL
501252	PLANT-ECR FLY ASH DISPOSAL
501253	ECR FLY ASH DISPOSAL
501299	KWH GENERATED-OIL - (STAT ONLY)
501990	FUEL HANDLING - INDIRECT
501993	FUELS PROCUREMENT - INDIRECT
502001	OTHER WASTE DISPOSAL
502002	BOILER SYSTEMS OPR
502003	SDRS OPERATION

Account Number	Account Description
502004	SDRS-H2O SYS OPR
502005	SLUDGE STAB SYS OPR
502006	SCRUBBER REACTANT EX
502011	ECR OTHER WASTE DISPOSAL
502012	PLANT-ECR LANDFILL OPERATION
502013	ECR LANDFILL OPERATIONS
502021	OTHER WASTE DISPOSAL - RETAIL
502022	OTHER WASTE DISPOSAL - OSS
502023	OTHER WASTE DISPOSAL - OFFSET
502024	SCRUBBER REACTANT - RETAIL
502025	SCRUBBER REACTANT - OSS
502026	SCRUBBER REACTANT - OFFSET
502056	ECR SCRUBBER REACTANT EX
502100	STM EXP(EX SDRS.SPP)
502900	STM EXP(EX SDRS.SPP) - INDIRECT
504001	STEAM XFERRED - CR - PROJECT USE
505100	ELECTRIC SYS OPR
506001	STEAM OPERATION-AIR QUALITY MONITORING AND CONTROL EQUIPMENT
506051	ECR STEAM OPERATION-AIR QUALITY MONITORING AND CONTROL EQUIPMENT
506100	MISC STM PWR EXP
506102	MISC STM PWR EXP-GALS - (STAT ONLY)
506103	MISC STM PWR EXP-BTU - (STAT ONLY)
506104	NOX REDUCTION REAGENT
506105	OPERATION OF SCR/NOX REDUCTION EQUIP
506106	SCR/NOX - RETAIL
506107	SCR/NOX - OSS
506108	SCR/NOX - OFFSET
506109	SORBENT INJECTION OPERATION
506110	MERCURY MONITORS OPERATIONS
506111	ACTIVATED CARBON
506112	SORBENT REACTANT - REAGENT ONLY
506150	ECR MERCURY MONITORS OPERATIONS
506151	ECR ACTIVATED CARBON
506152	ECR SORBENT REACTANT - REAGENT ONLY
506154	ECR NOX REDUCTION REAGENT
506155	ECR OPERATION OF SCR/NOX REDUCTION EQUIP
506156	ECR BAGHOUSE OPERATIONS
506159	ECR SORBENT INJECTION OPERATION
506900	MISC STM PWR EXP - INDIRECT
507100	RENTS-STEAM
507900	I/C JOINT USE RENT EXPENSE-GEN-INDIRECT
509002	SO2 EMISSION ALLOWANCES
509003	NOX EMISSION ALLOWANCES
509004	EMISSION ALLOWANCES - RETAIL
509007	EMISSION ALLOWANCES - OSS
509008	EMISSION ALLOWANCES - OFFSET
509052	ECR SO2 EMISSION ALLOWANCES
509053	ECR NOX EMISSION ALLOWANCES
510100	MTCE SUPER/ENG - STEAM
510900	MTCE SUPER/ENG - STEAM - INDIRECT
511100	MTCE-STRUCTURES
512005	MAINTENANCE-SDRS
512011	INSTR/CNTRL-ENVRNL
512015	SDRS-COMMON H2O SYS
512017	MTCE-SLUDGE STAB SYS
512051	ECR INSTR/CNTRL-ENVRNL
512055	ECR MAINTENANCE-SDRS
512100	MTCE-BOILER PLANT
512101	MAINTENANCE OF SCR/NOX REDUCTION EQUIP
512102	SORBENT INJECTION MAINTENANCE
512103	MERCURY MONITORS MAINTENANCE
512105	PLANT-ECR LANDFILL MAINTENANCE
512106	PLANT-ECR CCP SYSTEM MAINTENANCE
512107	ECR LANDFILL MAINTENANCE
512108	ECR CCP SYSTEM MAINTENANCE
512151	ECR MAINTENANCE OF SCR/NOX REDUCTION EQUIP
512152	ECR SORBENT INJECTION MAINTENANCE
512153	ECR MERCURY MONITORS MAINTENANCE
512156	ECR BAGHOUSE MAINTENANCE
513100	MTCE-ELECTRIC PLANT
513900	MTCE-ELECTRIC PLANT - BOILER
514100	MTCE-MISC/STM PLANT
535100	OPER SUPER/ENG-HYDRO
536100	WATER FOR POWER
536101	KWH GENERATED-HYDRO - (STAT ONLY)
538100	ELECTRIC EXPENSES - HYDRO
539100	MISC HYD PWR GEN EXP
540100	RENTS-HYDRO
541100	MTCE-SUPER/ENG - HYDRO
542100	MAINT OF STRUCTURES - HYDRO
543100	MTCE-RES/DAMS/WATERW
544100	MTCE-ELECTRIC PLANT
545100	MTCE-MISC HYDAULIC PLANT
546100	OPER SUPER/ENG - TURBINES
547010	KWH GEN-OTH PWR-OIL - (STAT ONLY)
547020	KWH GEN-OTH PWR-GAS - (STAT ONLY)

Account Number	Account Description
547030	FUEL-GAS - MCF
547031	FUEL-GAS - BTU - (STAT ONLY)
547040	FUEL-OIL - GAL
547041	FUEL-OIL - BTU - (STAT ONLY)
547051	FUEL - TO SOURCE UTILITY OSS
547052	FUEL - OSS
547053	FUEL - OFFSET
547054	FUEL - TO SOURCE UTILITY RETAIL
547056	FUEL - GAS - INTRACOMPANY
547057	FUEL - GAS - INTRACOMPANY - BTU - (STAT ONLY)
548100	GENERATION EXP
549002	AIR QUALITY EXPENSES
549003	NOX EMISSION ALLOWANCES
549100	MISC OTH PWR GEN EXP
550100	RENTS-OTH PWR
551100	MTCE-SUPER/ENG - TURBINES
552100	MTCE-STRUCTURES - OTH PWR
553100	MTCE-GEN/ELECT EQ
554100	MTCE-MISC OTH PWR GEN
554200	MTC-HEAT RECOVERY STEAM GEN
555010	OSS POWER PURCHASES
555015	NL POWER PURCHASES - ENERGY
555016	NL POWER PURCHASES - DEMAND
555020	OSS I/C POWER PURCHASES
555025	NL I/C POWER PURCHASES
555080	PURCHASE POWER NATIVE LOAD - SQF AND LQF TARIFF
555085	PURCHASE POWER NATIVE LOAD DEMAND - LQF TARIFF
555101	INAD INTER REC-KWH - (STAT ONLY)
555110	INAD INTER DEL-KWH - (STAT ONLY)
556100	SYS CTRL / DISPATCHING
556900	SYS CTRL / DISPATCHING - INDIRECT
557100	OTH POWER SUPPLY EXP
557110	MARKET FEES - NATIVE LOAD
557111	MARKET FEES - OFF SYSTEM SALES
557206	MISO DAY 2 OTHER - NATIVE LOAD
557207	MISO DAY 2 OTHER - OFF SYSTEM SALES
557208	RTO OTHER (NON-MISO) - NL
557209	RTO OTHER (NON-MISO) - OSS
557211	RTO OPERATING RESRV (NON-MISO) - NL
557212	RTO OPERATING RESRV (NON-MISO) - OSS
557999	KU PLANT ALLOCATION CLEARING ACCOUNT
560100	OP SUPER/ENG-SSTOPER
560900	OP SUPER/ENG-SSTOPER - INDIRECT
561100	LOAD DISPATCH-WELOB
561190	LOAD DISPATCH - INDIRECT
561291	LOAD DISPATCH-MONITOR AND OPERATE TRANSMISSION SYSTEM - INDIRECT
561391	LOAD DISPATCH-TRANSMISSION SERVICE AND SCHEDULING - INDIRECT
561402	MISO DAY 1 SCH 10 - RESERVE
561403	NL MISO D1 SCHEDULE 10 - SCHEDULING, SYSTEM CONTROLS
561501	RELIABILITY, PLANNING AND STANDARDS DEVELOPMENT
561590	RELIABILITY, PLANNING AND STANDARDS DEVELOPMENT - INDIRECT
561601	TRANSMISSION SERVICE STUDIES
561801	MISO DAY 1 SCH 10 - LOAD
561802	MISO DAY 1 SCH 10 - RESERVE
561803	NL MISO D1 SCHEDULE 10 - RELIABILITY PLANNING
561900	LOAD DISPATCH-WELOB - INDIRECT
561901	BALANCING AUTHORITY EXPENSE (LABOR ONLY)
562100	STA EXP-SUBST OPER
563100	OTHER INSP-ELEC TRAN
563900	OTHER INSP-ELEC TRAN - INDIRECT
565002	TRANSMISSION ELECTRIC OSS
565005	TRANSMISSION ELECTRIC NATIVE LOAD
565006	TRANSMISSION ELECTRIC OSS - MISO
565007	TRANSMISSION ELECTRIC OSS - 3RD PARTY
565014	INTERCOMPANY TRANSMISSION EXPENSE
565016	INTERCOMPANY TRANSMISSION EXPENSE - MUNICIPALS
565018	INTRACOMPANY TRANSMISSION EXPENSE - NATIVE LOAD
565019	INTRACOMPANY TRANSMISSION EXPENSE - OSS
565024	I/C TRANSMISSION RETAIL EXPENSE - NATIVE LOAD
565198	INTRACOMPANY TRANSMISSION EXPENSE OFFSET - NATIVE LOAD
565199	INTRACOMPANY TRANSMISSION EXPENSE ELIMINATION - RETAIL SOURCING OSS
566100	MISC TRANS EXP-SSTMT
566122	REACTIVE SUPPLY & VOLTAGE CONTROL - NL
566140	INDEPENDENT OPERATOR
566150	EKPC DEPANCAKING SETTLEMENT
566151	TRANSMISSION DEPANCAKING EXPENSES
566900	MISC TRANS EXP-SSTMT - INDIRECT
567100	RENTS-ELEC/SUBSTATION OPERATIONS
567900	I/C JOINT USE RENT EXPENSE-TRANS-INDIRECT
569100	MTCE-STRUCT-SSTMTCE
569101	MAINTENANCE OF COMPUTER HARDWARE
570100	MTCE-ST EQ-SSTMTCE
570900	MTCE-ST EQ-SSTMTCE - INDIRECT
571100	MTCE OF OVERHEAD LINES
573100	MTCE-MISC TR PLT-SSTMT
573900	MTCE-MISC TR PLT-SSTMT INDIRECT

Account Number	Account Description
575701	MISO DAY 2 SCH 17-MARKET ADMIN FEE-OSS
575702	MISO DAY 2 SCH 16-FTR ADMIN FEE-NL
575703	MISO DAY 2 SCH 17-MARKET ADMIN FEE-NL
575704	MISO DAY 1 SCH 10 - RESERVE
575708	NL MISO D1 SCHEDULE 10 - MKT ADMIN
580100	OP SUPER/ENG-SSTOPER
580900	OP SUPER/ENG-SSTOPER - INDIRECT
581900	SYS CTRL/SWITCH-DIST - INDIRECT
582100	STATION EXP-SSTOPER
583001	OPR-O/H LINES
583003	O/H LOAD/VOLT TEST
583004	INST/REMV TEMP SERV
583005	CUST COMPL RESP-O/H
583008	INST/REMV TRANSF/REG
583009	INSPC O/H LINE FACIL
583010	LOC O/H ELEC FAC-BUD
583100	O/H LINE EXP-SSTOPER
584001	OPR-UNDERGRND LINES
584002	INSPC U/G LINE FACIL
584003	LOAD/VOLT TEST-U/G
584005	RESP-U/G CUST COMPL
584008	INST/RMV/REPL TRANSF
585100	STREET LIGHTING AND SIGNAL SYST EXP
586100	METER EXP
586101	INPECT/TEST METERS
586900	METER EXP - INDIRECT
587100	CUST INSTALLATION EXP
588100	MISC DIST EXP-SUBSTATION OPERATIONS
588900	MISC DIST EXP-SUBSTATION OPERATIONS - INDIRECT
589100	RENTS-DISTR / SUBSTAT OPER
590100	MTCE/SUPER/ENG-SSTMT
590900	MTCE/SUPER/ENG-SSTMT - INDIRECT
591003	MTCE-MISC STRUCT-DIS
592100	MTCE-ST EQ-SSTMTCE
593001	MTCE-POLE/FIXT-DISTR
593002	MTCE-COND/DEVICE-DIS
593003	MTCE-SERVICES
593004	TREE TRIMMING
593005	MINOR EXEMPT EXPENSE
593904	TREE TRIMMING - INDIRECT
594001	MTCE-ELEC MANHOL ETC
594002	MTCE-U/G COND ETC
595100	MTCE-TRANSF/REG
596100	MTCE OF STREET LIGHTING AND SIGNALS
598100	MTCE OF MISC DISTRIBUTION PLANT
598900	MTCE OF MISC DISTRIBUTION PLANT - INDIRECT
803001	GAS TRANS LINE PURCH
803002	PURCHASED GAS REFUND
803003	GAS COST ACTUAL ADJ
803004	GAS COST BALANCE ADJ
803006	PURCHASED GAS - WHOLESALE SALES
803007	WHOLESALE SALES MARGIN
803008	ACQ AND TRANS INCENTIVE
803009	PBR RECOVERY
803010	END USERS GAS PURCHASE (MCF ONLY) - (STAT ONLY)
806001	EXCHANGE GAS - INJECTIONS
806002	EXCHANGE GAS - WITHDRAWALS
807401	PURCH GAS CALC EXP
807501	OTHER PURCH GAS EXP
807502	GAS PROCUREMENT EXP
808101	GAS W/D FROM STOR-DR
808201	GAS DELD TO STOR-CR
810001	GAS-COMP STA FUEL-CR
812010	GAS-FUEL-ELEC GEN-CR - MCF - (STAT ONLY)
812011	GAS-FUEL-ELEC GEN-CR - BTU - (STAT ONLY)
812020	GAS-CITY GATE-CR
812030	GAS-OTH DEPT-CR
812040	GAS-START/STABIL-CR - MCF - (STAT ONLY)
812041	GAS-START/STABIL-CR - BTU - (STAT ONLY)
813001	OTH GAS SUPPLY EXP
813003	LOST AND UNACCOUNTED FOR GAS - TRANSPORTS (STAT ONLY)
814003	SUPV-STOR/COMPR STA
816100	WELLS EXPENSE
817100	LINES EXPENSE
818100	COMPR STATION EXP
819100	COMPR STA FUEL-U/G
821100	PURIFICATION EXP
823100	GAS LOSSES
824100	OPR-U/G STO/COMPR
825100	ROYALTIES
826100	RENTS-STORAGE FIELDS
830100	MTCE SUPRV AND ENGR - STOR COMPR
832100	MTC-RESERVOIRS/WELLS
833100	MTCE-LINES
834100	MTCE-COMP STA EQUIP
835100	MTCE-M/R EQ-COMPR

Account Number	Account Description
836100	MTCE-PURIFICATION EQUP
837100	MTCE-OTHER EQUIP
850100	OPR SUPV AND ENGR
851100	SYS CTRL/DSPTCH-GAS
852100	OPR-COM EQ-GAS TRANS
856100	MAINS EXPENSES
860100	RENTS-GAS TRANS
863100	MTCE-GAS MAINS-TRANS
871100	DISTR LOAD DISPATCH
874001	OTHER MAINS/SERV EXP
874002	LEAK SUR-DIST MN/SVC
874005	CHEK STOP BOX ACCESS
874006	PATROLLING MAINS
874007	CHEK/GREASE VALVES
874008	OPR-ODOR EQ
874110	GLT - OTHER MAINS / SERV EXP.
875100	MEAS/REG STA-GENERAL
876100	MEAS/REG STA-INDUSTRIAL
877100	MEAS/REG STA-CITY GATE
878100	METER/REG EXPENSE
878110	GLT - METER/REG EXP.
879100	CUST INSTALL EXPENSE
879110	GLT-CUSTOMER INSTALL
880016	GAS LOST / UNACCT FOR (MCF) - (STAT ONLY)
880100	OTH GAS DISTR EXPENSE
880110	GAS RISER AND LEAK MITIGATION TRACKER EXPENSES - BUDGET ONLY
880900	OTH GAS DISTR EXPENSE - INDIRECT
881100	RENTS-GAS DISTR
886100	MTCE-GAS DIST STRUCT
887100	MTCE-GAS MAINS-DISTR
887110	GLT- MTCE GAS MAINS DIST.
889100	MTCE-M/R STA EQ-GENL
890100	MTCE-M/R STA EQ-INDL
891100	MTCE-M/R ST EQ-CITY GATE
892100	MTCE-OTH SERVICES
892110	GLT-MTCE-OTHER SERVICE
892900	MTCE-OTH SERVICES - INDIRECT
894100	MTCE-OTHER EQUIP
901001	SUPV-CUST ACCTS
901900	SUPV-CUST ACCTS - INDIRECT
902001	METER READ-SERV AREA
902002	METER READ-CLER/OTH
902900	METER READ-SERV AREA - INDIRECT
903001	AUDIT CUST ACCTS
903002	BILL SPECIAL ACCTS
903003	PROCESS METER ORDERS
903006	CUST BILL/ACCTG
903007	PROCESS PAYMENTS
903008	INVEST THEFT OF SVC
903011	MAINTENANCE-CIS
903012	PROC CUST CNTRT/ORDR
903013	HANDLE CREDIT PROBS
903022	COLL OFF-LINE BILLS
903023	PROC BANKRUPT CLAIMS
903025	MTCE-ASST PROGRAMS
903030	PROC CUST REQUESTS
903031	PROC CUST PAYMENTS
903032	DELIVER BILLS-REG
903035	COLLECTING-OTHER
903036	CUSTOMER COMPLAINTS
903038	MISC CASH OVERAGE/SHORTAGE
903901	AUDIT CUST ACCTS - INDIRECT
903902	BILL SPECIAL ACCTS - INDIRECT
903903	PROCESS METER ORDERS - INDIRECT
903906	CUST BILL/ACCTG - INDIRECT
903907	PROCESS PAYMENTS - INDIRECT
903908	INVESTIGATE THEFT OF SERVICE - INDIRECT
903909	PROC EXCEPTION PMTS - INDIRECT
903912	PROC CUST CNTRT/ORDR - INDIRECT
903922	COLLECT OFF-LINE BILLS - INDIRECT
903930	PROC CUST REQUESTS - INDIRECT
903931	PROC CUST PAYMENTS - INDIRECT
903935	COLLECTING-OTHER - INDIRECT
903936	CUSTOMER COMPLAINTS - INDIRECT
904001	UNCOLLECTIBLE ACCTS
904002	UNCOLLECTABLE ACCTS - WHOLESALE
904003	UNCOLL ACCTS - A/R MISC
904004	UNCOLL ACCTS - A/R MISC - SPEC ITEM
904005	UNCOLLECTIBLE ACCTS - GSC
905001	MISC CUST SERV EXP
905002	MISC CUST BILL/ACCTG
905003	MISC COLLECTING EXP
905900	MISC CUST SERV EXP - INDIRECT
907001	SUPV-CUST SER/INFO
907900	SUPV-CUST SER/INFO - INDIRECT
908001	CUST MKTG/ASSIST

Account Number	Account Description
908004	DSM - ENERGY AUDIT
908005	DSM CONSERVATION PROG
908006	DSM - HVAC
908007	DSM - CONSERVATION
908009	MISC MARKETING EXP
908011	DSM CONSERVATION PROGRAM - GAS EXPENSE RECLASS
908901	CUST MKTG/ASSIST - INDIRECT
908902	RES CONS/ENG ED PROG - INDIRECT
908909	MISC MARKETING EXP - INDIRECT
909004	MISC CUST COM-SER/IN
909005	MEDIA RELATIONS
909010	PRINT ADVER-SER/INFO
909011	OTH ADVER-SER/INFO
909013	SAFETY PROGRAMS
909910	PRINT ADVER-SER/INFO - INDIRECT
909911	OTHER ADVER-SER/INFO - INDIRECT
910001	MISC CUST SER/INFO
910900	MISC CUST SER/INFO - INDIRECT
912003	GEN MKTG AND MKTG PGMS
913012	OTH ADVER-SALES
913912	OTH ADVER-SALES - INDIRECT
920100	OTHER GENERAL AND ADMIN SALARIES
920900	OTHER GENERAL AND ADMIN SALARIES - INDIRECT
921002	EXP-GEN OFFICE EMPL
921003	GEN OFFICE SUPPL/EXP
921004	OPR-GEN OFFICE BLDG
921902	INDIRECT EMPLOYEE OFFICE EXPENSE ALLOCATION
921903	GEN OFFICE SUPPL/EXP - INDIRECT
921904	I/C OPR-GEN OFFICE BLDG - INDIRECT
921905	OFC EQUIP DEPR COST OF SALES OFFSET-INDIRECT (LKS ONLY)
922001	A/G SAL TRANSFER-CR
922002	OFF SUPP/EXP TRAN-CR
922003	TRIMBLE CTY TRAN-CR
923100	OUTSIDE SERVICES
923101	OUTSIDE SERVICES - AUDIT FEES - PWC
923301	OUTSIDE SERVICES - AUDIT FEES - OTHER
923302	OUTSIDE SERVICES - TAX SERVICES - OTHER
923900	OUTSIDE SERVICES - INDIRECT
924100	PROPERTY INSURANCE
924900	PROPERTY INSURANCE - INDIRECT
925001	PUBLIC LIABILITY
925002	WORKERS COMP EXPENSE - BURDENS
925003	AUTO LIABILITY
925004	SAFETY AND INDUSTRIAL HEALTH
925100	OTHER INJURIES AND DAMAGES
925900	OTHER INURIES AND DAMAGES - INDIRECT
925902	WORKERS COMP EXPENSE - BURDENS INDIRECT
925904	SAFETY & INDUSTRIAL HEALTH - INDIRECT
926001	TUITION REFUND PLAN
926002	GROUP LIFE INSURANCE EXPENSE - BURDENS
926003	MEDICAL INSURANCE EXPENSE - BURDENS
926004	DENTAL INSURANCE EXPENSE - BURDENS
926005	LONG TERM DISABILITY EXPENSE - BURDENS
926019	OTHER BENEFITS EXPENSE - BURDENS
926100	EMPLOYEE BENEFITS - NON-BURDEN
926101	PENSIONS EXPENSE - BURDENS
926102	401K EXPENSE - BURDENS
926105	FASB 112 (OPEB) POST EMPLOYMENT EXPENSE - BURDENS
926106	FASB 106 (OPEB) POST RETIREMENT EXPENSE - BURDENS
926110	EMPLOYEE WELFARE
926112	PENSION EXP- VA
926113	PENSION EXP- FERC
926115	ADOPTION ASSISTANCE PROGRAM
926116	RETIREMENT INCOME EXPENSE - BURDENS
926901	TUITION REFUND PLAN - INDIRECT
926902	GROUP LIFE INSURANCE EXPENSE - BURDENS INDIRECT
926903	MEDICAL INSURANCE EXPENSE - BURDENS INDIRECT
926904	DENTAL INSURANCE EXPENSE - BURDENS INDIRECT
926905	LONG TERM DISABILITY EXPENSE - BURDENS INDIRECT
926910	EMPLOYEE WELFARE - INDIRECT
926911	PENSIONS EXPENSE - BURDENS INDIRECT
926912	401K EXPENSE - BURDENS INDIRECT
926915	FASB 112 (OPEB) POST EMPLOYMENT EXPENSE - BURDENS INDIRECT
926916	FASB 106 (OPEB) POST RETIREMENT EXPENSE - BURDENS INDIRECT
926917	PENSION INTEREST EXPENSE - BURDENS INDIRECT
926918	FASB 106 INTEREST (OPEB) POST RETIREMENT EXPENSE - BURDENS INDIRECT
926919	OTHER BENEFITS EXPENSE - BURDENS INDIRECT
926990	RETIREMENT INCOME EXPENSE - BURDENS INDIRECT
927001	ELEC SUPPL W/O CH-DR
927002	OTH ITEMS W/O CH-DR
927003	CITY OF LOU GAS FRAN
928001	FORMAL CASES - FERC
928002	REG UPKEEP ASSESSMTS
928003	AMORTIZATION OF RATE CASE EXPENSES
928006	FORMAL CASES - TENNESSEE
928007	FORMAL CASES - VIRGINIA

Account Number	Account Description
928008	FORMAL CASES - KENTUCKY
929001	FRANCHISE REQMTS-CR
929002	ELEC USED-ELEC DEPT
929003	GAS USED-GAS DEPT
929004	ELECTRICITY USED - OTHER DEPARTMENTS
929005	ELECTRICITY USED BY ELECTRIC DEPARTMENT - ODP
929006	KWH SOURCES - ODP - (STAT ONLY)
929007	ODP FREE LIGHTING
930101	GEN PUBLIC INFO EXP
930191	GEN PUBLIC INFO EXP - INDIRECT
930201	MISC CORPORATE EXP
930202	ASSOCIATION DUES
930203	RESEARCH WORK
930207	OTHER MISC GEN EXP
930223	SUSPENSE - PPL
930272	ASSOCIATION DUES - INDIRECT
930274	RESEARCH AND DEVELOPMENT EXPENSES - INDIRECT
930277	OTHER MISC GEN EXP - INDIRECT
931004	RENTS-CORPORATE HQ
931100	RENTS-OTHER
931900	I/C JOINT USE RENT EXPENSE-INDIRECT
931904	RENTS - CORPORATE HQ (INDIRECT)
935101	MTCE-GEN PLANT
935191	MTCE-GEN PLANT - INDIRECT
935203	SOFTWARE MTCE AGREEMENTS
935391	MTCE-COMMUNICATION EQ - INDIRECT
935401	MTCE-OTH GEN EQ
935402	MAINT. OF NON-BONDABLE GENERAL PLANT
935403	MNTC BONDABLE PROPERTY
935488	MTCE-OTH GEN EQ - INDIRECT
951002	ECR RATE BASE - ALL PLANS (STAT ONLY)
951004	ECR COST OF CAPITAL - ALL PLANS (STAT ONLY)
951005	ECR JURISDICTIONAL FACTOR (STAT ONLY)
951006	ECR - ESTIMATED OPERATING EXPENSES (STAT ONLY)
951101	DSM DCR RECOVERABLE PROGRAM EXPENSE (STAT ONLY)
951102	DSM DRLS - LOST SALES (STAT ONLY)
951103	DSM DSMI - INCENTIVE (STAT ONLY)
951104	DSM RECOVERABLE DCCR PROGRAM EXPENSE (STAT ONLY)
951105	DSM RECOVERABLE DCCR CAPITAL EXPENSE (STAT ONLY)
951106	DSM RECOVERABLE INTEREST ON DCCR CAPITAL (STAT ONLY)
951107	DSM DBA STAT ONLY - (BALANCING ADJUSTMENT)
951201	GLT RATE BASE (STAT ONLY)
951202	GLT DEPRECIATION SAVINGS (STAT ONLY)
951203	GLT COST OF CAPITAL (STAT ONLY)
951204	CHANGE IN YTD AVERAGE GLT RATE BASE, APPLIED TO ALL MONTHS (STAT ONLY)
999999	GL TO PA INTERFACE

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(n)
Sponsoring Witness: Kent W. Blake

Description of Filing Requirement:

The latest twelve (12) months of the monthly managerial reports providing financial results of operations in comparison to the forecast.

Response:

See attached.

Net Income Continuing Operations - Kentucky Utilities Company
November 2013

Month To Date Actual VS Month to Date Budget

	MTD Actual	MTD Budget	Variance
Revenues	130,503,371	128,114,421	2,388,950
Cost of Revenues	(52,277,439)	(53,987,208)	1,709,769
Electric Margin	78,225,932	74,127,213	4,098,719
O&M	(26,234,158)	(29,603,549)	3,369,391
Other Income & Expenses	(129,248)	(188,923)	59,675
Depreciation	(15,392,652)	(15,729,423)	336,772
Property tax	(1,855,006)	(2,033,381)	178,375
Equity in Earnings	0	(73,840)	73,840
Interest	(6,038,901)	(6,647,859)	608,958
Income Tax	(10,960,113)	(7,380,953)	(3,579,160)
Net Income Ongoing Operations	**17,615,854**	**12,469,284**	**5,146,569**
Special Items	20,263	0	20,263
Net Income	**17,636,117**	**12,469,284**	**5,166,833**

Net Income Continuing Operations - Kentucky Utilities Company

December 2013

Month To Date Actual VS Month to Date Budget

	MTD Actual	MTD Budget	Variance
Revenues	150,110,374	150,966,038	(855,664)
Cost of Revenues	(60,020,580)	(63,906,718)	3,886,138
Electric Margin	90,089,794	87,059,320	3,030,474
O&M	(28,179,247)	(27,629,801)	(549,446)
Other Income & Expenses	(381,823)	(356,387)	(25,436)
Depreciation	(15,417,895)	(15,911,197)	493,302
Property tax	(2,098,993)	(2,033,381)	(65,612)
Equity in Earnings	0	(73,840)	73,840
Interest	(7,347,284)	(6,608,591)	(738,693)
Income Tax	(11,147,800)	(13,045,086)	1,897,286
Net Income Ongoing Operations	**25,516,751**	**21,401,036**	**4,115,715**
Special Items	20,264	0	20,264
Net Income	**25,537,015**	**21,401,036**	**4,135,979**

Net Income Continuing Operations - Kentucky Utilities Company

January 2014

Month To Date Actual VS Month to Date Budget

	MTD Actual	MTD Budget	Variance
Revenues	189,703,784	159,638,909	30,064,874
Cost of Revenues	(83,379,996)	(66,626,526)	(16,753,470)
Electric Margin	106,323,788	93,012,383	13,311,404
O&M	(27,288,117)	(26,914,783)	(373,334)
Other Income & Expenses	(455,247)	(490,865)	35,618
Depreciation	(15,495,188)	(15,663,558)	168,370
Property tax	(2,103,541)	(2,453,035)	349,494
Equity in Earnings	0	0	0
Interest	(6,472,940)	(6,661,207)	188,268
Income Tax	(21,047,968)	(15,597,460)	(5,450,507)
Net Income Ongoing Operations	**33,460,787**	**25,231,474**	**8,229,313**
Special Items	10,500	0	10,500
Net Income	**33,471,287**	**25,231,474**	**8,239,813**

Net Income Continuing Operations - Kentucky Utilities Company
February 2014

Month To Date Actual VS Month to Date Budget

	MTD Actual	MTD Budget	Variance
Revenues	158,896,890	149,003,718	9,893,172
Cost of Revenues	(67,222,245)	(62,302,176)	(4,920,069)
Electric Margin	91,674,645	86,701,543	4,973,103
O&M	(26,595,970)	(27,492,454)	896,484
Other Income & Expenses	(240,223)	(281,476)	41,254
Depreciation	(15,551,555)	(15,700,842)	149,287
Property tax	(2,104,860)	(2,453,035)	348,175
Equity in Earnings	0	0	0
Interest	(6,408,494)	(6,650,968)	242,474
Income Tax	(15,704,970)	(12,987,661)	(2,717,309)
Net Income Ongoing Operations	**25,068,573**	**21,135,106**	**3,933,467**
Special Items	10,500	0	10,500
Net Income	**25,079,073**	**21,135,106**	**3,943,967**

Net Income Continuing Operations - Kentucky Utilities Company
March 2014

Month To Date Actual VS Month to Date Budget

	MTD Actual	MTD Budget	Variance
Revenues	149,754,916	145,922,540	3,832,376
Cost of Revenues	(65,283,125)	(62,481,645)	(2,801,480)
Electric Margin	84,471,791	83,440,895	1,030,896
O&M	(32,821,387)	(36,829,626)	4,008,239
Other Income & Expenses	(404,056)	(351,247)	(52,809)
Depreciation	(15,582,248)	(15,712,499)	130,251
Property tax	(2,106,283)	(2,453,035)	346,752
Equity in Earnings	0	0	0
Interest	(6,402,301)	(6,659,444)	257,143
Income Tax	(9,549,248)	(7,985,780)	(1,563,468)
Net Income Ongoing Operations	**17,606,267**	**13,449,263**	**4,157,004**
Special Items	193,692	0	193,692
Net Income	**17,799,959**	**13,449,263**	**4,350,696**

Net Income Continuing Operations - Kentucky Utilities Company

April 2014

Month To Date Actual VS Month to Date Budget

	MTD Actual	MTD Budget	Variance
Revenues	127,052,090	130,324,276	(3,272,186)
Cost of Revenues	(55,240,726)	(55,270,381)	29,655
Electric Margin	71,811,364	75,053,895	(3,242,531)
O&M	(36,976,924)	(33,047,129)	(3,929,795)
Other Income & Expenses	(296,465)	(307,106)	10,642
Depreciation	(15,634,825)	(15,732,556)	97,731
Property tax	(2,174,984)	(2,453,035)	278,051
Equity in Earnings	0	0	0
Interest	(6,408,718)	(6,673,197)	264,479
Income Tax	(3,858,328)	(6,263,099)	2,404,772
Net Income Ongoing Operations	**6,461,121**	**10,577,773**	**(4,116,652)**
Special Items	10,500	0	10,500
Net Income	**6,471,621**	**10,577,773**	**(4,106,152)**

Net Income Continuing Operations - Kentucky Utilities Company

May 2014

Month To Date Actual VS Month to Date Budget

	MTD Actual	MTD Budget	Variance
Revenues	134,038,679	132,251,426	1,787,253
Cost of Revenues	(56,706,947)	(56,362,606)	(344,341)
Electric Margin	77,331,733	75,888,820	1,442,913
O&M	(28,310,537)	(28,294,701)	(15,836)
Other Income & Expenses	(126,453)	(208,372)	81,919
Depreciation	(15,664,356)	(15,753,010)	88,654
Property tax	(2,120,723)	(2,453,035)	332,312
Equity in Earnings	0	0	0
Interest	(6,426,253)	(6,688,414)	262,161
Income Tax	(9,445,909)	(8,460,205)	(985,704)
Net Income Ongoing Operations	**15,237,502**	**14,031,083**	**1,206,419**
Special Items	170,781	0	170,781
Net Income	**15,408,283**	**14,031,083**	**1,377,200**

Net Income Continuing Operations - Kentucky Utilities Company

June 2014

Month To Date Actual VS Month to Date Budget

	MTD Actual	MTD Budget	Variance
Revenues	143,468,904	152,597,844	(9,128,940)
Cost of Revenues	(59,543,697)	(65,984,197)	6,440,500
Electric Margin	83,925,207	86,613,647	(2,688,440)
O&M	(28,780,712)	(28,657,827)	(122,885)
Other Income & Expenses	(118,952)	(190,643)	71,691
Depreciation	(15,726,347)	(15,806,625)	80,278
Property tax	(2,120,114)	(2,453,035)	332,921
Equity in Earnings	0	0	0
Interest	(6,441,188)	(6,704,529)	263,341
Income Tax	(11,978,314)	(12,404,385)	426,071
Net Income Ongoing Operations	**18,759,580**	**20,396,603**	**(1,637,022)**
Special Items	10,500	0	10,500
Net Income	**18,770,080**	**20,396,603**	**(1,626,522)**

Net Income Continuing Operations - Kentucky Utilities Company
July 2014

Month To Date Actual VS Month to Date Budget

	MTD Actual	MTD Budget	Variance
Revenues	142,945,720	166,362,472	(23,416,752)
Cost of Revenues	(59,511,883)	(73,042,814)	13,530,931
Electric Margin	83,433,837	93,319,658	(9,885,821)
O&M	(28,783,357)	(28,506,675)	(276,682)
Other Income & Expenses	(124,246)	(184,296)	60,051
Depreciation	(15,805,962)	(15,871,530)	65,569
Property tax	(2,160,705)	(2,457,103)	296,398
Equity in Earnings	0	0	0
Interest	(6,429,208)	(6,704,839)	275,630
Income Tax	(11,564,772)	(15,112,235)	3,547,463
Net Income Ongoing Operations	**18,565,588**	**24,482,980**	**(5,917,392)**
Special Items	13,800	0	13,800
Net Income	**18,579,387**	**24,482,980**	**(5,903,593)**

Net Income Continuing Operations - Kentucky Utilities Company

August 2014

Month To Date Actual VS Month to Date Budget

	MTD Actual	MTD Budget	Variance
Revenues	149,495,622	168,865,713	(19,370,091)
Cost of Revenues	(61,592,418)	(74,463,077)	12,870,659
Electric Margin	87,903,204	94,402,636	(6,499,432)
O&M	(26,244,691)	(28,500,341)	2,255,650
Other Income & Expenses	(119,397)	(226,971)	107,574
Depreciation	(15,864,068)	(15,894,841)	30,773
Property tax	(2,160,521)	(2,457,103)	296,582
Equity in Earnings	0	0	0
Interest	(6,430,033)	(6,696,504)	266,471
Income Tax	(14,114,266)	(15,512,984)	1,398,718
Net Income Ongoing Operations	**22,970,229**	**25,113,892**	**(2,143,663)**
Special Items	(35,569)	0	(35,569)
Net Income	**22,934,659**	**25,113,892**	**(2,179,232)**

Net Income Continuing Operations - Kentucky Utilities Company

September 2014

Month To Date Actual VS Month to Date Budget

	MTD Actual	MTD Budget	Variance
Revenues	128,975,885	145,745,114	(16,769,229)
Cost of Revenues	(53,770,138)	(60,368,135)	6,597,996
Electric Margin	75,205,747	85,376,979	(10,171,232)
O&M	(27,875,945)	(33,455,600)	5,579,655
Other Income & Expenses	(198,744)	(135,556)	(63,187)
Depreciation	(15,905,916)	(15,908,647)	2,731
Property tax	(2,162,347)	(2,457,103)	294,756
Equity in Earnings	0	0	0
Interest	(6,443,591)	(6,691,223)	247,632
Income Tax	(8,493,892)	(10,040,605)	1,546,712
Net Income Ongoing Operations	**14,125,312**	**16,688,245**	**(2,562,933)**
Special Items	18,199	0	18,199
Net Income	**14,143,511**	**16,688,245**	**(2,544,734)**

Net Income Continuing Operations - Kentucky Utilities Company

October 2014

Month To Date Actual VS Month to Date Budget

	MTD Actual	MTD Budget	Variance
Revenues	123,825,866	134,697,884	(10,872,017)
Cost of Revenues	(48,096,976)	(58,601,232)	10,504,255
Electric Margin	75,728,890	76,096,652	(367,762)
O&M	(31,517,847)	(36,100,300)	4,582,453
Other Income & Expenses	(191,027)	(190,464)	(563)
Depreciation	(15,926,124)	(15,693,621)	(232,504)
Property tax	(2,162,053)	(2,457,103)	295,050
Equity in Earnings	0	0	0
Interest	(6,489,747)	(6,692,235)	202,487
Income Tax	(7,464,155)	(5,528,485)	(1,935,670)
Net Income Ongoing Operations	**11,977,935**	**9,434,445**	**2,543,490**
Special Items	10,500	0	10,500
Net Income	**11,988,435**	**9,434,445**	**2,553,991**

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(o)
Sponsoring Witness: Kent W. Blake

Description of Filing Requirement:

Complete monthly budget variance reports, with narrative explanations, for the twelve (12) months immediately prior to the base period, each month of the base period, and any subsequent months, as they become available.

Response:

The Company has only one monthly performance report used for management reporting to the CEO and executive officers that addresses budget variances. Although the performance report contains separate analyses of gas and electric margins, no separate income statement, balance sheet or statement of cash flows are presented for gas versus electric operations, or KU versus LG&E, and decisions are based on the overall utility operations of LG&E and KU.

See attached for the monthly reports for:

- March 2013 through February 2014 which are the twelve months prior to the base period.
- Each month of the base period. Reports for March 2014 through October 2014 are presently available. KU will provide these reports for the remaining periods requested in the upcoming months as they become available.

Performance Report

March 2013

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Kentucky Regulated Dashboard — March 2013

Operational Metrics	Current Month		YTD		Full Year	
Safety	Actual	PY	Actual	PY	Forecast	PY
TCIR - Employees	0.68	0.34	1.18	0.66	N/A	1.35
Employee lost-time incidents	0	0	0	0	N/A	6
Reliability	Actual	Budget	Actual	Budget	Forecast	Budget
Generation Volumes	2,924	2,778	8,761	8,963	34,925	35,128
Utility EFOR	8.1%	5.1%	9.7%	5.1%	N/A	5.1%
Utility EAF	75.5%	81.8%	80.9%	88.4%	N/A	87.08%
Combined SAIFI	0.04	0.06	0.11	0.12	N/A	1.22
Combined SAIDI (minutes)	3.78	5.52	11.65	10.46	N/A	110
GwH Sales						
Residential	991	906	3,088	3,026	10,974	10,912
Commercial	646	616	1,897	1,893	8,067	8,063
Industrial	809	769	2,333	2,314	9,910	9,891
Municipals	161	151	485	458	1,971	1,944
Other	231	224	681	685	2,897	2,901
Off-System Sales	11	55	90	245	311	465
Total	2,849	2,722	8,575	8,621	34,130	34,175
Weather-Normalized Sales Growth[1]			Actual	W-N	Actual	W-N
Residential			4.4%	1.4%	5.5%	2.5%
Commercial			0.6%	-0.1%	0.4%	-0.1%
Industrial			0.1%	0.1%	4.4%	4.5%
Other[2]			0.0%	-0.4%	-1.1%	-1.4%
Total			1.6%	0.4%	3.0%	1.8%

Variance Explanations

- The generation fleet's EAF and EFOR are unfavorable to budget due to temperature and balance issues on Ghent 4 ID fan bearing and a turbine bearing failure and air heater pluggage on Trimble County 2.
- SAIDI is unfavorable YTD to budget due to a higher number of minor storms that occurred across Kentucky during January.
- Higher margins driven by higher retail volumes, as March heating degree days were 30% above normal.
- Capital spend YTD was $65m lower than budget due mainly to revised schedules for Mill Creek and Ghent environmental air work ($33m) expected to reverse by the end of 2013. Temporary differences on other environmental projects ($11m) and delayed spending on major Transmission and Distribution projects ($29m) are expected to reverse by year end and were partially offset by increased spend on Cane Run 7 ($10m).
- Capital spend full year is projected to be $18m lower than budget due mainly to delay in the Trimble County landfill to 2015 ($12m).

Significant Future Events

- In addition to the construction of Cane Run Unit 7, LG&E and KU continue to evaluate responses received from their request for proposals for up to 700 MW of capacity beginning as early as 2015. Initial assessments are expected to be completed in the second quarter.

	Current Month		YTD		Full Year	
Financial Metrics	Actual	Budget	Actual	Budget	Forecast	Budget
Utility ROE[3]	11.0%	9.0%	11.9%	11.8%	9.6%	9.6%
Electric Margins	$134	$128	$400	$403	$1,625	$1,638
Gas Margins	$17	$16	$58	$58	$157	$156
Capital Expenditures ($ millions)	Actual	Budget	Actual	Budget	Forecast	Budget
New Generation	$17	$21	$63	$53	$308	$310
ECR	43	46	112	156	644	655
Generation	8	9	17	17	114	117
Transmission	6	11	12	29	108	107
Electric Distribution	9	13	26	35	150	152
Gas Distribution	3	6	9	12	74	77
Customer Services	1	1	3	3	16	13
IT and Other	1	4	7	9	38	39
Total	$88	$111	$249	$314	$1,452	$1,470
O&M ($ millions)[4]	Actual	Budget	Actual	Budget	Forecast	Budget
Operations	$36	$39	$104	$108	$459	$463
Administrative	8	8	22	22	92	94
Finance and Accounting	2	2	4	5	19	19
Corp Burdens & Other Charges	15	14	42	37	149	146
Total	$61	$62	$173	$171	$719	$721
Head Count	Actual	Budget	Actual	Budget	Forecast	Budget
Full-time Employees	3,314	3,402	3,314	3,402	3,435	3,435
Other Metrics	Actual	PY	Actual	PY	Forecast	
Environmental Events	2	0	3	0	N/A	
NERC Possible Violations	0	0	0	5	N/A	

Major Developments

- In Louisville and Lexington, March 2013 ranked as the coldest and the second coldest, respectively, in the last 20 years with heating degree days approximately 30% above normal.
- Old Dominion Power Company (KU's operational unit in Virginia) filed an application with the Virginia State Corporation Commission to increase its rates to recover costs associated with improving service and reliability. The filing includes a $6.5 million or 9.6 percent rate increase premised upon a 10.8 percent return on equity. The rates will become effective January 1, 2014, pending approval from the Commission.
- The Kentucky Division of Waste Management notified LG&E of its intent to deny LG&E's Special Waste Landfill permit application for the Trimble County CCR landfill. The denial was based solely on its interpretation of the Cave Protection Act and not on special waste regulations. LG&E plans to move forward with a new permit application for the next lowest cost alternate location which is also on existing plant property. The revised footprint will avoid any impact to the karst feature that was under review.
- For the third consecutive year, LG&E and KU have been awarded the ENERGY STAR Partner of the Year - Sustained Excellence Award by the EPA. The award recognizes LG&E and KU's continued leadership in protecting the environment through superior energy efficiency. LG&E and KU, ENERGY STAR partners since 2009, have helped spur the construction of more than 2,800 ENERGY STAR-certified homes within their service territories. These accomplishments were recognized at an awards ceremony in Washington, D.C.

[1] Full year percentages represent a trailing twelve months.
[2] "Other" is typically comprised of the public authority customer class and KU's 12 full-requirements wholesale municipal customers.
[3] Excludes goodwill and other purchase accounting adjustments.
[4] Net of cost recovery mechanisms.
Note: Schedules may not sum due to rounding.

Income Statement: Actual vs. Budget — March 2013

($ Millions)

	MTD				YTD			
	Actual	Budget	Variance	Comments	Actual	Budget	Variance	Comments
Revenues:								
Electric Revenues	$ 225	$ 214	$ 11	Retail volumes higher than budget by 6%.	$ 672	$ 676	$ (4)	Unfavorable demand volumes partially offset by higher retail volumes than budget.
Gas Revenues	40	35	5	Increase in gas supply revenues, offset by increased expenses below.	130	132	(3)	
Total Revenues	264	248	16		802	808	(7)	
Cost of Sales:								
Fuel Electric Costs	78	72	(6)	Increased energy volumes due to favorable weather conditions. Offset by favorable electric revenues.	232	232	(0)	
Gas Supply Expenses	23	19	(4)		72	75	3	
Purchased Power	5	6	1		15	15	(0)	
Other Electric Cost	8	8	1		24	26	1	
Total Cost of Sales	114	105	(9)		343	347	4	
Gross Margin:								
Electric Margin	134	128	6		400	403	(3)	
Gas Margin	17	16	1		58	58	(0)	
Total Gross Margin	151	144	7	Higher margins driven by higher retail volumes, as March heating degree days were 30% above normal	458	461	(3)	
Operating Expenses:								
O&M	61	62	1		173	171	(2)	
Depreciation & Amortization	27	28	1		81	84	2	
Taxes, Other than Income	4	4	0		12	12	0	
Total Operating Expenses	92	94	2		266	267	0	
Equity in earnings	-	(0)	0		-	(0)	0	
Other income	(2)	(1)	(1)		(3)	(3)	0	
EBIT	57	49	8		189	191	(2)	
Interest Expense	12	12	0		37	37	0	
Income from Ongoing Operations before income taxes	45	36	8		152	154	(2)	
Income Tax Expense	17	13	(3)		57	58	1	
Net Income (loss) from ongoing operations	**28**	**23**	**5**		**95**	**96**	**(1)**	
Non Operating Income	0	-	0		0	-	0	
Discontinued Operations	1	(0)	1		0	(0)	1	
Net Income (loss)	$ 29	$ 23	$ 6		$ 96	$ 96	$ 1	
KY Regulated Financing Costs	(4)	(3)	(1)		(11)	(10)	(1)	
KY Regulated Net Income	$ 24	$ 19	$ 5		$ 84	$ 86	$ (2)	
Earnings Per Share	$ 0.04	$ 0.03	$ 0.01		$ 0.14	$ 0.15	$ (0.00)	

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Witness: K Blake

Income Statement: Forecast vs. Budget — March 2013

($ Millions)

	Full Year			
	Q1 Forecast	Budget	Variance	Comments
Revenues:				
Electric Revenues	$ 2,732	$ 2,753	$ (21)	Lower retail and wholesale demand volumes and lower ECR returns.
Gas Revenues	311	313	(2)	
Total Revenues	3,043	3,065	(23)	
Cost of Sales:				
Fuel Electric Costs	928	928	(0)	
Gas Supply Expenses	154	157	3	
Purchased Power	68	67	(1)	
Other Electric Cost	111	119	8	
Total Cost of Sales	1,261	1,271	10	Lower retail and wholesale demand volumes and lower ECR costs, offset by unfavorable revenues above.
Gross Margin:				
Electric Margin	1,625	1,638	(13)	YTD margin shortfall of $3m, lower ECR of $3m due to delayed capital spend, and lower demand projections of $7m.
Gas Margin	157	156	1	
Total Gross Margin	1,782	1,794	(12)	
Operating Expenses:				
O&M	719	721	2	
Depreciation & Amortization	329	338	8	Revised estimates based on delayed capital spend in 2012 and revised in-service dates for capital projects in 2013.
Taxes, Other than Income	48	48	(0)	
Total Operating Expenses	1,097	1,107	10	
Equity in earnings	0	(1)	1	
Other income	(8)	(8)	1	
EBIT	677	677	(0)	
Interest Expense	154	154	(1)	
Income from Ongoing Operations before income taxes	523	524	(1)	
Income Tax Expense	195	196	1	
Net Income (loss) from ongoing operations	**328**	**328**	**(0)**	
Non Operating Income	0	-	0	
Discontinued Operations	(1)	(1)	1	
Net Income (loss)	$ 327	$ 326	$ 1	
KY Regulated Financing Costs	(37)	(37)	-	
KY Regulated Net Income	$ 291	$ 290	$ 1	
Earnings Per Share	$ 0.47	$ 0.47	$ -	

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Electric Gross Margin — March 2013

($ Millions)

	MTD Actual	MTD Budget	MTD Unit Variance	MTD Value @	MTD Dollar Variance	MTD Margin Variance	YTD Actual	YTD Budget	YTD Unit Variance	YTD Value @	YTD Dollar Variance	YTD Margin Variance
Base Electric Margin:						$ 6						$ (6)
Energy Volumes (a)	2,838,348	2,666,715	171,633	$ 29.85	$ 6		8,484,975	8,376,066	108,909	$ 29.50	$ 3	
Energy Prices (a)					3						1	
Customer Charges (Avg. Customers)	935,726	943,486	(7,760)		-		935,711	943,448	(7,737)		1	
Demand Charges (b)					(2)						(11)	
ECR:						(1)						(2)
Average Rate Base	$ 565	$ 646	$ (81)	10.44%	$ (0.6)		$ 531	$ 595	$ (64)	10.44%	$ (1.5)	
Cost of Capital	10.29%	10.44%	-0.15%	$ 565	(0.1)		10.37%	10.44%	-0.07%	$ 531	(0.1)	
Jurisdictional Factor	88.47%	87.81%	0.66%	$ 565	-		87.81%	87.24%	0.58%	$ 531	0.1	
Other					(0.1)						(0.6)	
DSM:						-						1
Program Expense (Revenue Net of Expense)	$ -	$ (0.2)			$ 0.2		$ -	$ (0.7)			$ 0.7	
Lost Sales	1.1	1.0			0.1		3.5	3.0			0.5	
Incentive	0.1	0.1			-		0.3	0.2			0.1	
Balancing Adjustment	(0.3)	-			(0.3)		(0.1)	-			(0.1)	
Net Fuel Recovery	$ 0.2	$ (0.8)				1	$ 1	$ (2)				4
Purchase Power Demand						-						1
Transmission						-						0
Other						-						(1)
Retail Margin Variance						6						(3)
Off-System Margin Variance						-						(0)
Electric Margin Variance						$ 6						$ (3)

(a) Non-Fuel Energy Analysis (net of base ECR revenue):

MTD	Actual Revenue $mil	Actual Volume (MWH)	Actual Price ($/MWH)	Budget Revenue $mil	Budget Volume (MWH)	Budget Price ($/MWH)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 48	990,809	$ 48.24	$ 44	906,203	$ 48.12	$ 4	$ 4	$ 0
Commercial	21	646,403	32.40	20	615,792	32.69	1	1	(0)
Industrial	9	808,859	11.51	7	769,357	8.80	2	0	2
Municipals	1	161,225	4.68	1	151,498	4.69	-	-	-
Other	6	231,052	25.64	5	223,865	23.77	1	0	0
Native Load Total	**$ 85**	**2,838,348**	**$ 29.85**	**$ 77**	**2,666,715**	**$ 28.70**	**$ 8**	**$ 6**	**$ 3**

(a) Non-Fuel Energy Analysis (net of base ECR revenue):

YTD	Actual Revenue $mil	Actual Volume (MWH)	Actual Price ($/MWH)	Budget Revenue $mil	Budget Volume (MWH)	Budget Price ($/MWH)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 149	3,088,469	$ 48.09	$ 145	3,026,024	$ 48.03	$ 4	$ 3	$ -
Commercial	62	1,897,185	32.69	62	1,892,979	32.81	-	-	-
Industrial	22	2,333,089	9.51	20	2,314,033	8.82	2	-	2
Municipals	2	485,298	4.68	2	458,407	4.69	-	-	-
Other	15	680,933	22.42	16	684,623	23.79	(1)	-	(1)
Native Load Total	**$ 250**	**8,484,975**	**$ 29.50**	**$ 246**	**8,376,066**	**$ 29.40**	**$ 5**	**$ 3**	**$ 1**

(b) Demand Analysis (net of base ECR revenue):

$mil	MTD Act	MTD Bud	MTD Variance	YTD Act	YTD Bud	YTD Variance
Commercial	12	12	(0)	35	38	(4)
Industrial	15	16	(1)	45	50	(5)
Municipals	4	4	(1)	11	13	(2)
Other	5	5	(0)	14	14	(1)
Native Load Total	**35**	**37**	**(2)**	**105**	**115**	**(11)**

Weather Statistics	MTD Act	MTD +/- Bud		YTD Act	YTD +/- Bud	
Heating Degree Days - Louisville	763	194	34%	2,398	132	6%
Heating Degree Days - Lexington	783	158	25%	2,515	99	4%
Cooling Degree Days - Louisville	0	(5)	-100%	0	(5)	-100%
Cooling Degree Days - Lexington	0	(3)	-100%	0	(3)	-100%

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Gas Gross Margin — March 2013

($ Millions)

	MTD				YTD			
	Actual	Budget	Subtotal	Margin Variance	Actual	Budget	Subtotal	Margin Variance
Gas Base Service Charge	**$ 5**	**$ 5**		**$ -**	**$ 15**	**$ 15**		**$ -**
Gas Supply Costs								
Gas Supply Costs	(23)	(18)	$ (5)		(71)	(73)	$ 2	
GSC Revenue	23	18	5		71	73	(2)	
Net Gas Supply Costs				**-**				**-**
Retail Gas (a)	**13**	**10**		**3**	**42**	**40**		**2**
Wholesale Gas (a)	**-**	**-**		**-**	**-**	**-**		**-**
DSM	**-**	**-**		**-**	**-**	**-**		**-**
GLT	**-**	**-**		**-**	**1**	**1**		**-**
WNA	**(2)**	**-**		**(2)**	**(1)**	**-**		**(1)**
Other Margin	**-**	**-**		**-**	**-**	**1**		**(1)**
Gas Margin Variance				**$ 1**				**$ -**

(a) Retail and wholesale gas sales - excludes GSC

	MTD								
	Actual			Budget			Variance		
	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume $mil	Price $mil
Residential	$ 9	3,251,265	$ 2.64	$ 7	2,543,834	$ 2.58	$ 2	$ 2	$ -
Commercial	3	1,338,648	2.09	2	1,046,205	2.05	1	1	-
Industrial	-	134,668	1.83	-	96,079	1.86	-	-	-
Public Authority	1	222,681	2.05	-	195,281	1.98	1	-	-
Transportation	1	1,287,559	0.77	1	1,167,751	0.45	-	-	-
Ultimate Consumer	$ 13	6,234,821	$ 2.10	$ 10	5,049,150	$ 1.94	$ 3	$ 3	$ 1

	YTD								
	Actual			Budget			Variance		
	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume $mil	Price $mil
Residential	$ 28	10,410,659	$ 2.64	$ 27	10,564,332	$ 2.57	$ 1	$ -	$ 1
Commercial	9	4,292,470	2.10	9	4,333,042	2.05	-	-	-
Industrial	1	400,463	1.87	1	347,779	1.87	-	-	-
Public Authority	2	781,043	2.05	2	789,686	1.99	-	-	-
Transportation	3	3,915,090	0.76	2	4,045,708	0.46	1	-	1
Ultimate Consumer	$ 42	19,799,725	$ 2.11	$ 40	20,080,547	$ 2.00	$ 2	$ (1)	$ 2

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($ Millions)

	MTD			Variances						
	Actual	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 20	$ 20	$ (0)	$ -	$ (0)	$ (1)	$ 1	$ -	$ -	$ -
Project Engineering	0	0	-	-	-	-	-	-	-	-
Transmission	2	3	1	-	(0)	-	1	-	-	(0)
Energy Supply and Analysis	1	1	-	-	-	-	-	-	-	-
Electric Distribution	5	6	(0)	-	(0)	-	-	-	-	-
Gas Distribution	2	2	-	-	-	-	-	-	-	-
Customer Services	6	7	2	-	-	-	-	-	1	1
Chief Operations Officer	**36**	**39**	**3**	**-**	**(0)**	**(1)**	**2**	**-**	**1**	**1**
Information Technology	4	4	-	-	-	-	-	-	-	-
General Counsel	3	3	-	-	-	-	-	-	-	-
Human Resources	1	1	0	-	0	-	-	-	-	-
Supply Chain	0	0	-	-	-	-	-	-	-	-
Chief Administrative Officer	**8**	**8**	**0**	**-**	**0**	**-**	**-**	**-**	**-**	**-**
Chief Financial Officer	**2**	**2**	**0**	**-**	**0**	**-**	**-**	**-**	**-**	**-**
Corporate	**15**	**14**	**(2)**	**(6)**	**-**	**-**	**-**	**-**	**1**	**3**
O&M Total MTD	**$ 61**	**$ 62**	**$ 1**	**$ (6)**	**$ (0)**	**$ (1)**	**$ 2**	**$ -**	**$ 2**	**$ 4**

	YTD			Variances						
	Actual	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 53	$ 51	$ (2)	$ -	$ 2	$ (1)	$ (1)	$ (2)	$ -	$ -
Project Engineering	0	0	-	-	-	-	-	-	-	-
Transmission	7	7	1	-	(0)	-	-	-	-	1
Energy Supply and Analysis	2	3	-	-	-	-	-	-	-	-
Electric Distribution	16	17	1	-	(0)	-	-	-	-	1
Gas Distribution	8	7	-	-	-	-	-	-	-	-
Customer Services	18	22	4	-	1	-	1	-	2	-
Chief Operations Officer	**104**	**108**	**4**	**-**	**3**	**(1)**	**-**	**(2)**	**2**	**2**
Information Technology	12	12	-	-	-	-	-	-	-	-
General Counsel	7	7	-	-	-	-	-	-	-	-
Human Resources	1	2	0	-	0	-	-	-	-	-
Supply Chain	1	1	-	-	-	-	-	-	-	-
Chief Administrative Officer	**22**	**22**	**0**	**-**	**0**	**-**	**-**	**-**	**-**	**-**
Chief Financial Officer	**4**	**5**	**0**	**-**	**0**	**-**	**-**	**-**	**-**	**-**
Corporate (a)	**42**	**37**	**(6)**	**(7)**	**-**	**-**	**1**	**1**	**1**	**(2)**
O&M Total YTD	**$ 173**	**$ 171**	**$ (2)**	**$ (7)**	**$ 3**	**$ (1)**	**$ 1**	**$ (1)**	**$ 3**	**$ -**

(a) Variance due mainly to $7m of jurisdictionalized pension regulatory asset write-off, partially offset by $2m of spare parts regulatory liability write-off.

	Full Year			Variances						
	Forecast	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 227	$ 227	$ 1	$ -	$ 2	$ (1)	$ (1)	$ (1)	$ -	$ 2
Project Engineering	1	1	-	-	-	-	-	-	-	-
Transmission	29	29	(0)	-	(0)	-	1	(1)	-	-
Energy Supply and Analysis	10	11	1	-	1	-	-	-	-	-
Electric Distribution	69	70	0	-	(1)	-	1	-	-	-
Gas Distribution	35	34	(1)	-	-	-	-	-	-	(1)
Customer Services	89	91	2	-	1	-	2	-	2	(3)
Chief Operations Officer	**459**	**463**	**3**	**-**	**3**	**(1)**	**3**	**(2)**	**2**	**(2)**
Information Technology	49	49	-	-	-	-	-	-	-	-
General Counsel	33	34	1	-	-	-	1	-	-	-
Human Resources	7	7	(0)	-	1	-	-	-	-	(1)
Supply Chain	3	3	-	-	-	-	-	-	-	-
Chief Administrative Officer	**92**	**94**	**1**	**-**	**1**	**-**	**1**	**-**	**-**	**(1)**
Chief Financial Officer	**19**	**19**	**0**	**-**	**0**	**-**	**-**	**-**	**-**	**-**
Corporate	**149**	**146**	**(3)**	**(5)**	**-**	**-**	**1**	**(1)**	**1**	**1**
O&M Total Full Year	**$ 719**	**$ 721**	**$ 1**	**$ (5)**	**$ 4**	**$ (1)**	**$ 5**	**$ (3)**	**$ 3**	**$ (2)**

Financing Activities — March 2013

($ Millions)

Balance Sheet	MTD Actual	MTD Budget	MTD Variance	YTD Actual	YTD Budget	YTD Variance	Full Year Forecast	Full Year Budget	Full Year Variance
PCB									
Beg Bal	$ 932.0	$ 932.0	$ -	$ 932.0	$ 932.0	$ 0.0	$ 932.0	$ 932.0	$ -
End Bal	931.9	931.9	-	931.9	931.9	-	931.7	931.7	-
Ave Bal	**$ 932.0**	**$ 932.0**	**$ -**	**$ 932.0**	**$ 932.0**	**$ (0.0)**	**$ 931.8**	**$ 931.8**	**$ -**
Interest Exp	**$ 0.9**	**$ 1.1**	**$ 0.2**	**$ 2.6**	**$ 3.4**	**$ 0.9**	**$ 12.7**	**$ 13.6**	**$ 0.9**
Rate	**0.00%**	**0.00%**	**0.00%**	**1.09%**	**1.47%**	**0.37%**	**1.37%**	**1.46%**	**0.09%**
FMB/Sr Nts									
Beg Bal	$ 3,143.0	$ 3,143.0	$ (0.0)	$ 3,142.8	$ 3,142.8	$ 0.0	$ 3,142.8	$ 3,142.8	$ 0.0
End Bal	3,143.2	3,143.2	(0.0)	3,143.2	3,143.2	(0.0)	3,694.4	3,694.4	(0.0)
Ave Bal	**$ 3,143.1**	**$ 3,143.1**	**$ (0.0)**	**$ 3,143.0**	**$ 3,143.0**	**$ 0.1**	**$ 3,235.3**	**$ 3,235.3**	**$ (0.0)**
Interest Exp	**$ 9.6**	**$ 9.6**	**$ 0.0**	**$ 28.7**	**$ 28.7**	**$ (0.0)**	**$ 120.2**	**$ 120.2**	**$ (0.0)**
Rate	**0.00%**	**0.00%**	**0.00%**	**3.65%**	**3.65%**	**0.00%**	**3.72%**	**3.72%**	**0.00%**
Short-term Debt									
Beg Bal	$ 309.2	$ 271.1	$ (38.1)	$ 149.7	$ 149.7	$ (0.0)	$ 149.7	$ 149.7	$ (0.0)
End Bal	269.8	224.5	(45.3)	269.8	224.5	(45.3)	210.5	176.3	(34.2)
Ave Bal	**$ 289.5**	**$ 247.8**	**$ (41.7)**	**$ 209.7**	**$ 254.1**	**$ 44.3**	**$ 372.4**	**$ 359.1**	**$ (13.3)**
Interest Exp	**$ 0.2**	**$ 0.2**	**$ (0.0)**	**$ 573.8**	**$ 496.5**	**$ (77.2)**	**$ 2.9**	**$ 1.2**	**$ (1.7)**
Rate	**0.00%**	**0.00%**	**0.00%**	**1.09%**	**0.78%**	**-0.31%**			
Total End Bal	**$ 4,344.9**	**$ 4,299.6**	**$ (45.3)**	**$ 4,344.9**	**$ 4,299.6**	**$ (45.3)**	**$ 4,836.6**	**$ 4,802.4**	**$ (34.2)**
Total Average Bal	**$ 4,364.6**	**$ 4,322.9**	**$ (41.7)**	**$ 4,284.7**	**$ 4,329.1**	**$ 44.4**	**$ 4,539.6**	**$ 4,526.3**	**$ (13.3)**
Total Expense Excl I/C	**$ 12.4**	**$ 12.5**	**$ 0.1**	**$ 37.0**	**$ 37.4**	**$ 0.4**	**$ 154.4**	**$ 153.8**	**$ (0.6)**
Rate	**3.66%**	**3.71%**	**0.05%**	**3.45%**	**3.46%**	**0.01%**	**3.40%**	**3.40%**	**0.00%**

Credit Facilities ($ Millions)	Committed Capacity	Borrowed	Letters of Credit Issued	Unused Capacity
LKE	$ 300	$ 85		$ 215
LG&E	500	70		430
KU	598	115	$ 198	285
TOTAL	$ 1,398	$ 270	$ 198	$ 930

Credit Metrics ($ Millions)	YTD Actual	YTD +/- Bud	Full Year Forecast	Full Year +/- Bud
FFO to Debt - LG&E	32.3%	-0.02	26.5%	+0.00
FFO to Debt - KU	26.7%	-0.02	23.6%	-0.02
Debt to EBITDA - LG&E [(1)]	2.85	-0.46	3.32	+0.01
Debt to EBITDA - KU [(1)]	3.87	+0.21	3.67	+0.00
Debt to Capitalization - LG&E [(2)]	44.4%	+0.01	47.0%	-0.00
Debt to Capitalization - KU [(2)]	46.2%	-0.00	47.0%	+0.00

[(1)] Actuals represent a trailing 12 months

[(2)] Excludes purchase accounting adjustments and corresponding goodwill of $996m

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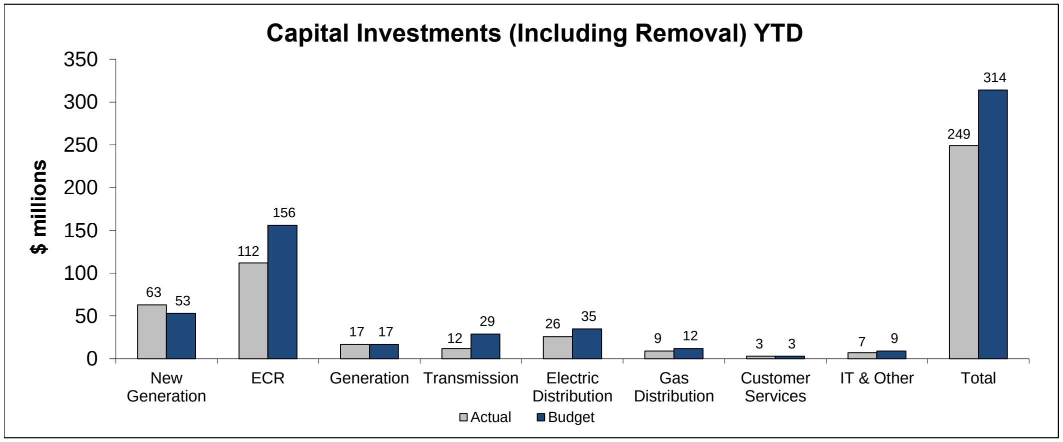
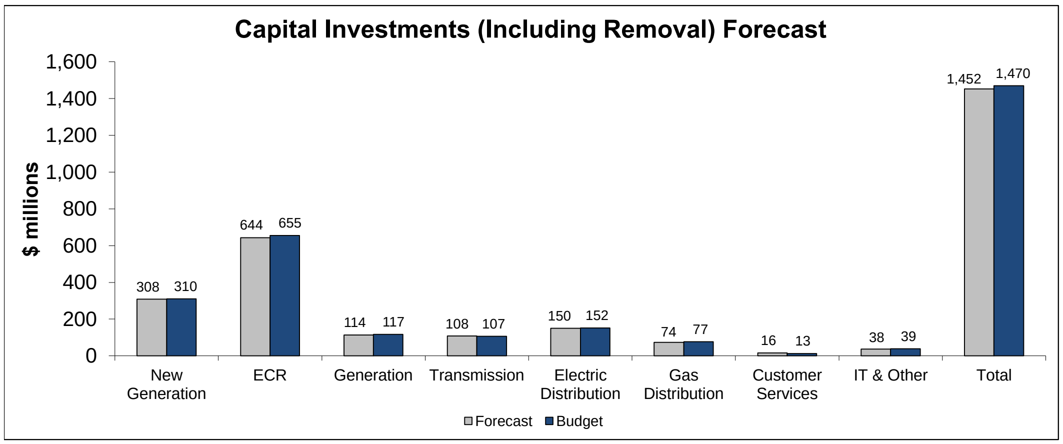
Balance Sheet — March 2013

($ Millions)

	YTD	YTD Budget	Variance	Comments
Assets:				
Current Assets:				
Cash and Cash Equivalents	$ 52	$ 13	$ 39	See cash flow for details.
Accounts Receivable (Trade)	379	327	52	Tariff rate variance in receivable logic and extended due date granted in rate case.
Inventory	229	225	4	
Deferred Income Taxes	13	13	(1)	
Prepayments and other current assets	58	56	3	
Total Current Assets	730	634	97	
Property, Plant, and Equipment	8,479	8,543	(64)	See capital chart for details.
Intangible Assets	258	258	(0)	
Other Property and Investments	1	1	0	
Regulatory Assets	635	641	(5)	
Goodwill	997	997	-	
Other Long-term Assets	103	106	(3)	
Total Assets	**$ 11,204**	**$ 11,180**	**$ 24**	
Liabilities and Equity:				
Current Liabilities:				
Accounts Payable (Trade)	$ 293	$ 251	$ 42	Primarily due to higher fuel volumes and higher capex accrual.
Accounts Payable - Affiliated Company	-	(0)	0	
Customer Deposits	49	48	1	
Derivative Liability	5	5	(0)	
Accrued Taxes	24	54	(30)	Tax payments made in actuals but not in budget.
Other Current Liabilities	131	132	(1)	
Total Current Liabilities	502	490	12	
Debt - Affiliated Company	-	-	-	
Debt	4,345	4,300	45	Issuance of short-term debt for non-utility expenses.
Total Debt	4,345	4,300	45	
Deferred Tax Liabilities	587	584	3	
Investment Tax Credit	138	137	0	
Accumulated Provision for Pension and Related Benefits	265	267	(2)	
Asset Retirement Obligation	127	127	0	
Regulatory Liabilities	1,007	1,007	(1)	
Derivative Liability	49	54	(4)	
Other Liabilities	233	240	(8)	
Total Deferred Credits and Other Liabilities	2,405	2,416	(11)	
Equity	3,952	3,974	(22)	
Total Liabilities and Equity	**$ 11,204**	**$ 11,180**	**$ 24**	



Capital was $65m lower than budget due mainly to revised schedules for Mill Creek and Ghent environmental air work ($33m) expected to reverse by the end of 2013. Temporary differences on other environmental projects ($11m) and delayed spending on major Transmission and Distribution projects ($29m) are expected to reverse by year end and were partially offset by increased spend on Cane Run 7 ($10m).



Capital is projected to be $18m lower than budget due mainly to delay in the Trimble County landfill to 2015 ($12m).

Cash Flow

March 2013

YTD	Actual	Budget	Variance	Comments
Net income	96	96	1	
Depreciation	83	87	-4	
Deferred tax expense	45	41	4	
Other Balance Sheet Movements	-111	-101	-10	
Funds From Operations	**114**	**124**	**-9**	
Changes in accounts receivables	-86	-34	-52	Tariff rate variance in receivable logic, extended due date granted in rate case and higher sales as March heating degree days were 30% above normal.
Changes in inventories	47	50	-3	
Changes in accounts payable	10	3	7	
Change in Working Capital	**-29**	**19**	**-48**	
Operating Cash flow	**85**	**142**	**-57**	
Capex	-271	-341	70	See Capex Charts for details.
Other Investing	4	0	4	
Loans to Affiliates	0	0	0	
Investing Cash flow	**-267**	**-341**	**74**	
Dividends	-4	0	-4	
Equity Infusion	75	93	-18	Lower capital spend.
Net Borrowings	120	75	45	Issuance of short-term debt for non-utility expenses.
Other	0	0	0	
Financing Cash flow	**191**	**168**	**41**	
Net increase (decrease) in cash	**9**	**-30**	**59**	

Full Year	FC	Budget	Variance	Comments
Net income	327	326	1	
Depreciation, amortization and impairments	349	356	-6	
Deferred tax expense	183	178	4	
Other Balance Sheet Movements	-216	-204	-12	
Funds From Operations	**644**	**656**	**-13**	
Changes in accounts receivables	-66	-35	-31	Tariff rate variance in receivable logic, extended due date granted in rate case and higher sales as March heating degree days were 30% above normal.
Changes in inventories	13	15	-3	
Changes in accounts payable	117	113	4	
Change in Working Capital	**64**	**94**	**-30**	
Operating Cash flow	**708**	**750**	**-42**	
Capex	-1,511	-1,576	65	Revised cash adjustment ($47m) and delay in Trimble County landfill to 2015 ($12m). See Capex Charts for details.
Other Investing	4	0	4	
Loans to Affiliates	0	0	0	
Investing Cash flow	**-1,507**	**-1,576**	**70**	
Dividends	-182	-157	-25	Higher dividends and lower equity infusions due to lower capital spend projected than budgeted.
Equity Infusion	338	374	-36	Higher dividends and lower equity infusions due to lower capital spend projected than budgeted.
Net Borrowings	611	577	34	Issuance of short-term debt for non-utility expenses.
Other	0	0	0	
Financing Cash flow	**766**	**794**	**9**	
Net increase (decrease) in cash	**-33**	**-33**	**36**	

Performance Report

April 2013

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Kentucky Regulated Dashboard — April 2013

Operational Metrics	Current Month		YTD		Full Year	
Safety	Actual	PY	Actual	PY	Forecast	PY
TCIR - Employees	1.23	1.27	1.19	0.80	N/A	1.35
Employee lost-time incidents	0	0	0	0	N/A	6

Reliability	Actual	Budget	Actual	Budget	Forecast	Budget
Generation Volumes	2,430	2,461	11,191	11,424	34,925	35,128
Utility EFOR	9.0%	5.1%	9.5%	5.1%	N/A	5.1%
Utility EAF	63.7%	74.4%	76.8%	85.0%	N/A	87.08%
Combined SAIFI	0.09	0.11	0.26	0.30	N/A	1.22
Combined SAIDI (minutes)	6.82	9.91	23.59	27.04	N/A	110
GwH Sales						
Residential	649	691	3,738	3,717	10,974	10,912
Commercial	573	592	2,470	2,485	8,067	8,063
Industrial	792	763	3,125	3,077	9,910	9,891
Municipals	138	133	623	592	1,971	1,944
Other	215	217	895	902	2,897	2,901
Off-System Sales	14	17	105	261	311	465
Total	2,381	2,413	10,956	11,034	34,130	34,175
Weather-Normalized Sales Growth[1]			W-N			
Residential			2.27%			
Commercial			0.23%			
Industrial			4.45%			
Other[2]			-0.97%			
Total			1.92%			

Variance Explanations

• The generation fleet's EAF and EFOR are unfavorable to budget due to temperature and balance issues on Ghent 4 ID fan bearing, turbine bearing failure and air heater pluggage on Trimble County 2, hydrogen seal leak and damaged bearing on Mill Creek 4 and damaged boiler corner support hangers on Brown 3.
• Lower margins YTD primarily due to $12 million of lower electricity demand revenues.
• Capital was $88m lower than budget YTD due mainly to revised schedules for Mill Creek and Ghent environmental air work ($49m) expected to reverse by the end of 2013. Temporary differences on other environmental projects ($4m) and delayed spending on major Transmission and Distribution projects ($39m) are expected to reverse by year end and were partially offset by increased spend on Cane Run 7 ($8m).
• Capital is projected to be $18m lower than budget due mainly to the portion of Trimble landfill delay not offset by other spend variances.

Significant Future Events

• In addition to the construction of Cane Run Unit 7, LG&E and KU continue to evaluate responses received from their request for proposals for up to 700 MW of capacity beginning as early as 2015. Initial assessments are nearing completion with respondents to be notified during the second quarter.

Financial Metrics	Current Month Actual	Current Month Budget	YTD Actual	YTD Budget	Full Year Forecast	Full Year Budget
Utility ROE[3]	3.4%	4.8%	9.7%	10.0%	9.6%	9.6%
Electric Margins	$108	$116	$509	$520	$1,625	$1,638
Gas Margins	$13	$11	$71	$69	$157	$156

Capital Expenditures ($ millions)	Actual	Budget	Actual	Budget	Forecast	Budget
New Generation	$21	$23	$84	$76	$308	$310
ECR	41	50	153	206	644	655
Generation	8	8	26	24	114	117
Transmission	7	11	19	40	108	107
Electric Distribution	11	15	37	50	150	152
Gas Distribution	4	6	14	19	74	77
Customer Services	1	1	4	4	16	13
IT and Other	2	4	7	13	38	39
Total	$95	$118	$344	$432	$1,452	$1,470

O&M ($ millions)[4]	Actual	Budget	Actual	Budget	Forecast	Budget
Operations	$45	$43	$149	$151	$459	$463
Administrative	$7	8	$29	$29	92	94
Finance and Accounting	$1	2	$5	$6	19	19
Corp Burdens & Other Charges	$12	12	$55	$49	149	146
Total	$65	$64	$238	$235	$719	$721

Head Count	Actual	Budget	Actual	Budget	Forecast	Budget
Full-time Employees	3,326	3,409	3,326	3,409	3,435	3,435

Other Metrics	Actual	PY	Actual	PY	Forecast	PY
Environmental Events	0	0	3	0	N/A	14
NERC Possible Violations[5]	3	0	3	5	N/A	29

Major Developments

• On April 18, LG&E and KU received its final audit report from SERC for the CIP audit conducted October 1-19, 2012. The SERC auditors indicated that the report's finding of 5 minor potential violations represented the fewest potential violations identified in a SERC CIP audit thus far. Importantly, the auditors were also extremely complimentary of LG&E/KU's preparedness, organization, and professionalism and the report itself described LG&E and KU as having "a very effective compliance program", which is the highest formal rating SERC gives.
• On April 22, LG&E celebrated the grand opening of a new one-of-a-kind beneficial use facility at Mill Creek. Company officials were joined by Senate Republican Leader Mitch McConnell and Senator Rand Paul; Commissioner of Agriculture James Comer; House Majority Floor Leader Rocky Adkins; and Charles Price, president and CEO of Charah, Inc. The Charah, Inc. SUL4R-PLUS® Product Manufacturing Facility is the first facility of its type and will recover approximately 300,000 tons of gypsum annually to create a unique sulfur product that will be sold to and distributed by agricultural companies. The facility is expected to create 20 new jobs when at full capacity by 2014.
• On April 27, LG&E and KU representatives met with KPSC staff for its quarterly update on major environmental projects as called for under the ECR Order approving these projects. That same Order had deferred decision on the installation of baghouses at Brown Units 1 and 2 until no sooner than the second half of 2013. The Company notified staff that it would not be pursuing this project as current analyses showed it was not in the economic interest of its customers. The Company noted that it did not, however, intend to retire these units at this time and is studying an additive product that may allow the units to meet environmental requirements for some time beyond 2015 with certain operational changes.
• On April 30, the Virginia State Corporation Commission issued an Order in KU's Virginia rate case that established a procedural schedule. A public evidentiary hearing is scheduled for October 1, 2013, with an Order expected by yearend and new rates effective January 1, 2014.

(1) Percentages represent a trailing twelve months.
(2) "Other" is typically comprised of the public authority customer class and KU's 12 full-requirements wholesale municipal customers.
(3) Excludes goodwill and other purchase accounting adjustments.
(4) Net of cost recovery mechanisms.
(5) The NERC Possible Violation Issues for the current month are expected to be resolved through NERC's Find, Fix and Track ("FFT") process without financial penalty.

Income Statement: Actual vs. Budget and Forecast (Month) — April 2013

($ Millions)

	MTD				MTD			
	Actual	Budget	Variance	Comments	Actual	Q1 Forecast	Variance	Comments
Revenues:								
Electric Revenues	$ 190	$ 195	$ (4)		$ 190	$ 194	$ (3)	
Gas Revenues	23	20	4		23	20	3	
Total Revenues	214	214	(1)		214	214	(0)	
Cost of Sales:								
Fuel Electric Costs	68	65	(4)		68	65	(4)	
Gas Supply Expenses	11	9	(2)		11	10	(1)	
Purchased Power	5	5	(0)		5	5	(0)	
Other Electric Cost	8	8	0		8	6	(2)	
Total Cost of Sales	93	87	(6)		93	86	(7)	
Gross Margin:								
Electric Margin	108	116	(8)		108	117	(9)	
Gas Margin	13	11	2		13	11	2	
Total Gross Margin	121	127	(6)	Primarily $2m of lower electricity demand revenues and $3m of timing variances.	121	128	(7)	Primarily $2m of lower electricity demand revenues and $3m of timing variances.
Operating Expenses:								
O&M	65	64	(1)		65	70	5	Favorable labor and burdens, uncollectible accounts, outside services and materials and supplies.
Depreciation & Amortization	27	28	0		27	27	(0)	
Taxes, Other than Income	4	4	0		4	4	0	
Total Operating Expenses	97	96	(0)		97	102	5	
Equity in earnings	-	(0)	0		-	0	(0)	
Other income	(1)	(1)	(0)		(1)	(1)	(0)	
EBIT	23	30	(7)		23	26	(2)	
Interest Expense	12	12	0		12	13	0	
Income from Ongoing Operations before income taxes	11	18	(7)		11	13	(2)	
Income Tax Expense	4	6	2		4	4	0	
Net Income (loss) from ongoing operations	**7**	**11**	**(4)**		**7**	**9**	**(2)**	
Non Operating Income	0	-	0		0	-	0	
Discontinued Operations	1	(0)	2		1	0	1	
Net Income (loss)	$ 8	$ 11	$ (3)		$ 8	$ 9	$ (1)	
KY Regulated Financing Costs	(3)	(3)	0		(3)	(3)	0	
KY Regulated Net Income	$ 5	$ 8	$ (3)		$ 5	$ 6	$ (0)	
Earnings Per Share	$ 0.01	$ 0.02	$ (0.00)		$ 0.01	$ 0.01	$ (0.00)	

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7)(o)

Witness: K Blake

Income Statement: Actual vs. Budget (YTD) and Forecast vs. Budget (Full Year)

April 2013

($ Millions)

	YTD				Full Year			
	Actual	Budget	Variance	Comments	Q1 Forecast	Budget	Variance	Comments
Revenues:								
Electric Revenues	$ 862	$ 871	$ (8)	Unfavorable demand volumes partially offset by higher retail volumes than budget.	$ 2,732	$ 2,753	$ (21)	Lower retail and wholesale demand volumes and lower ECR returns.
Gas Revenues	153	152	1		311	313	(2)	
Total Revenues	1,015	1,023	(7)		3,043	3,065	(23)	
Cost of Sales:								
Fuel Electric Costs	301	297	(4)		928	928	(0)	
Gas Supply Expenses	82	84	1		154	157	3	
Purchased Power	20	20	(0)		68	67	(1)	
Other Electric Cost	32	34	2		111	119	8	
Total Cost of Sales	436	434	(1)		1,261	1,271	10	Lower retail and wholesale demand volumes and lower ECR costs, offset by unfavorable revenues above.
Gross Margin:								
Electric Margin	509	520	(11)		1,625	1,638	(13)	YTD margin shortfall of $3m, lower ECR of $3m due to delayed capital spend, and lower demand projections of $7m.
Gas Margin	71	69	2		157	156	1	
Total Gross Margin	580	589	(9)	Primarily due to $12m of lower electricity demand revenues.	1,782	1,794	(12)	
Operating Expenses:								
O&M	238	235	(3)		719	721	2	
Depreciation & Amortization	109	112	3		329	338	8	Revised estimates based on delayed capital spend in 2012 and revised in-service dates for capital projects in 2013.
Taxes, Other than Income	16	16	0		48	48	(0)	
Total Operating Expenses	363	363	(0)		1,097	1,107	10	
Equity in earnings	-	(0)	0		0	(1)	1	
Other income	(4)	(4)	(0)		(8)	(8)	1	
EBIT	213	222	(9)		677	677	(0)	
Interest Expense	49	50	1		154	154	(1)	
Income from Ongoing Operations before income taxes	163	172	(8)		523	524	(1)	
Income Tax Expense	61	64	3		195	196	1	
Net Income (loss) from ongoing operations	**102**	**108**	**(5)**		**328**	**328**	**(0)**	
Non Operating Income	0	-	0		0	-	0	
Discontinued Operations	2	(1)	2		(1)	(1)	1	
Net Income (loss)	$ 105	$ 107	$ (3)		$ 327	$ 326	$ 1	
KY Regulated Financing Costs	(14)	(13)	(1)		(37)	(37)	-	
KY Regulated Net Income	$ 90	$ 94	$ (4)		$ 290	$ 289	$ 1	
Earnings Per Share	$ 0.15	$ 0.16	$ (0.00)		$ 0.44	$ 0.46	$ (0.02)	

Electric Gross Margin — April 2013

($ Millions)

	MTD						YTD					
	Actual	Budget	Unit Variance	Value @	Dollar Variance	Margin Variance	Actual	Budget	Unit Variance	Value @	Dollar Variance	Margin Variance
Base Electric Margin:						$ (8)						$ (13)
Energy Volumes (a)	2,366,126	2,396,212	(30,086)	$ 24.66	$ (2)		10,851,101	10,772,278	78,823	$ 28.44	$ 1	
Energy Prices (a)					(4)						(3)	
Customer Charges (Avg. Customers)	935,049	945,073	(10,024)		-		935,546	943,854	(8,309)		1	
Demand Charges (b)					(2)						(12)	
ECR:						(1)						(3)
Average Rate Base	$ 607	$ 696	$ (89)	10.44%	$ (0.7)		$ 550	$ 620	$ (70)	10.44%	$ (2.2)	
Cost of Capital	10.28%	10.44%	-0.15%	$ 607	(0.1)		10.35%	10.44%	-0.09%	$ 550	(0.2)	
Jurisdictional Factor	89.89%	88.96%	0.94%	$ 607	-		88.39%	87.72%	0.67%	$ 550	0.1	
Other					(0.1)						(0.7)	
DSM:						(0)						1
Program Expense (Revenue Net of Expense)	$ (0.7)	$ (0.2)			$ (0.5)		$ (0.7)	$ (0.9)			$ 0.2	
Lost Sales	1.0	1.0			-		4.6	4.1			0.5	
Incentive	0.1	0.1			-		0.3	0.2			0.1	
Balancing Adjustment	0.3	-			0.3		0.1	-			0.1	
Net Fuel Recovery	$ (0.2)	$ (0.7)				1	$ 1	$ (3)				4
Purchase Power Demand						(1)						0
Transmission						0						1
Other						1						(0)
Retail Margin Variance						(8)						(11)
Off-System Margin Variance						-						0
Electric Margin Variance						$ (8)						$ (11)

(a) Non-Fuel Energy Analysis (net of base ECR revenue):

	MTD								
	Actual			Budget			Variance		
	Revenue $mil	Volume (MWH)	Price ($/MWH)	Revenue $mil	Volume (MWH)	Price ($/MWH)	Revenue $mil	Volume $mil	Price $mil
Residential	$ 32	649,281	$ 48.67	$ 33	691,124	$ 48.34	$ (2)	$ (2)	$ 0
Commercial	18	572,837	31.14	19	591,558	31.42	(1)	(1)	(0)
Industrial	4	791,514	5.58	7	762,892	8.71	(2)	0	(3)
Municipals	1	137,955	4.68	1	133,369	4.69	-	-	-
Other	4	214,539	17.91	5	217,269	23.14	(1)	(0)	(1)
Native Load Total	**$ 58**	**2,366,126**	**$ 24.66**	**$ 64**	**2,396,212**	**$ 26.83**	**$ (6)**	**$ (2)**	**$ (4)**

(a) Non-Fuel Energy Analysis (net of base ECR revenue):

	YTD								
	Actual			Budget			Variance		
	Revenue $mil	Volume (MWH)	Price ($/MWH)	Revenue $mil	Volume (MWH)	Price ($/MWH)	Revenue $mil	Volume $mil	Price $mil
Residential	$ 180	3,737,751	$ 48.19	$ 179	3,717,148	$ 48.09	$ 1	$ 1	$ 0
Commercial	80	2,470,023	32.33	81	2,484,538	32.48	(1)	(1)	(0)
Industrial	27	3,124,603	8.52	27	3,076,925	8.79	(0)	0	(1)
Municipals	3	623,253	4.68	3	591,776	4.69	0	0	-
Other	19	895,471	21.34	21	901,892	23.63	(2)	(0)	(2)
Native Load Total	**$ 309**	**10,851,101**	**$ 28.44**	**$ 311**	**10,772,278**	**$ 28.83**	**$ (2)**	**$ 1**	**$ (3)**

(b) Demand Analysis (net of base ECR revenue):

	MTD			YTD		
$mil	Act	Bud	Variance	Act	Bud	Variance
Commercial	12	13	(1)	47	51	(5)
Industrial	16	17	(1)	61	67	(5)
Municipals	3	4	(1)	15	17	(2)
Other	5	5	1	19	19	0
Native Load Total	**36**	**38**	**(2)**	**141**	**153**	**(12)**

Weather Statistics	MTD			YTD		
	Act	+/- Bud		Act	+/- Bud	
Heating Degree Days - Louisville	270	20	8%	2,668	152	6%
Heating Degree Days - Lexington	296	(2)	-1%	2,811	97	4%
Cooling Degree Days - Louisville	37	5	16%	37	0	0%
Cooling Degree Days - Lexington	29	9	45%	29	6	26%

Gas Gross Margin — April 2013

($ Millions)

	MTD				YTD			
	Actual	Budget	Subtotal	Margin Variance	Actual	Budget	Subtotal	Margin Variance
Gas Base Service Charge	$ 8	$ 5		$ 3	$ 23	$ 20		$ 3
Gas Supply Costs								
Gas Supply Costs	(11)	(8)	$ (2)		(82)	(82)	$ (1)	
GSC Revenue	11	9	1		83	83	(0)	
Net Gas Supply Costs				(1)				(1)
Retail Gas (a)	5	5		1	47	45		3
Wholesale Gas (a)	-	-		-	-	-		-
DSM	0	0		0	0	0		0
GLT	0	0		-	1	1		0
WNA	(1)	-		(1)	(2)	-		(2)
Other Margin	0	0		(0)	1	1		(0)
Gas Margin Variance				$ 2				$ 2

(a) Retail and wholesale gas sales - excludes GSC

	MTD								
	Actual			Budget			Variance		
	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume $mil	Price $mil
Residential	$ 3	1,216,273	$ 2.64	$ 3	1,123,113	$ 2.62	$ 0	$ 0	$ -
Commercial	1	563,320	1.73	1	488,561	2.05	-	0	(0)
Industrial	0	88,835	1.28	0	67,590	1.81	-	-	-
Public Authority	0	124,927	1.60	0	111,760	1.93	-	-	-
Transportation	1	963,563	0.86	0	779,156	0.43	1	0	0
Ultimate Consumer	$ 5	2,956,918	$ 1.80	$ 5	2,570,179	$ 1.80	$ 1	$ 1	$ 0

	YTD								
	Actual			Budget			Variance		
	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume $mil	Price $mil
Residential	$ 31	11,626,932	$ 2.64	$ 30	11,687,445	$ 2.57	$ 1	$ (0)	$ 1
Commercial	10	4,855,790	2.06	10	4,821,603	2.05	0	0	-
Industrial	1	489,298	1.76	1	415,369	1.86	0	0	-
Public Authority	2	905,970	1.99	2	901,446	1.98	-	-	-
Transportation	4	4,878,653	0.78	2	4,824,864	0.45	2	-	2
Ultimate Consumer	$ 47	22,756,643	$ 2.07	$ 45	22,650,727	$ 1.97	$ 3	$ 0	$ 2

O&M										April 2013

($ Millions)

	MTD			Variances						
	Actual	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 26	$ 24	$ (2)	$ -	$ 0	$ (2)	$ (3)	$ 0	$ -	$ 2
Project Engineering	0	0	(0)	-	0	-	(0)	(0)	-	0
Transmission	3	2	(0)	-	(0)	-	(0)	(0)	-	(0)
Energy Supply and Analysis	1	1	0	-	0	-	0	0	-	0
Electric Distribution	6	6	(0)	-	(0)	-	(0)	0	(0)	0
Gas Distribution	3	3	0	-	0	-	0	0	(0)	(0)
Customer Services	7	7	0	-	0	-	0	0	(0)	0
Chief Operations Officer	**45**	**43**	**(2)**	**-**	**0**	**(2)**	**(3)**	**0**	**(0)**	**3**
Information Technology	4	4	0	-	0	-	(0)	0	-	0
General Counsel	2	3	0	-	0	-	1	0	-	(0)
Human Resources	1	1	0	-	0	-	0	0	-	0
Supply Chain	0	0	0	-	(0)	-	0	0	-	0
Chief Administrative Officer	**7**	**8**	**1**	**-**	**0**	**-**	**0**	**0**	**-**	**(0)**
Chief Financial Officer	**1**	**2**	**0**	**-**	**0**	**-**	**(0)**	**0**	**-**	**0**
Corporate	**12**	**12**	**0**	**(0)**	**(0)**	**-**	**1**	**0**	**0**	**(1)**
O&M Total MTD	**$ 65**	**$ 64**	**$ (1)**	**$ (0)**	**$ 0**	**$ (2)**	**$ (2)**	**$ 1**	**$ 0**	**$ 2**

	YTD			Variances						
	Actual	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 79	$ 75	$ (4)	$ -	$ 2	$ (4)	$ (3)	$ (2)	$ -	$ 3
Project Engineering	0	0	0	-	0	-	(0)	(0)	-	0
Transmission	9	9	0	-	(0)	-	0	0	-	(0)
Energy Supply and Analysis	3	4	1	-	0	-	0	0	-	0
Electric Distribution	22	23	1	-	0	-	(0)	0	(0)	1
Gas Distribution	10	10	(0)	-	0	-	(0)	(0)	(0)	(0)
Customer Services	25	29	4	-	1	-	1	0	2	0
Chief Operations Officer	**149**	**151**	**1**	**-**	**3**	**(4)**	**(3)**	**(2)**	**2**	**5**
Information Technology	16	16	(0)	-	0	-	(1)	(0)	-	0
General Counsel	9	10	1	-	0	-	1	0	-	(0)
Human Resources	2	2	0	-	(0)	-	0	0	-	0
Supply Chain	1	1	0	-	0	-	0	0	-	0
Chief Administrative Officer	**29**	**29**	**1**	**-**	**1**	**-**	**(0)**	**(0)**	**-**	**1**
Chief Financial Officer	**5**	**6**	**1**	**-**	**(0)**	**-**	**(0)**	**0**	**-**	**1**
Corporate (a)	**55**	**49**	**(6)**	**(7)**	**(0)**	**-**	**1**	**1**	**0**	**(1)**
O&M Total YTD	**$ 238**	**$ 235**	**$ (3)**	**$ (7)**	**$ 4**	**$ (4)**	**$ (2)**	**$ (2)**	**$ 2**	**$ 5**

(a) Variance due mainly to $7m of jurisdictionalized pension regulatory asset write-off.

	Full Year			Variances						
	Forecast	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 227	$ 227	$ 1	$ -	$ 2	$ (1)	$ (1)	$ (1)	$ -	$ 2
Project Engineering	1	1	0	-	0	-	(0)	(0)	-	0
Transmission	29	29	0	-	(0)	-	1	(1)	-	0
Energy Supply and Analysis	10	11	1	-	1	-	0	0	-	0
Electric Distribution	69	70	1	-	(1)	-	1	0	-	1
Gas Distribution	35	34	(1)	-	(0)	-	0	-	-	(1)
Customer Services	89	91	2	-	1	-	2	0	2	(2)
Chief Operations Officer	**459**	**463**	**4**	**-**	**2**	**(1)**	**2**	**(2)**	**2**	**0**
Information Technology	49	49	(0)	-	0	-	(0)	-	-	(0)
General Counsel	33	34	1	-	0	-	1	-	-	0
Human Resources	7	7	0	-	0	-	0	(0)	-	(0)
Supply Chain	3	3	-	-	-	-	-	-	-	-
Chief Administrative Officer	**92**	**94**	**1**	**-**	**1**	**-**	**1**	**(0)**	**-**	**(0)**
Chief Financial Officer	**19**	**19**	**0**	**-**	**0**	**-**	**(0)**	**-**	**-**	**0**
Corporate	**149**	**146**	**(3)**	**(5)**	**(0)**	**-**	**1**	**0**	**(0)**	**1**
O&M Total Full Year	**$ 719**	**$ 721**	**$ 2**	**$ (5)**	**$ 3**	**$ (1)**	**$ 4**	**$ (2)**	**$ 2**	**$ 1**

Financing Activities

April 2013

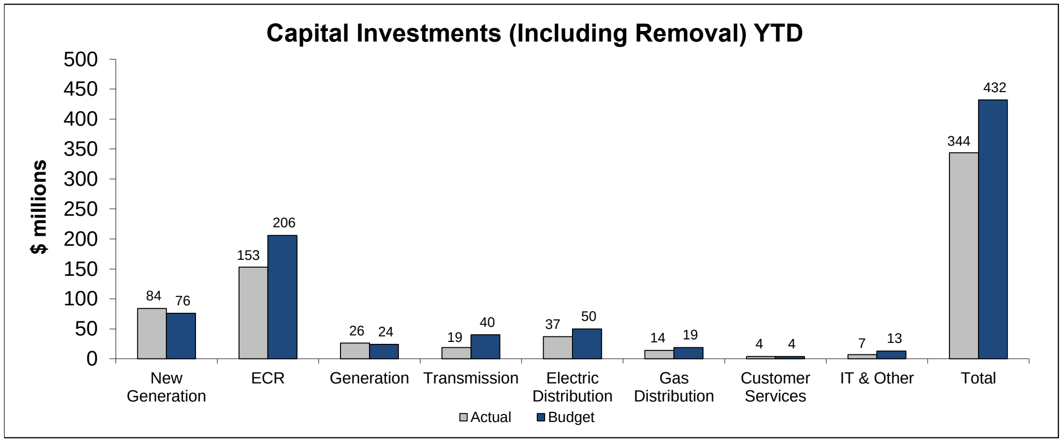
($ Millions)

Balance Sheet	MTD Actual	MTD Budget	MTD Variance	YTD Actual	YTD Budget	YTD Variance	Full Year Forecast	Full Year Budget	Full Year Variance
PCB									
Beg Bal	$ 931.9	$ 931.9	$ -	$ 932.0	$ 932.0	$ 0.0	$ 932.0	$ 932.0	$ -
End Bal	931.9	931.9	-	931.9	931.9	-	931.7	931.7	-
Ave Bal	**$ 931.9**	**$ 931.9**	**$ -**	**$ 932.0**	**$ 932.0**	**$ (0.0)**	**$ 931.8**	**$ 931.8**	**$ -**
Interest Exp	**$ 0.9**	**$ 1.1**	**$ 0.2**	**$ 3.5**	**$ 4.6**	**$ 1.1**	**$ 12.7**	**$ 13.6**	**$ 0.9**
Rate	**0.00%**	**0.00%**	**0.00%**	**1.11%**	**1.47%**	**0.36%**	**1.37%**	**1.46%**	**0.09%**
FMB/Sr Nts									
Beg Bal	$ 3,143.2	$ 3,143.2	$ (0.0)	$ 3,142.8	$ 3,142.8	$ 0.0	$ 3,142.8	$ 3,142.8	$ 0.0
End Bal	3,143.3	3,143.3	(0.0)	3,143.3	3,143.3	(0.0)	3,694.4	3,694.4	(0.0)
Ave Bal	**$ 3,143.3**	**$ 3,143.3**	**$ (0.0)**	**$ 3,143.0**	**$ 3,143.1**	**$ 0.1**	**$ 3,235.3**	**$ 3,235.3**	**$ (0.0)**
Interest Exp	**$ 9.6**	**$ 9.6**	**$ (0.0)**	**$ 38.2**	**$ 38.2**	**$ (0.0)**	**$ 120.2**	**$ 120.2**	**$ (0.0)**
Rate	**0.00%**	**0.00%**	**0.00%**	**3.65%**	**3.65%**	**0.00%**	**3.72%**	**3.72%**	**0.00%**
Short-term Debt									
Beg Bal	$ 269.8	$ 224.5	$ (45.3)	$ 149.7	$ 149.7	$ (0.0)	$ 149.7	$ 149.7	$ (0.0)
End Bal	263.3	271.1	7.8	263.3	271.1	7.8	210.5	176.3	(34.2)
Ave Bal	**$ 266.5**	**$ 247.8**	**$ (18.7)**	**$ 206.5**	**$ 258.3**	**$ 51.8**	**$ 372.4**	**$ 359.1**	**$ (13.3)**
Interest Exp	**$ 0.2**	**$ 0.2**	**$ (0.0)**	**$ 753.6**	**$ 655.1**	**$ (98.6)**	**$ 2.9**	**$ 1.2**	**$ (1.7)**
Rate	**0.00%**	**0.00%**	**0.00%**	**1.09%**	**0.76%**	**-0.33%**			
Total End Bal	**$ 4,338.6**	**$ 4,346.3**	**$ 7.8**	**$ 4,338.6**	**$ 4,346.3**	**$ 7.8**	**$ 4,836.6**	**$ 4,802.4**	**$ (34.2)**
Total Average Bal	**$ 4,341.7**	**$ 4,323.0**	**$ (18.7)**	**$ 4,281.5**	**$ 4,333.4**	**$ 51.9**	**$ 4,539.6**	**$ 4,526.3**	**$ (13.3)**
Total Expense Excl I/C	**$ 12.3**	**$ 12.5**	**$ 0.1**	**$ 49.3**	**$ 49.9**	**$ 0.6**	**$ 154.4**	**$ 153.8**	**$ (0.6)**
Rate	**3.65%**	**3.71%**	**0.05%**	**3.46%**	**3.45%**	**0.00%**	**3.40%**	**3.40%**	**0.00%**

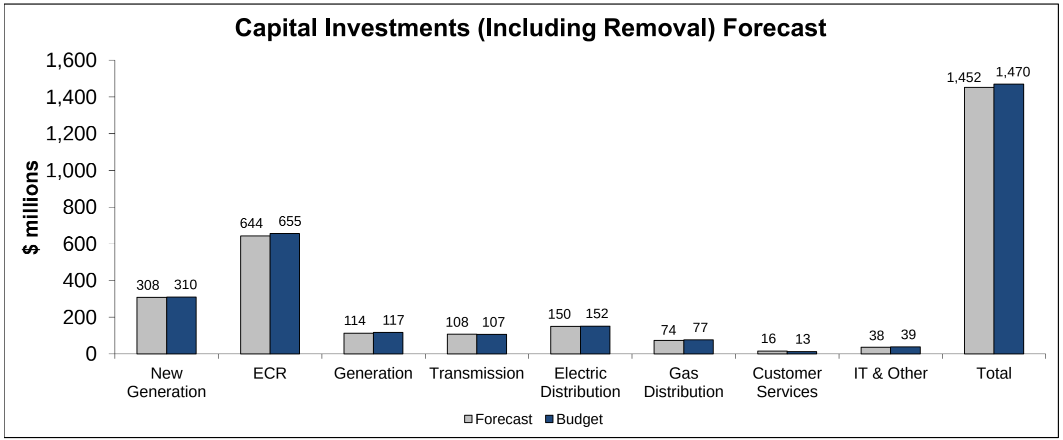
Balance Sheet — April 2013

($ Millions)

	YTD	YTD Budget	Variance	Comments
Assets:				
Current Assets:				
Cash and Cash Equivalents	$ 59	$ 9	$ 49	Driven by lower capital spend than budgeted.
Accounts Receivable (Trade)	331	300	32	Tariff rate variance in receivable logic and extended due date granted in rate case.
Inventory	241	226	15	Increase in fuel ($9m), gas ($4m) and materials and supplies ($2m).
Deferred Income Taxes	13	13	(1)	
Prepayments and other current assets	53	69	(16)	Primarily due to receivables from insurance claims ($5m), IMEA/IMPA ($4m), interest ($3m), prepaid insurance ($3m) and mutual aid ($2m).
Total Current Assets	697	617	80	
Property, Plant, and Equipment	8,547	8,633	(86)	See capital chart for details.
Intangible Assets	254	254	(0)	
Other Property and Investments	1	1	0	
Regulatory Assets	639	637	2	
Goodwill	997	997	-	
Other Long-term Assets	103	105	(2)	
Total Assets	**$ 11,238**	**$ 11,245**	**$ (7)**	
Liabilities and Equity:				
Current Liabilities:				
Accounts Payable (Trade)	$ 316	$ 248	$ 68	Primarily due to higher fuel volumes and higher capex accrual.
Accounts Payable - Affiliated Company	-	(0)	0	
Customer Deposits	49	48	1	
Derivative Liability	5	5	0	
Accrued Taxes	20	55	(35)	Tax payments made in actuals but not in budget until June.
Other Current Liabilities	151	139	12	Primarily higher accrued salaries than budgeted ($3m) and litigation proceeds not budgeted ($7m).
Total Current Liabilities	542	495	47	
Debt - Affiliated Company	-	-	-	
Debt	4,339	4,346	(8)	
Total Debt	4,339	4,346	(8)	
Deferred Tax Liabilities	588	591	(3)	
Investment Tax Credit	137	137	1	
Accumulated Provision for Pension and Related Benefits	265	267	(2)	
Asset Retirement Obligation	127	127	(0)	
Regulatory Liabilities	992	1,005	(13)	Primarily due to decrease in ECR (-5m), GSC (-3m), spare parts (-2m) and DSM (-2m), partially offset by increase in GLT (2m).
Derivative Liability	52	54	(2)	
Other Liabilities	236	238	(2)	
Total Deferred Credits and Other Liabilities	2,397	2,418	(21)	
Equity	3,960	3,985	(25)	
Total Liabilities and Equity	**$ 11,238**	**$ 11,245**	**$ (7)**	



Capital was $88m lower than budget due mainly to revised schedules for Mill Creek and Ghent environmental air work ($49m) expected to reverse by the end of 2013. Temporary differences on other environmental projects ($4m) and delayed spending on major Transmission and Distribution projects ($39m) are expected to reverse by year end and were partially offset by increased spend on Cane Run 7 ($8m).



Capital is projected to be $18m lower than budget due mainly to the portion of Trimble landfill delay not offset by other spend variances.

Performance Report

May 2013

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Kentucky Regulated Dashboard — May 2013

Operational Metrics	Current Month		YTD		Full Year	
Safety	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
TCIR - Employees	0.57	4.30	1.03	1.52	N/A	1.35
Employee lost-time incidents	0	3	0	3	N/A	6

Reliability	Actual	Budget	Actual	Budget	Forecast	Budget
Generation Volumes	2,730	2,683	13,921	14,108	34,925	35,128
Utility EFOR	4.9%	5.1%	8.5%	5.1%	N/A	5.1%
Utility EAF	76.1%	86.4%	76.8%	85.3%	N/A	87.08%
Combined SAIFI	0.09	0.13	0.35	0.43	N/A	1.22
Combined SAIDI (minutes)	8.09	12.68	31.69	39.72	N/A	109.60
GwH Sales						
Residential	745	690	4,483	4,407	10,974	10,912
Commercial	649	658	3,119	3,142	8,067	8,063
Industrial	859	852	3,983	3,928	9,910	9,891
Municipals	142	161	765	753	1,971	1,944
Other	229	246	1,125	1,149	2,897	2,901
Off-System Sales	73	47	178	308	311	465
Total	2,697	2,653	13,653	13,687	34,130	34,175
Weather-Normalized Sales Growth[1]			**W-N**			
Residential			2.56%			
Commercial			-0.57%			
Industrial			2.77%			
Other[2]			-1.74%			
Total			1.23%			

Financial Metrics	Current Month Actual	Current Month Budget	YTD Actual	YTD Budget	Full Year Forecast	Full Year Budget
Utility ROE[3]	8.7%	5.8%	9.5%	9.2%	9.6%	9.6%
Electric Margins	$130	$124	$639	$644	$1,625	$1,638
Gas Margins	$9	$9	$80	$77	$157	$156

Capital Expenditures ($ millions)	Actual	Budget	Actual	Budget	Forecast	Budget
New Generation	$23	$27	$107	$103	$308	$310
ECR	37	53	191	259	644	655
Generation	14	15	40	39	114	117
Transmission	10	9	29	49	108	107
Electric Distribution	12	15	48	65	150	152
Gas Distribution	5	7	19	26	74	77
Customer Services	2	1	6	5	16	13
IT and Other	2	4	9	17	38	39
Total	$105	$131	$449	$563	$1,452	$1,470

O&M ($ millions)[4]	Actual	Budget	Actual	Budget	Forecast	Budget
Operations	$36	$43	$185	$194	$459	$463
Administrative	$7	8	$36	$37	92	94
Finance and Accounting	$2	2	$7	$8	19	19
Corp Burdens & Other Charges	$12	12	$67	$61	149	146
Total	$56	$65	$295	$300	$719	$721

Head Count	Actual	Budget	Actual	Budget	Forecast	Budget
Full-time Employees	3,340	3,408	3,340	3,408	3,435	3,435

Other Metrics	Actual	PY	Actual	PY	Forecast	PY
Environmental Events	0	1	3	1	N/A	14
NERC Possible Violations[5]	0	3	3	8	N/A	29

Variance Explanations

• The generation fleet's EAF and EFOR are unfavorable YTD to budget due to temperature and balance issues on Ghent U4 ID fan bearing; turbine bearing failure, air heater pluggage and start-up failure generator lockout on Trimble County U2; hydrogen seal leak and damaged bearing on Mill Creek U4; damaged boiler corner support hangers on Brown U3 and air heater fouling on Ghent U3 & U4.
• Higher margins in May due to $4 million of higher electric energy and demand revenues and $2 million of higher DSM revenue (timing).
• Lower margins YTD due primarily to $10 million of lower electric demand revenues, partially offset by $3 million of higher DSM revenue with increased activity in certain energy efficiency programs and $3 million of higher gas margins.
• Capital was $114 million lower than budget YTD due mainly to revised schedules for environmental air work at Mill Creek for $27 million and Ghent for $21 million. Temporary differences on Ghent and Brown landfill projects of $13 million, other environmental projects of $7 million and delayed spending on major Transmission and Distribution projects of $43 million are expected to reverse by year end.
• Full year capital is projected to be $18 million lower than budget due mainly to the portion of Trimble landfill delay not offset by other spend variances.
• Lower other operation and maintenance in May related to timing of $6 million of lower outage maintenance and supplies and $2 million of labor savings.
• Lower other operation and maintenance YTD primarily related to $6 million of labor savings and other offsetting variances.

Major Developments

• LG&E and KU continue to expand customer commitment with a newly created Online Customer Panel which will include 1,000 customers, whose survey responses will help better understand customer's energy needs, opinions and preferences. Key findings from the surveys will be shared with the participants and employees. Participants will remain on the online panel for one year before another round of invitation letters will invite a new group of customers to join.
• LKE was recently recognized by the American Heart Association for the second year in a row as a Platinum Fit-Friendly Worksite. LKE was recognized for its commitment to health and wellness through initiatives such as WellFairs, the hypertension management program and others.

Significant Future Events

• The Engineering, Procurement and Construction contract is under final evaluation for the Brown 3 fabric filter and is expected to be executed in July.
• In addition to the construction of Cane Run Unit 7, LG&E and KU continue to evaluate responses received from their request for proposals for up to 700 MW of capacity beginning as early as 2015. A final decision is expected early Q3.
• Regarding the Virginia rate case, Virginia State Corporation Commission (VSCC) staff have been on site for a two-week rate case discovery effort. A public hearing will be held on June 24, 2013 in Norton, VA to receive testimony from public witnesses. A second hearing will be held on October 1, 2013 at the VSCC office to receive testimony of public witnesses and the evidence offered by KU, respondents and the Commission's staff.

(1) Percentages represent a trailing twelve months.
(2) "Other" is typically comprised of the public authority customer class and KU's 12 full-requirements wholesale municipal customers.
(3) Excludes goodwill and other purchase accounting adjustments.
(4) Net of cost recovery mechanisms.
(5) The 3 NERC Possible Violation Issues for YTD Actual are expected to be resolved through NERC's Find, Fix and Track ("FFT") process without financial penalty.
Note: Schedules may not sum due to rounding.

Income Statement: Actual vs. Budget and Forecast (Month) — May 2013

($ Millions)

	MTD Actual	MTD Budget	MTD Variance	Comments	MTD Actual	MTD Q1 Forecast	MTD Variance	Comments
Revenues:								
Electric Revenues	$ 218	$ 208	$ 9	Average cooling degree days up 35% in May compared to budget.	$ 218	$ 207	$ 10	Favorable weather.
Gas Revenues	16	15	1		16	15	1	
Total Revenues	234	223	10		234	222	11	
Cost of Sales:								
Fuel Electric Costs	74	70	(3)		74	70	(3)	
Gas Supply Expenses	7	6	(1)		7	6	(1)	
Purchased Power	5	6	1		5	6	1	
Other Electric Cost	9	9	(0)		9	8	(1)	
Total Cost of Sales	94	90	(4)		94	90	(4)	
Gross Margin:								
Electric Margin	130	124	6		130	123	7	
Gas Margin	9	9	0		9	9	0	
Total Gross Margin	139	133	6	Due to $4m of higher electric energy and demand revenues and $2m of higher DSM revenue (timing).	139	132	7	Due primarily to higher electric energy and demand and DSM revenues.
Operating Expenses:								
O&M	56	65	9	Related to timing of $6m of lower outage maintenance and supplies and $2m of labor savings.	56	61	5	Favorable labor and burdens, outage timing, uncollectible accounts, outside services and materials and supplies.
Depreciation & Amortization	27	28	1		27	27	(0)	
Taxes, Other than Income	4	4	0		4	4	0	
Total Operating Expenses	87	97	9		87	92	5	
Equity in earnings	-	(0)	0		-	0	(0)	
Other income	(0)	(1)	1		(0)	(1)	1	
EBIT	52	35	16		52	39	13	
Interest Expense	13	13	(0)		13	13	0	
Income from Ongoing Operations before income taxes	39	23	16		39	26	13	
Income Tax Expense	15	8	(6)	Due to higher pre-tax income.	15	10	(5)	Due to higher pre-tax income.
Net Income (loss) from ongoing operations	**24**	**14**	**10**		**24**	**17**	**8**	
Non Operating Income	0	-	0		0	-	0	
Discontinued Operations	(0)	(0)	0		(0)	0	(0)	
Net Income (loss)	$ 24	$ 14	$ 10		$ 24	$ 17	$ 8	
KY Regulated Financing Costs	(8)	(3)	(5)	Higher acquisition financing costs due to early remarketing of the 2010 Equity Units budgeted in June.	(8)	(3)	(5)	Higher acquisition financing costs due to early remarketing of the 2010 Equity Units budgeted in June.
KY Regulated Net Income	$ 16	$ 11	$ 5		$ 16	$ 13	$ 3	
Earnings Per Share	$ 0.04	$ 0.02	$ 0.02		$ 0.04	$ 0.02	$ 0.01	

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7)(o)

Witness: K Blake

Income Statement: Actual vs. Budget (YTD) and Forecast vs. Budget (Full Year)								May 2013
($ Millions)	YTD				Full Year			
	Actual	Budget	Variance	Comments	Q1 Forecast	Budget	Variance	Comments
Revenues:								
Electric Revenues	$ 1,080	$ 1,079	$ 1		$ 2,732	$ 2,753	$ (21)	Lower retail and wholesale demand volumes and lower ECR returns.
Gas Revenues	169	167	2		311	313	(2)	
Total Revenues	1,249	1,246	3		3,043	3,065	(23)	
Cost of Sales:								
Fuel Electric Costs	375	367	(7)	Higher retail volumes partially offset by lower wholesale volumes and start-up fuel costs.	928	928	(0)	
Gas Supply Expenses	89	90	1		154	157	3	
Purchased Power	25	25	0		68	67	(1)	
Other Electric Cost	41	43	1		111	119	8	Lower electric volumes and ECR costs.
Total Cost of Sales	530	525	(5)		1,261	1,271	10	
Gross Margin:								
Electric Margin	639	644	(5)	Due primarily to $10m of lower electric demand revenues, partially offset by $3m of higher DSM revenue with increased activity in certain energy efficiency programs.	1,625	1,638	(13)	Q1 margin shortfall of $3m, lower ECR of $3m due to delayed capital spend, and lower demand projections of $7m.
Gas Margin	80	77	3		157	156	1	
Total Gross Margin	719	721	(2)		1,782	1,794	(12)	
Operating Expenses:								
O&M	295	300	5	Primarily related to $6m of labor savings and other offsetting variances.	719	721	2	
Depreciation & Amortization	136	140	3		329	338	8	Revised estimates based on delayed capital spend in 2012 and revised in-service dates for capital projects in 2013.
Taxes, Other than Income	20	20	0		48	48	(0)	
Total Operating Expenses	451	460	9		1,097	1,107	10	
Equity in earnings	-	(0)	0		0	(1)	1	
Other income	(4)	(5)	0		(8)	(8)	1	
EBIT	264	257	8		677	677	(0)	
Interest Expense	62	62	0		154	154	(1)	
Income from Ongoing Operations before income taxes	202	194	8		523	524	(1)	
Income Tax Expense	76	72	(4)		195	196	1	
Net Income (loss) from ongoing operations	**127**	**122**	**5**		**328**	**328**	**(0)**	
Non Operating Income	0	-	0		0	-	0	
Discontinued Operations	2	(1)	3		(1)	(1)	1	
Net Income (loss)	$ 129	$ 121	$ 8		$ 327	$ 326	$ 1	
KY Regulated Financing Costs	(23)	(17)	(6)	Higher acquisition financing costs due to early remarketing of the 2010 Equity Units budgeted in June.	(40)	(37)	(2)	
KY Regulated Net Income	$ 106	$ 104	$ 2		$ 288	$ 289	$ (1)	
Earnings Per Share	$ 0.19	$ 0.18	$ 0.01		$ 0.46	$ 0.46	$ 0.00	

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7)(o)

Witness: K Blake

Electric Gross Margin — May 2013

($ Millions)

	MTD Actual	MTD Budget	MTD Unit Variance	MTD Value @	MTD Dollar Variance	MTD Margin Variance	YTD Actual	YTD Budget	YTD Unit Variance	YTD Value @	YTD Dollar Variance	YTD Margin Variance
Base Electric Margin:						$ 3						$ (10)
Energy Volumes (a)	2,623,529	2,606,757	16,772	$ 26.51	$ 2		13,474,630	13,379,035	95,595	$ 28.07	$ 3	
Energy Prices (a)					(1)						(4)	
Customer Charges (Avg. Customers)	935,109	945,126	(10,017)		-		935,458	944,109	(8,650)		1	
Demand Charges (b)					2						(10)	
ECR:						(1)						(4)
Average Rate Base	$ 650	$ 747	$ (98)	10.44%	$ (0.7)		$ 570	$ 645	$ (76)	10.44%	$ (2.9)	
Cost of Capital	10.29%	10.44%	-0.15%	$ 650	(0.1)		10.33%	10.44%	-0.11%	$ 570	(0.2)	
Jurisdictional Factor	87.36%	88.62%	-1.26%	$ 650	(0.1)		88.15%	87.93%	0.23%	$ 570	0.1	
Other					(0.4)						(1.1)	
DSM:						2						3
Program Expense (Revenue Net of Expense)	$ 0.7	$ (0.2)			$ 0.9		$ -	$ (1.1)			$ 1.1	
Lost Sales	2.5	1.0			1.5		7.1	5.1			2.0	
Incentive	0.2	0.1			0.1		0.5	0.3			0.2	
Balancing Adjustment	(0.5)	-			(0.5)		(0.4)	-			(0.4)	
Net Fuel Recovery	$ 0.4	$ (0.7)				1	$ 2	$ (4)				5
Purchase Power Demand						(0)						(0)
Transmission						0						1
Other						-						(0)
Retail Margin Variance						5						(6)
Off-System Margin Variance						1						1
Electric Margin Variance						$ 6						$ (5)

(a) Non-Fuel Energy Analysis (net of base ECR revenue): **MTD**

	Actual Revenue $mil	Actual Volume (MWH)	Actual Price ($/MWH)	Budget Revenue $mil	Budget Volume (MWH)	Budget Price ($/MWH)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 37	745,090	$ 49.17	$ 34	690,258	$ 48.92	$ 3	$ 3	$ 0
Commercial	20	648,779	30.11	21	657,825	31.38	(1)	(0)	(1)
Industrial	8	858,532	8.80	8	851,541	8.77	0	0	-
Municipals	1	141,684	4.69	1	160,800	4.69	(0)	(0)	-
Other	5	229,444	22.46	6	246,332	23.36	(1)	(0)	(0)
Native Load Total	**$ 70**	**2,623,529**	**$ 26.51**	**$ 69**	**2,606,757**	**$ 26.23**	**$ 1**	**$ 2**	**$ (1)**

(a) Non-Fuel Energy Analysis (net of base ECR revenue): **YTD**

	Actual Revenue $mil	Actual Volume (MWH)	Actual Price ($/MWH)	Budget Revenue $mil	Budget Volume (MWH)	Budget Price ($/MWH)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 217	4,482,841	$ 48.36	$ 213	4,407,406	$ 48.22	$ 4	$ 4	$ 1
Commercial	99	3,118,802	31.87	101	3,142,363	32.25	(2)	(1)	(1)
Industrial	34	3,983,135	8.58	35	3,928,466	8.79	(0)	1	(1)
Municipals	4	764,937	4.68	4	752,576	4.69	0	0	-
Other	24	1,124,916	21.57	27	1,148,224	23.57	(3)	(1)	(2)
Native Load Total	**$ 378**	**13,474,630**	**$ 28.07**	**$ 379**	**13,379,035**	**$ 28.32**	**$ (1)**	**$ 3**	**$ (4)**

(b) Demand Analysis (net of base ECR revenue):

$mil	MTD Act	MTD Bud	MTD Variance	YTD Act	YTD Bud	YTD Variance
Commercial	15	14	1	62	65	(4)
Industrial	17	17	0	79	84	(5)
Municipals	4	4	(0)	18	21	(3)
Other	6	5	1	25	24	1
Native Load Total	**42**	**40**	**2**	**184**	**194**	**(10)**

Weather Statistics	MTD Act	MTD +/- Bud		YTD Act	YTD +/- Bud	
Heating Degree Days - Louisville	66	(16)	-20%	2,734	136	5%
Heating Degree Days - Lexington	81	(32)	-28%	2,892	65	2%
Cooling Degree Days - Louisville	149	33	28%	186	33	22%
Cooling Degree Days - Lexington	123	37	43%	152	43	39%

Gas Gross Margin — May 2013

($ Millions)

	MTD Actual	MTD Budget	MTD Subtotal	MTD Margin Variance	YTD Actual	YTD Budget	YTD Subtotal	YTD Margin Variance
Gas Base Service Charge	$ 5	$ 5		$ -	$ 28	$ 25		$ 3
Gas Supply Costs								
Gas Supply Costs	(6)	(6)	$ (1)		(89)	(87)	$ (2)	
GSC Revenue	7	6	0		89	89	1	
Net Gas Supply Costs				(1)				(1)
Retail Gas (a)	3	3		0	50	48		3
Wholesale Gas (a)	-	-		-	-	-		-
DSM	1	(0)		1	1	(1)		2
GLT	0	0		(0)	1	1		0
WNA	-	-		-	(2)	-		(2)
Other Margin	0	0		(0)	1	1		(1)
Gas Margin Variance				$ 0				$ 3

(a) Retail and wholesale gas sales - excludes GSC

MTD

	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 2	648,568	$ 2.64	$ 2	638,365	$ 2.66	$ -	$ -	$ -
Commercial	1	272,839	1.82	1	370,812	2.06	(0)	(0)	(0)
Industrial	0	71,038	1.45	0	58,142	1.85	-	-	-
Public Authority	0	51,934	1.69	0	64,656	1.91	-	-	-
Transportation	1	852,708	0.89	0	740,349	0.42	1	-	0
Ultimate Consumer	$ 3	1,897,087	$ 1.66	$ 3	1,872,324	$ 1.61	$ 0	$ (0)	$ 0

YTD

	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 32	12,275,500	$ 2.64	$ 32	12,325,810	$ 2.58	$ 1	$ (0)	$ 1
Commercial	11	5,128,629	2.04	11	5,192,415	2.05	(0)	(0)	-
Industrial	1	560,336	1.72	1	473,511	1.86	0	0	(0)
Public Authority	2	957,904	1.98	2	966,102	1.98	-	-	-
Transportation	5	5,731,361	0.79	3	5,565,213	0.45	2	0	2
Ultimate Consumer	$ 50	24,653,730	$ 2.04	$ 48	24,523,050	$ 1.94	$ 3	$ -	$ 3

O&M May 2013

($ Millions)

	MTD			Variances						
	Actual	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 17	$ 23	$ 6	$ -	$ 1	$ 4	$ 3	$ 2	$ -	$ (4)
Project Engineering	0	0	0	-	$ 0	-	(0)	(0)	-	0
Transmission	3	3	(0)	-	$ 0	-	0	(0)	-	(0)
Energy Supply and Analysis	1	1	0	-	$ 0	-	0	0	-	0
Electric Distribution	6	6	(0)	-	$ (0)	-	(0)	0	0	0
Gas Distribution	3	3	1	-	$ 0	-	1	0	0	(0)
Customer Services	7	7	1	-	$ 0	-	(0)	(0)	1	0
Chief Operations Officer	**36**	**43**	**8**	**-**	**1**	**4**	**4**	**2**	**1**	**(5)**
Information Technology	4	4	0	-	0	-	(0)	0	-	0
General Counsel	2	3	0	-	0	-	0	0	-	(0)
Human Resources	1	1	0	-	0	-	0	0	-	(0)
Supply Chain	0	0	0	-	0	-	0	0	-	0
Chief Administrative Officer	**7**	**8**	**1**	**-**	**0**	**-**	**0**	**0**	**-**	**0**
Chief Financial Officer	**2**	**2**	**0**	**-**	**0**	**-**	**(0)**	**0**	**-**	**(0)**
Corporate	**12**	**12**	**0**	**0**	**(0)**	**-**	**0**	**0**	**0**	**(0)**
O&M Total MTD	**$ 56**	**$ 65**	**$ 9**	**$ 0**	**$ 2**	**$ 4**	**$ 4**	**$ 2**	**$ 1**	**$ (5)**

	YTD			Variances						
	Actual	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 97	$ 99	$ 2	$ -	$ 3	$ 2	$ (0)	$ (0)	$ -	$ (3)
Project Engineering	0	0	0	-	0	-	(0)	(0)	-	0
Transmission	12	12	0	-	(0)	-	1	0	-	(0)
Energy Supply and Analysis	4	5	1	-	0	-	0	0	-	0
Electric Distribution	28	29	1	-	0	-	(1)	0	(0)	1
Gas Distribution	13	13	0	-	0	-	1	(0)	(0)	(0)
Customer Services	32	37	5	-	1	-	1	(0)	3	0
Chief Operations Officer	**185**	**194**	**9**	**-**	**5**	**2**	**1**	**(0)**	**3**	**(2)**
Information Technology	20	20	(0)	-	1	-	(1)	(0)	-	1
General Counsel	12	13	1	-	0	-	1	0	-	(0)
Human Resources	2	3	0	-	(0)	-	0	0	-	0
Supply Chain	1	2	0	-	0	-	0	0	-	0
Chief Administrative Officer	**36**	**37**	**2**	**-**	**1**	**-**	**(0)**	**(0)**	**-**	**1**
Chief Financial Officer	**7**	**8**	**1**	**-**	**0**	**-**	**(0)**	**0**	**-**	**1**
Corporate (a)	**67**	**61**	**(6)**	**(6)**	**(1)**	**-**	**2**	**1**	**0**	**(2)**
O&M Total YTD	**$ 295**	**$ 300**	**$ 5**	**$ (6)**	**$ 5**	**$ 2**	**$ 3**	**$ 1**	**$ 3**	**$ (2)**

(a) Variance due mainly to $7m of jurisdictionalized pension regulatory asset write-off.

	Full Year			Variances						
	Forecast	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 227	$ 227	$ 1	$ -	$ 2	$ (1)	$ (1)	$ (1)	$ -	$ 2
Project Engineering	1	1	0	-	0	-	(0)	(0)	-	0
Transmission	29	29	0	-	(0)	-	1	(1)	-	0
Energy Supply and Analysis	10	11	1	-	1	-	0	0	-	0
Electric Distribution	69	70	1	-	(1)	-	1	0	-	1
Gas Distribution	35	34	(1)	-	(0)	-	0	-	-	(1)
Customer Services	89	91	2	-	1	-	2	0	2	(2)
Chief Operations Officer	**459**	**463**	**4**	**-**	**2**	**(1)**	**2**	**(2)**	**2**	**0**
Information Technology	49	49	(0)	-	0	-	(0)	-	-	(0)
General Counsel	33	34	1	-	0	-	1	-	-	0
Human Resources	7	7	0	-	0	-	0	(0)	-	(0)
Supply Chain	3	3	-	-	-	-	-	-	-	-
Chief Administrative Officer	**92**	**94**	**1**	**-**	**1**	**-**	**1**	**(0)**	**-**	**(0)**
Chief Financial Officer	**19**	**19**	**0**	**-**	**0**	**-**	**(0)**	**-**	**-**	**0**
Corporate	**149**	**146**	**(3)**	**(5)**	**(0)**	**-**	**1**	**0**	**(0)**	**1**
O&M Total Full Year	**$ 719**	**$ 721**	**$ 2**	**$ (5)**	**$ 3**	**$ (1)**	**$ 4**	**$ (2)**	**$ 2**	**$ 1**

Financing Activities — May 2013

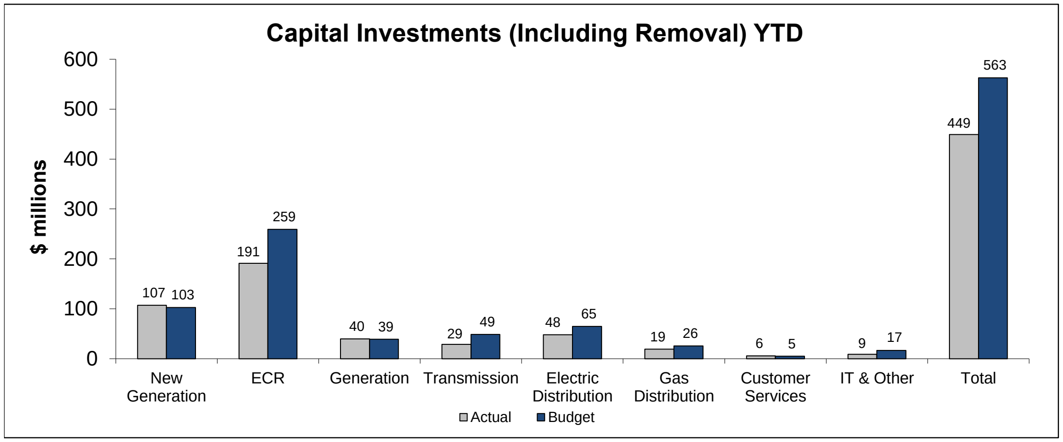
($ Millions)

Balance Sheet	MTD Actual	MTD Budget	MTD Variance	YTD Actual	YTD Budget	YTD Variance	Full Year Forecast	Full Year Budget	Full Year Variance
PCB									
Beg Bal	$ 931.9	$ 931.9	$ -	$ 932.0	$ 932.0	$ 0.0	$ 932.0	$ 932.0	$ -
End Bal	931.9	931.9	-	931.9	931.9	-	931.7	931.7	-
Ave Bal	**$ 931.9**	**$ 931.9**	**$ -**	**$ 932.0**	**$ 931.9**	**$ (0.0)**	**$ 931.8**	**$ 931.8**	**$ -**
Interest Exp	**$ 0.9**	**$ 1.1**	**$ 0.2**	**$ 4.4**	**$ 5.7**	**$ 1.4**	**$ 12.7**	**$ 13.6**	**$ 0.9**
Rate	**0.00%**	**0.00%**	**0.00%**	**1.11%**	**1.46%**	**0.35%**	**1.37%**	**1.46%**	**0.09%**
FMB/Sr Nts									
Beg Bal	$ 3,143.3	$ 3,143.3	$ (0.0)	$ 3,142.8	$ 3,142.8	$ 0.0	$ 3,142.8	$ 3,142.8	$ 0.0
End Bal	3,143.5	3,143.5	(0.0)	3,143.5	3,143.5	(0.0)	3,694.4	3,694.4	(0.0)
Ave Bal	**$ 3,143.4**	**$ 3,143.4**	**$ (0.0)**	**$ 3,143.1**	**$ 3,143.2**	**$ 0.1**	**$ 3,235.3**	**$ 3,235.3**	**$ (0.0)**
Interest Exp	**$ 9.6**	**$ 9.6**	**$ (0.0)**	**$ 47.8**	**$ 47.8**	**$ (0.0)**	**$ 120.2**	**$ 120.2**	**$ (0.0)**
Rate	**0.00%**	**0.00%**	**0.00%**	**3.62%**	**3.62%**	**0.00%**	**3.72%**	**3.72%**	**0.00%**
Short-term Debt									
Beg Bal	$ 263.3	$ 271.1	$ 7.8	$ 149.7	$ 149.7	$ (0.0)	$ 149.7	$ 149.7	$ (0.0)
End Bal	320.7	411.7	91.0	320.7	411.7	91.0	210.5	176.3	(34.2)
Ave Bal	**$ 292.0**	**$ 341.4**	**$ 49.4**	**$ 235.2**	**$ 289.0**	**$ 53.8**	**$ 372.4**	**$ 359.1**	**$ (13.3)**
Interest Exp	**$ 0.2**	**$ 0.2**	**$ 0.0**	**$ 952.7**	**$ 859.0**	**$ (93.7)**	**$ 2.9**	**$ 1.2**	**$ (1.7)**
Rate	**0.00%**	**0.00%**	**0.00%**	**0.97%**	**0.71%**	**-0.26%**			
Total End Bal	**$ 4,396.0**	**$ 4,487.0**	**$ 91.0**	**$ 4,396.0**	**$ 4,487.0**	**$ 91.0**	**$ 4,836.6**	**$ 4,802.4**	**$ (34.2)**
Total Average Bal	**$ 4,367.3**	**$ 4,416.7**	**$ 49.4**	**$ 4,310.2**	**$ 4,364.1**	**$ 53.9**	**$ 4,539.6**	**$ 4,526.3**	**$ (13.3)**
Total Expense Excl I/C	**$ 12.6**	**$ 12.5**	**$ (0.1)**	**$ 61.9**	**$ 62.4**	**$ 0.5**	**$ 154.4**	**$ 153.8**	**$ (0.6)**
Rate	**3.71%**	**3.64%**	**-0.07%**	**3.42%**	**3.41%**	**-0.02%**	**3.40%**	**3.40%**	**0.00%**

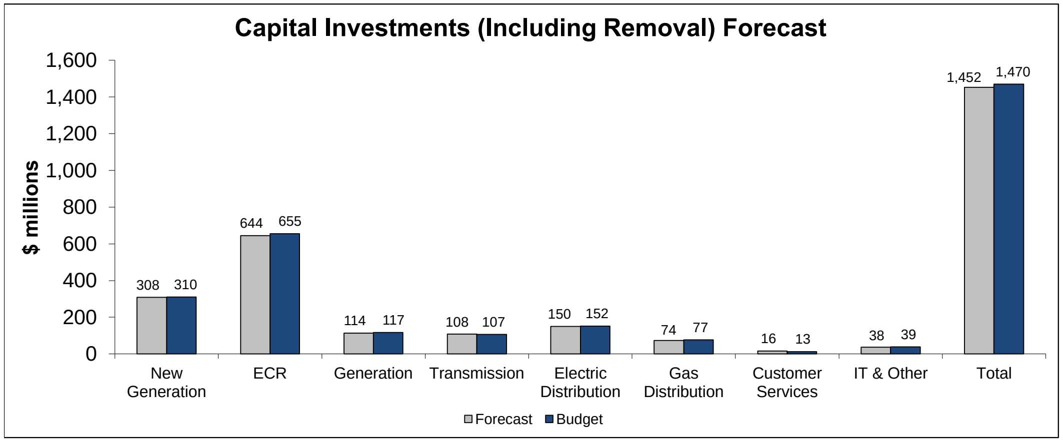
Balance Sheet May 2013

($ Millions)

	YTD	YTD Budget	Variance	Comments
Assets:				
Current Assets:				
Cash and Cash Equivalents	$ 20	$ 9	$ 11	
Accounts Receivable (Trade)	330	306	24	Tariff rate variance in receivable logic and extended due date granted in rate case.
Inventory	238	225	12	Primarily increase in fuel ($6m), gas ($4m) and materials and supplies ($3m).
Deferred Income Taxes	13	13	(1)	
Prepayments and other current assets	162	67	95	Primarily due to capital contribution from PPL not included in other receivable budget ($75m); also receivables from insurance claims ($5m), IMEA/IMPA ($3m), interest ($3m), prepaid insurance ($4m) and mutual aid ($2m).
Total Current Assets	763	621	142	
Property, Plant, and Equipment	8,623	8,736	(113)	See capital chart for details.
Intangible Assets	249	250	(1)	
Other Property and Investments	1	1	0	
Regulatory Assets	629	634	(5)	
Goodwill	997	997	-	
Other Long-term Assets	100	105	(5)	
Total Assets	**$ 11,362**	**$ 11,343**	**$ 19**	
Liabilities and Equity:				
Current Liabilities:				
Accounts Payable (Trade)	$ 275	$ 220	$ 54	Primarily due to higher fuel volumes.
Accounts Payable - Affiliated Company	65	(0)	65	Dividend declared.
Customer Deposits	49	48	1	
Derivative Liability	4	5	(1)	
Accrued Taxes	39	60	(22)	Tax payments made in actuals but not in budget until June.
Other Current Liabilities	114	100	14	Due primarily to wires made but not yet cleared, including payroll funding ($3m), payment to Opower software license ($2m) and payment to KBR for Ghent environmental projects ($10m).
Total Current Liabilities	546	434	112	
Debt - Affiliated Company	-	-	-	
Debt	4,396	4,487	(91)	Less short-term debt issued than budgeted (-$151m) due to lower capital spend, offset by notes payable to PPL ($60m). See Financing Activities page for more details.
Total Debt	4,396	4,487	(91)	
Deferred Tax Liabilities	588	598	(10)	Timing of recording of deferred taxes in actuals vs. budget.
Investment Tax Credit	137	136	1	
Accumulated Provision for Pension and Related Benefits	265	268	(3)	
Asset Retirement Obligation	126	128	(2)	
Regulatory Liabilities	1,028	1,000	28	Due primarily to increase in long-term interest rate swaps ($37m).
Derivative Liability	44	54	(9)	
Other Liabilities	240	239	2	
Total Deferred Credits and Other Liabilities	2,429	2,423	6	
Equity	3,991	3,999	(9)	
Total Liabilities and Equity	**$ 11,362**	**$ 11,343**	**$ 19**	



Capital was $114m lower than budget due mainly to revised schedules for Mill Creek ($27m) and Ghent ($21) environmental air work. Temporary differences on Ghent and Brown landfill projects ($13m), other environmental projects ($7m) and delayed spending on major Transmission and Distribution projects ($43m) are expected to reverse by year end.



Capital is projected to be $18m lower than budget due mainly to the portion of Trimble landfill delay not offset by other spend variances.

Performance Report

June 2013

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Kentucky Regulated Dashboard — June 2013

Operational Metrics	Current Month		YTD		Full Year	
Safety	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
TCIR - Employees	2.87	1.85	1.31	1.59	N/A	1.35
Employee lost-time incidents	0	1	0	4	N/A	6
Reliability	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Generation Volumes	2,888	3,055	16,809	17,163	34,774	35,128
Utility EFOR	6.3%	5.1%	8.1%	5.1%	N/A	5.1%
Utility EAF	89.1%	92.3%	78.8%	86.4%	N/A	87.08%
Combined SAIFI	0.14	0.17	0.49	0.60	N/A	1.22
Combined SAIDI (minutes)	15.22	14.98	46.91	54.70	N/A	109.60
GwH Sales						
Residential	880	898	5,363	5,305	10,904	10,912
Commercial	646	741	3,765	3,883	7,858	8,063
Industrial	853	900	4,836	4,828	9,949	9,891
Municipals	164	181	929	933	1,904	1,944
Other	237	265	1,362	1,414	2,791	2,901
Off-System Sales	54	9	231	317	380	465
Total	2,833	2,994	16,486	16,681	33,785	34,175
Weather-Normalized Sales Growth[(1)]			**W-N**			
Residential			1.51%			
Commercial			-1.83%			
Industrial			2.71%			
Other[(2)]			-2.06%			
Total			0.52%			

Variance Explanations

• The generation fleet's EAF and EFOR are unfavorable YTD to budget due to temperature and balance issues on Ghent U4 ID fan bearing; turbine bearing failure, air heater pluggage and start-up failure generator lockout on Trimble County U2; hydrogen seal leak and damaged bearing on Mill Creek U4; damaged boiler corner support hangers on Brown U3; air heater fouling on Ghent U3 & U4 and winding shorts on generator rotor on Cane Run U4.
• Lower margins in June due primarily to $8 million of lower electric energy and demand charge volumes.
• Lower margins YTD due primarily to $14 million of lower retail electric demand charge revenues, partially offset by net favorable margins on other retail rate mechanisms.
• Capital was $131 million lower than budget YTD due mainly to slower than expected mobilization for Mill Creek of $32 million and Ghent environmental air work of $24 million. Differences on Ghent and Brown landfill projects of $15 million and other environmental projects of $9 million are expected to reverse by year end. Transmission underspend of $21 million was due mainly to delayed spending on Cane Run U7, New Albany transmission work and line rating projects; Distribution variances of $29 million were driven by timing of circuit hardening, major substation projects, main replacement and gas riser projects.
• Full year capital is projected to be $19 million lower than budget due mainly to the portion of Trimble landfill delay not offset by other spend variances.
• Lower other operation and maintenance in June related primarily to $2 million of lower outage costs, $2 million of labor savings and $2 million of lower outside services.
• Lower other operation and maintenance YTD related to $3 million of lower outside services, $3 million of lower uncollectible accounts and $6 million of labor savings.

	Current Month		YTD		Full Year	
Financial Metrics	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Utility ROE[(3)]	10.9%	10.5%	9.8%	9.4%	9.6%	9.6%
Electric Margins	$137	$143	$776	$787	$1,609	$1,638
Gas Margins	$7	$8	$87	$86	$157	$156
Capital Expenditures ($ millions)	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
New Generation	$29	$27	$136	$130	$310	$310
ECR	42	55	232	313	637	655
Generation	5	5	45	45	115	117
Transmission	8	9	37	58	107	107
Electric Distribution	11	14	57	75	144	144
Gas Distribution	4	8	23	34	77	77
Customer Services	1	1	7	5	12	9
IT and Other	6	5	18	26	49	51
Total	$106	$124	$555	$686	$1,451	$1,470
O&M ($ millions)[(4)]	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Operations	$33	$36	$218	$231	$452	$461
Administrative	$7	8	$43	$45	91	95
Finance and Accounting	$1	2	$9	$9	18	19
Corp Burdens & Other Charges	$10	12	$76	$73	142	146
Total	$52	$58	$346	$358	$704	$721
Head Count	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Full-time Employees	3,336	3,411	3,336	3,411	3,435	3,435
Other Metrics	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
Environmental Events	0	1	3	2	N/A	14
NERC Possible Violations[(5)]	4	0	7	8	N/A	29

Major Developments

• LG&E and KU were recognized for several safety, communication and customer service awards in the month of June:
• KU received the prestigious Kentucky Governor's Health and Safety Award for outstanding safety performance. Brown employees won the award for working 4,144,448 hours without a lost-time incident. Ghent employees won the award for working 1,272,552 hours without a lost-time incident.
• At the Utility Communicators International Gala, LG&E and KU were the recipients of 11 Better Communication Competition Awards - representing the most by any utility. The awards winners were selected from more than 350 entries submitted by 35 utilities across the globe.
• LG&E and KU's Residential Service Center ("RSC") placed in the Top 10 in the 2013 BenchmarkPortal Top 100 Call Center Contest – Medium Sized Contact Centers (100 - 249 employees). The RSC was also selected as one of four finalists in the International Quality & Productivity Center's Best in Class Call Center (under 200 staff) category for 2013. LG&E and KU received the honorable mention award behind the first and second place finishers.

Significant Future Events

• The Engineering, Procurement and Construction contract is under final evaluation for the Brown 3 fabric filter and is expected to be resolved in Q3.
• In addition to the construction of Cane Run Unit 7, LG&E and KU continue to evaluate responses received from their request for proposals for up to 700 MW of capacity beginning as early as 2015. A final decision is expected in the next few months.

(1) Percentages represent a trailing twelve months.
(2) "Other" is typically comprised of the public authority customer class and KU's 12 full-requirements wholesale municipal customers.
(3) Excludes goodwill and other purchase accounting adjustments.
(4) Net of cost recovery mechanisms.
(5) The seven NERC Possible Violation Issues for YTD Actual are expected to be resolved through NERC's Find, Fix and Track ("FFT") process without financial penalty.
Note: Schedules may not sum due to rounding.

Income Statement: Actual vs. Budget and Forecast (Month) — **June 2013**

($ Millions)

	MTD Actual	MTD Budget	MTD Variance	Comments	MTD Actual	MTD Q1 Forecast	MTD Variance	Comments
Revenues:								
Electric Revenues	$ 224	$ 242	$ (17)	Lower energy and demand charge volumes.	$ 224	$ 239	$ (15)	Lower energy volumes and lower demand charge volumes driven by the commercial sector.
Gas Revenues	11	12	(1)		11	12	(1)	
Total Revenues	236	253	(18)		236	251	(15)	
Cost of Sales:								
Fuel Electric Costs	75	82	7	Decreased electric volumes. Offset by unfavorable electric revenues above.	75	82	7	Decreased electric volumes. Offset by unfavorable electric revenues above.
Gas Supply Expenses	4	4	(0)		4	4	(0)	
Purchased Power	5	6	2		5	7	2	
Other Electric Cost	8	10	2		8	9	2	
Total Cost of Sales	91	102	11		91	101	10	
Gross Margin:								
Electric Margin	137	143	(6)	Due primarily to $8m of lower electric energy and demand charge volumes.	137	141	(4)	Due primarily to lower electric energy and demand charge volumes.
Gas Margin	7	8	(1)		7	8	(1)	
Total Gross Margin	144	151	(7)		144	150	(5)	
Operating Expenses:								
O&M	52	58	6	Related primarily to $2m of lower outage costs, $2m of labor savings and $2m of lower outside services.	52	57	6	Favorable outage timing, labor and burdens and outside services.
Depreciation & Amortization	27	28	1		27	27	(0)	
Taxes, Other than Income	4	4	0		4	4	0	
Total Operating Expenses	83	90	7		83	89	6	
Equity in earnings	-	(0)	0		-	0	(0)	
Other income	(0)	(1)	0		(0)	(1)	0	
EBIT	61	61	0		61	61	0	
Interest Expense	12	13	0		12	13	0	
Income from Ongoing Operations before income taxes	49	48	1		49	48	1	
Income Tax Expense	18	18	0		18	18	0	
Net Income (loss) from ongoing operations	**31**	**30**	**1**		**31**	**30**	**1**	
Non Operating Income	0	-	0		0	-	0	
Discontinued Operations	0	(0)	0		0	0	(0)	
Net Income (loss)	$ 31	$ 30	$ 1		$ 31	$ 30	$ 1	
KY Regulated Financing Costs	(3)	(6)	3	Lower related to the remarketing of the 2010 Equity Units in May that was budgeted for June (timing).	(3)	(6)	3	Lower related to the remarketing of the 2010 Equity Units in May that was budgeted for June (timing).
KY Regulated Net Income	$ 28	$ 24	$ 4		$ 28	$ 24	$ 4	
Earnings Per Share	$ 0.04	$ 0.04	$ 0.00		$ 0.04	$ 0.04	$ 0.00	

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Witness: K Blake

Income Statement: Actual vs. Budget (YTD) — June 2013

($ Millions)

	YTD			
	Actual	Budget	Variance	Comments
Revenues:				
Electric Revenues	$ 1,304	$ 1,321	$ (16)	Due primarily to $14m of lower retail electric demand charge revenues.
Gas Revenues	181	179	2	
Total Revenues	1,485	1,500	(15)	
Cost of Sales:				
Fuel Electric Costs	450	449	(0)	
Gas Supply Expenses	94	93	(0)	
Purchased Power	30	32	2	
Other Electric Cost	49	53	4	Lower electric volumes and ECR costs.
Total Cost of Sales	622	627	5	
Gross Margin:				
Electric Margin	776	787	(11)	Due primarily to $14m of lower retail electric demand charge revenues, partially offset by net favorable margins on other retail rate mechanisms.
Gas Margin	87	86	1	
Total Gross Margin	863	873	(10)	
Operating Expenses:				
O&M	346	358	12	Related to $3m of lower outside services, $3m of lower uncollectible accounts and $6m of labor savings.
Depreciation & Amortization	163	168	4	
Taxes, Other than Income	24	24	0	
Total Operating Expenses	533	550	17	
Equity in earnings	-	(0)	0	
Other income	(5)	(5)	1	
EBIT	325	317	8	
Interest Expense	74	75	1	
Income from Ongoing Operations before income taxes	251	242	9	
Income Tax Expense	94	90	(3)	
Net Income (loss) from ongoing operations	**157**	**152**	**5**	
Non Operating Income	1	-	1	
Discontinued Operations	2	(1)	3	
Net Income (loss)	$ 160	$ 151	$ 9	
KY Regulated Financing Costs	(25)	(22)	(3)	Higher due to revised rates and durations of remarketing of the 2010 Equity Units.
KY Regulated Net Income	$ 134	$ 129	$ 6	
Earnings Per Share	$ 0.23	$ 0.22	$ 0.01	

Income Statement: Forecast vs. Budget and Prior Forecast — June 2013

($ Millions)

	Full Year				Full Year			
	Q2 Forecast	Budget	Variance	Comments	Q2 Forecast	Q1 Forecast	Variance	Comments
Revenues:								
Electric Revenues	$ 2,706	$ 2,753	$ (47)	Lower retail and wholesale demand volumes, lower energy volumes and lower ECR returns.	$ 2,706	$ 2,732	$ (26)	Due primarily to $12 electric revenue shortfall in Q2, $5m lower demand projections and $10m lower energy projections.
Gas Revenues	315	313	3		315	311	5	Due to increased gas revenues in Q2.
Total Revenues	3,021	3,065	(44)		3,021	3,043	(22)	
Cost of Sales:								
Fuel Electric Costs	928	928	(0)		928	928	(0)	
Gas Supply Expenses	158	157	(1)		158	154	(4)	
Purchased Power	66	67	1		66	68	2	
Other Electric Cost	103	119	17	Lower electric volumes and ECR costs.	103	111	8	Lower electric volumes and ECR costs.
Total Cost of Sales	1,255	1,271	16		1,255	1,261	6	
Gross Margin:								
Electric Margin	1,609	1,638	(29)	Primarily Q2 margin shortfall of $10m, lower ECR of $3m due to delayed capital spend, lower demand projections of $12m and lower energy projections of $10m, offset by $7m favorable other cost of sales.	1,609	1,625	(16)	Due to $7m lower Q2 margins, $5m lower demand projections and $10m lower energy projections, offset by $6m favorable cost of sales.
Gas Margin	157	156	1		157	157	0	
Total Gross Margin	1,766	1,794	(28)		1,766	1,782	(15)	
Operating Expenses:								
O&M	704	721	17	Favorable labor and burdens ($6m), uncollectible accounts ($3m), and outside services ($7m).	704	719	15	Related primarily to favorability in Q2 including $4m of lower outage costs, $2m of labor savings, $2m of lower uncollectible accounts and $2m of lower outside services costs.
Depreciation & Amortization	329	338	9	Revised estimates based on delayed capital spend in 2012 and revised in-service dates for capital projects in 2013.	329	329	0	
Taxes, Other than Income	48	48	(0)		48	48	0	
Total Operating Expenses	1,082	1,107	26		1,082	1,097	15	
Equity in earnings	0	(1)	1		0	0	(0)	
Other income	(7)	(8)	1		(7)	(8)	0	
EBIT	677	677	(0)		677	677	0	
Interest Expense	153	154	0		153	154	1	
Income from Ongoing Operations before income taxes	524	524	0		524	523	1	
Income Tax Expense	196	196	(0)		196	195	(1)	
Net Income (loss) from ongoing operations	**328**	**328**	**(0)**		**328**	**328**	**0**	
Non Operating Income	1	-	1		1	0	0	
Discontinued Operations	1	(1)	3		1	(1)	2	
Net Income (loss)	$ 329	$ 326	$ 3		$ 329	$ 327	$ 2	
KY Regulated Financing Costs	(41)	(37)	(4)	Higher due to revised rates and durations of remarketing of the 2010 Equity Units.	(41)	(37)	(4)	Higher due to revised rates and durations of remarketing of the 2010 Equity Units.
KY Regulated Net Income	$ 289	$ 289	$ (1)		$ 289	$ 291	$ (2)	
Earnings Per Share	$ 0.46	$ 0.46	$ 0.00		$ 0.46	$ 0.47	$ (0.01)	

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Electric Gross Margin

June 2013

($ Millions)

	MTD						YTD					
	Actual	**Budget**	**Unit Variance**	**Value @**	**Dollar Variance**	**Margin Variance**	**Actual**	**Budget**	**Unit Variance**	**Value @**	**Dollar Variance**	**Margin Variance**
Base Electric Margin:						$ (9)						$ (17)
Energy Volumes (a)	2,779,691	2,984,629	(205)	$ -	$ (5)		16,254,320	16,363,664	(109)	$ -	$ (2)	
Energy Prices (a)					0						(3)	
Customer Charges (Avg. Customers)	935,174	945,266	(10,092)		-		935,411	944,302	(8,891)		1	
Demand Charges (b)					(4)						(14)	
ECR:						(0)						(1)
Average Rate Base	$ 683	$ 794	$ (0)	10.44%	$ (0.9)		$ 589	$ 670	$ (0)	10.44%	$ (3.8)	
Cost of Capital	10.23%	10.44%	-0.21%	$ 683	(0.1)		10.31%	10.44%	-0.13%	$ 589	(0.3)	
Jurisdictional Factor	89.09%	89.85%	-0.76%	$ 683	-		88.33%	88.31%	0.03%	$ 589	-	
Other					0.7						2.7	
DSM:						1						4
Program Expense (Revenue Net of Expense)	$ (0.1)	$ (0.3)			$ 0.2		$ (0.1)	$ (1.4)			$ 1.3	
Lost Sales	0.9	1.0			(0.1)		8.0	6.1			1.9	
Incentive	0.1	0.1			-		0.6	0.4			0.2	
Balancing Adjustment	0.6	-			0.6		0.2	-			0.2	
Net Fuel Recovery	$ (0.7)	$ (0.8)				0	$ 1	$ (3)				4
Purchase Power Demand						0						0
Transmission						1						-
Other						-						(0)
Retail Margin Variance						(7)						(11)
Off-System Margin Variance						1						-
Electric Margin Variance						$ (6)						$ (11)

(a) Non-Fuel Energy Analysis (net of base ECR revenue):

	MTD								
	Actual			Budget			Variance		
	Revenue $mil	Volume (MWH)	Price ($/MWH)	Revenue $mil	Volume (MWH)	Price ($/MWH)	Revenue $mil	Volume $mil	Price $mil
Residential	$ 43	879,629	$ 49.09	$ 44	897,786	$ 49.15	$ (1)	$ (1)	$ (0)
Commercial	20	645,940	31.39	23	740,910	31.18	(3)	(3)	0
Industrial	8	852,750	9.06	8	899,999	8.91	(0)	(0)	0
Municipals	1	163,892	4.68	1	180,614	4.69	-	(0)	-
Other	5	237,480	22.21	6	265,320	22.73	(1)	(1)	(0)
Native Load Total	**$ 77**	**2,779,691**	**$ 27.78**	**$ 82**	**2,984,629**	**$ 27.51**	**$ (5)**	**$ (5)**	**$ 0**

(a) Non-Fuel Energy Analysis (net of base ECR revenue):

	YTD								
	Actual			Budget			Variance		
	Revenue $mil	Volume (MWH)	Price ($/MWH)	Revenue $mil	Volume (MWH)	Price ($/MWH)	Revenue $mil	Volume $mil	Price $mil
Residential	$ 260	5,362,469	$ 48.48	$ 256	5,305,192	$ 48.37	$ 4	$ 3	$ 1
Commercial	120	3,764,742	31.79	124	3,883,273	32.05	(5)	(4)	(1)
Industrial	42	4,835,885	8.66	43	4,828,465	8.81	(1)	0	(1)
Municipals	4	928,829	4.68	4	933,190	4.69	-	-	-
Other	30	1,362,396	21.68	33	1,413,544	23.42	(4)	(1)	(2)
Native Load Total	**$ 456**	**16,254,320**	**$ 28.02**	**$ 461**	**16,363,664**	**$ 28.18**	**$ (5)**	**$ (2)**	**$ (3)**

(b) Demand Analysis (net of base ECR revenue):

$mil	MTD Act	MTD Bud	MTD Variance	YTD Act	YTD Bud	YTD Variance
Commercial	14	17	(2)	76	82	(6)
Industrial	17	19	(2)	96	102	(6)
Municipals	4	5	(0)	23	26	(3)
Other	6	6	1	32	30	2
Native Load Total	**43**	**46**	**(4)**	**226**	**240**	**(14)**

Weather Statistics	MTD			YTD		
	Act	+/- Bud		Act	+/- Bud	
Heating Degree Days - Louisville	0	(6)	-100%	2,734	130	5%
Heating Degree Days - Lexington	0	(10)	-100%	2,892	55	2%
Cooling Degree Days - Louisville	297	(3)	-1%	483	30	7%
Cooling Degree Days - Lexington	269	30	13%	421	73	21%

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Gas Gross Margin — June 2013

($ Millions)

	MTD Actual	MTD Budget	MTD Subtotal	MTD Margin Variance	YTD Actual	YTD Budget	YTD Subtotal	YTD Margin Variance
Gas Base Service Charge	**$ 5**	**$ 5**		**$ -**	**$ 33**	**$ 30**		**$ 3**
Gas Supply Costs								
Gas Supply Costs	(4)	(3)	$ (1)		(93)	(90)	$ (3)	
GSC Revenue	4	3	1		94	92	2	
Net Gas Supply Costs				**0**				**(1)**
Retail Gas (a)	**3**	**2**		**0**	**53**	**50**		**3**
Wholesale Gas (a)	**-**	**-**		**-**	**-**	**-**		**-**
DSM	**(1)**	**(0)**		**(1)**	**-**	**(1)**		**1**
GLT	**0**	**0**		**(0)**	**1**	**1**		**-**
WNA	**-**	**-**		**-**	**(3)**	**-**		**(3)**
Other Margin	**0**	**0**		**(0)**	**1**	**2**		**(1)**
Gas Margin Variance				**$ (1)**				**$ 1**

(a) Retail and wholesale gas sales - excludes GSC

MTD

	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 1	408,812	$ 2.63	$ 1	432,212	$ 2.68	$ (0)	$ (0)	$ -
Commercial	1	266,359	1.93	1	249,217	2.07	-	-	-
Industrial	0	78,305	1.52	0	42,299	1.78	-	0	-
Public Authority	-	23,196	1.82	0	33,658	1.79	(0)	-	-
Transportation	1	714,663	0.99	0	623,279	0.42	0	-	0
Ultimate Consumer	$ 3	1,491,335	$ 1.65	$ 2	1,380,665	$ 1.50	$ 0	$ 0	$ 0

YTD

	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 34	12,684,312	$ 2.64	$ 33	12,758,023	$ 2.58	$ 1	$ (0)	$ 1
Commercial	11	5,394,988	2.04	11	5,441,631	2.05	(0)	(0)	(0)
Industrial	1	626,813	1.73	1	515,810	1.85	0	0	(0)
Public Authority	2	981,100	1.97	2	999,759	1.97	(0)	-	-
Transportation	5	6,446,024	0.81	3	6,188,492	0.45	3	0	2
Ultimate Consumer	$ 53	26,133,237	$ 2.02	$ 50	25,903,715	$ 1.92	$ 3	$ -	$ 3

O&M — June 2013

($ Millions)

	MTD			Variances						
	Actual	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 15	$ 17	$ 2	$ -	$ 0	$ 0	$ 1	$ 1	$ -	$ 1
Project Engineering	0	0	0	-	$ 0	-	(0)	(0)	-	0
Transmission	3	3	(0)	-	$ (0)	-	(0)	0	-	0
Energy Supply and Analysis	1	1	0	-	$ (0)	-	0	0	-	0
Electric Distribution	5	5	0	-	$ (0)	-	0	0	(0)	0
Gas Distribution	2	3	0	-	$ (0)	-	0	0	0	(0)
Customer Services	7	7	1	-	$ 0	-	0	0	1	(0)
Chief Operations Officer	**33**	**36**	**3**	**-**	**(0)**	**0**	**2**	**1**	**1**	**0**
Information Technology	4	4	0	-	0	-	0	(0)	-	(0)
General Counsel	3	3	0	-	(0)	-	0	(0)	-	0
Human Resources	0	1	0	-	0	-	0	0	-	0
Supply Chain	0	0	0	-	(0)	-	0	0	-	0
Chief Administrative Officer	**7**	**8**	**0**	**-**	**0**	**-**	**1**	**(0)**	**-**	**(0)**
Chief Financial Officer	**1**	**2**	**0**	**-**	**0**	**-**	**(0)**	**0**	**-**	**0**
Corporate	**10**	**12**	**3**	**2**	**0**	**-**	**0**	**0**	**(0)**	**0**
O&M Total MTD	**$ 52**	**$ 58**	**$ 6**	**$ 2**	**$ (0)**	**$ 0**	**$ 3**	**$ 1**	**$ 1**	**$ 1**

	YTD			Variances						
	Actual	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 111	$ 116	$ 4	$ -	$ 3	$ 5	$ 1	$ 0	$ -	$ (5)
Project Engineering	0	0	0	-	0	-	(0)	(0)	-	0
Transmission	15	15	0	-	(0)	-	0	0	-	(0)
Energy Supply and Analysis	4	5	1	-	0	-	0	0	-	0
Electric Distribution	34	34	1	-	(0)	-	(0)	0	(0)	1
Gas Distribution	15	16	1	-	0	-	1	(0)	(0)	0
Customer Services	38	44	6	-	2	-	1	0	3	(0)
Chief Operations Officer	**218**	**231**	**12**	**-**	**4**	**5**	**3**	**1**	**3**	**(4)**
Information Technology	24	24	0	-	1	-	(1)	(0)	-	0
General Counsel	14	16	1	-	0	-	1	0	-	(0)
Human Resources	3	3	0	-	(0)	-	0	0	-	0
Supply Chain	2	2	0	-	0	-	0	0	-	0
Chief Administrative Officer	**43**	**45**	**2**	**-**	**1**	**-**	**0**	**(0)**	**-**	**1**
Chief Financial Officer	**9**	**9**	**1**	**-**	**0**	**-**	**(0)**	**0**	**-**	**1**
Corporate	**76**	**73**	**(3)**	**(4)**	**(0)**	**-**	**2**	**1**	**0**	**(2)**
O&M Total YTD	**$ 346**	**$ 358**	**$ 12**	**$ (4)**	**$ 5**	**$ 5**	**$ 5**	**$ 1**	**$ 4**	**$ (4)**

	Full Year			Variances						
	Forecast	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 225	$ 227	$ 2	$ -	$ 3	$ 1	$ (0)	$ (3)	$ -	$ 1
Project Engineering	1	1	0	-	(0)	-	(0)	(0)	-	0
Transmission	29	29	0	-	(0)	-	2	(2)	-	(0)
Energy Supply and Analysis	9	10	1	-	0	-	0	0	-	0
Electric Distribution	68	69	1	-	(1)	-	1	1	-	(0)
Gas Distribution	33	34	0	-	(0)	-	1	0	-	(1)
Customer Services	87	91	4	-	2	-	1	(0)	3	(2)
Chief Operations Officer	**452**	**461**	**9**	**-**	**4**	**1**	**5**	**(3)**	**3**	**(2)**
Information Technology	50	50	1	-	2	-	(1)	-	-	0
General Counsel	32	34	3	-	0	-	2	-	-	0
Human Resources	7	7	0	-	0	-	0	(0)	-	(0)
Supply Chain	3	3	0	-	(0)	-	0	-	-	0
Chief Administrative Officer	**91**	**95**	**4**	**-**	**2**	**-**	**2**	**(0)**	**-**	**0**
Chief Financial Officer	**18**	**19**	**1**	**-**	**0**	**-**	**0**	**-**	**-**	**1**
Corporate	**142**	**146**	**4**	**(5)**	**(1)**	**-**	**1**	**(1)**	**0**	**8**
O&M Total Full Year	**$ 704**	**$ 721**	**$ 17**	**$ (5)**	**$ 6**	**$ 1**	**$ 8**	**$ (4)**	**$ 3**	**$ 7**

Financing Activities — June 2013

($ Millions)

Balance Sheet	MTD Actual	MTD Budget	MTD Variance	YTD Actual	YTD Budget	YTD Variance	Full Year Forecast	Full Year Budget	Full Year Variance
PCB									
Beg Bal	$ 931.9	$ 931.9	$ -	$ 932.0	$ 932.0	$ 0.0	$ 932.0	$ 932.0	$ -
End Bal	931.8	931.8	-	931.8	931.8	-	931.7	931.7	-
Ave Bal	**$ 931.9**	**$ 931.9**	**$ -**	**$ 931.9**	**$ 931.9**	**$ (0.0)**	**$ 931.8**	**$ 931.8**	**$ -**
Interest Exp	**$ 0.9**	**$ 1.1**	**$ 0.3**	**$ 5.2**	**$ 6.8**	**$ 1.6**	**$ 12.0**	**$ 13.6**	**$ 1.6**
Rate	**0.00%**	**0.00%**	**0.00%**	**1.12%**	**1.46%**	**0.34%**	**1.29%**	**1.46%**	**0.17%**
FMB/Sr Nts									
Beg Bal	$ 3,143.5	$ 3,143.5	$ (0.0)	$ 3,142.8	$ 3,142.8	$ 0.0	$ 3,142.8	$ 3,142.8	$ 0.0
End Bal	3,143.6	3,143.6	(0.0)	3,143.6	3,143.6	(0.0)	3,644.4	3,694.4	50.0
Ave Bal	**$ 3,143.5**	**$ 3,143.5**	**$ (0.0)**	**$ 3,143.2**	**$ 3,143.3**	**$ 0.1**	**$ 3,227.0**	**$ 3,235.3**	**$ 8.3**
Interest Exp	**$ 9.6**	**$ 9.6**	**$ 0.0**	**$ 57.3**	**$ 57.3**	**$ (0.0)**	**$ 120.3**	**$ 120.2**	**$ (0.1)**
Rate	**0.00%**	**0.00%**	**0.00%**	**3.63%**	**3.63%**	**0.00%**	**3.73%**	**3.72%**	**-0.01%**
Short-term Debt									
Beg Bal	$ 320.7	$ 411.7	$ 91.0	$ 149.7	$ 149.7	$ (0.0)	$ 149.7	$ 149.7	$ (0.0)
End Bal	324.8	418.4	93.6	324.8	418.4	93.6	210.0	176.3	(33.7)
Ave Bal	**$ 322.7**	**$ 415.0**	**$ 92.3**	**$ 237.2**	**$ 310.6**	**$ 73.3**	**$ 329.2**	**$ 359.0**	**$ 29.8**
Interest Exp	**$ 0.2**	**$ 0.2**	**$ 0.0**	**$ 1,149.8**	**$ 1,081.6**	**$ (68.2)**	**$ 2.5**	**$ 1.2**	**$ (1.3)**
Rate	**0.00%**	**0.00%**	**0.00%**	**0.96%**	**0.69%**	**-0.27%**			
Total End Bal	**$ 4,400.2**	**$ 4,493.8**	**$ 93.6**	**$ 4,400.2**	**$ 4,493.8**	**$ 93.6**	**$ 4,786.1**	**$ 4,802.4**	**$ 16.3**
Total Average Bal	**$ 4,398.1**	**$ 4,490.4**	**$ 92.3**	**$ 4,312.3**	**$ 4,385.7**	**$ 73.4**	**$ 4,488.1**	**$ 4,526.2**	**$ 38.1**
Total Expense Excl I/C	**$ 12.3**	**$ 12.5**	**$ 0.2**	**$ 74.2**	**$ 74.9**	**$ 0.7**	**$ 153.5**	**$ 153.8**	**$ 0.4**
Rate	**3.59%**	**3.59%**	**0.00%**	**3.42%**	**3.40%**	**-0.02%**	**3.42%**	**3.40%**	**-0.02%**

Credit Facilities ($ Millions)	Committed Capacity	Borrowed	Letters of Credit Issued	Unused Capacity
LKE	$ 300	$ 72		$ 228
LG&E	500	80		420
KU	598	172	$ 198	228
TOTAL	$ 1,398	$ 324	$ 198	$ 876

Credit Metrics ($ Millions)	YTD Actual	YTD +/- Bud	Full Year Forecast	Full Year +/- Bud
FFO to Debt - LG&E	32.5%	+0.04	27.8%	+0.01
FFO to Debt - KU	27.3%	+0.01	25.4%	-0.00
Debt to EBITDA - LG&E [(1)]	2.85	-0.46	3.24	-0.08
Debt to EBITDA - KU [(1)]	3.76	+0.10	3.68	+0.02
Debt to Capitalization - LG&E [(2)]	44.1%	-0.01	46.7%	-0.00
Debt to Capitalization - KU [(2)]	46.5%	-0.01	47.0%	+0.00

(1) Actuals represent a trailing 12 months

(2) Excludes purchase accounting adjustments and corresponding goodwill of $996m

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7)(o)

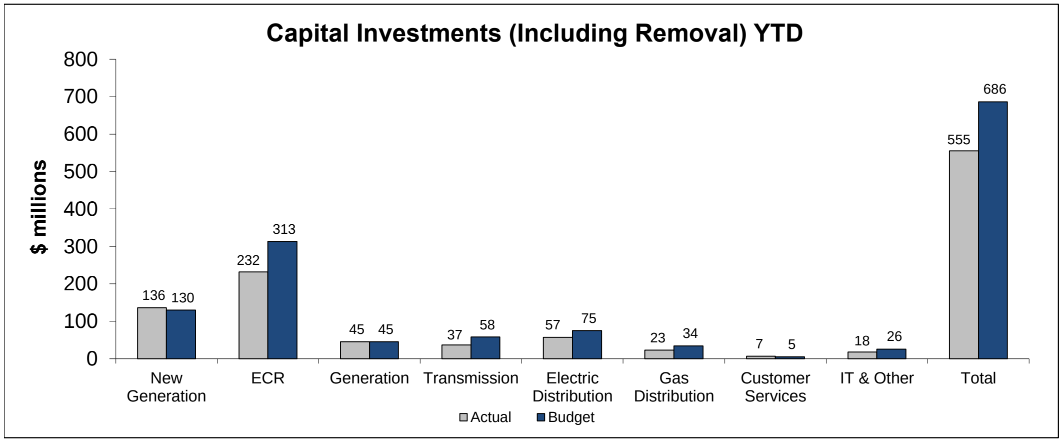
Witness: K Blake

Balance Sheet — June 2013

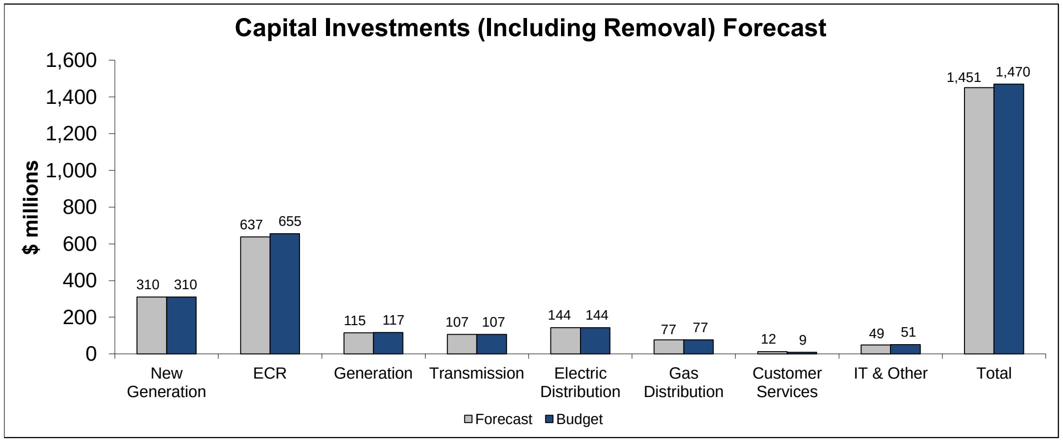
($ Millions)

	YTD	YTD Budget	Variance	Comments
Assets:				
Current Assets:				
Cash and Cash Equivalents	$ 23	$ 10	$ 14	See cash flow chart for details.
Accounts Receivable (Trade)	365	324	41	Due primarily to tariff rate variance in receivable logic and extended due date granted in rate case.
Inventory	251	230	20	Increase in fuel ($13m), gas ($3m) and materials and supplies ($4m).
Deferred Income Taxes	11	13	(3)	
Prepayments and other current assets	119	70	49	Primarily due to short-term derivative asset gain from forward hedges entered into in November 2012 with PPL as counterparty as a result of an increase in market interest rates ($57m).
Total Current Assets	768	647	121	
Property, Plant, and Equipment	8,701	8,832	(130)	See capital chart for details.
Intangible Assets	245	246	(1)	
Other Property and Investments	1	1	0	
Regulatory Assets	609	635	(27)	Due to interest rate swaps ($15m) and decrease in FAC ($12m).
Goodwill	997	997	-	
Other Long-term Assets	97	104	(8)	
Total Assets	**$ 11,418**	**$ 11,462**	**$ (44)**	
Liabilities and Equity:				
Current Liabilities:				
Accounts Payable (Trade)	$ 302	$ 226	$ 76	Primarily differences in capex accrual and an increase in retainage fees and fuel volumes.
Accounts Payable - Affiliated Company	(0)	(0)	0	
Customer Deposits	49	48	1	
Derivative Liability	4	5	(1)	
Accrued Taxes	26	20	6	
Other Current Liabilities	125	110	15	Due primarily to timing of outstanding checks and cash funding ($16m).
Total Current Liabilities	507	409	98	
Debt - Affiliated Company	-	-	-	
Debt	4,400	4,494	(94)	Less short-term debt issued than budgeted ($141m) due to lower capital spend, offset by notes payable to PPL ($48m). See Financing Activities page for more details.
Total Debt	4,400	4,494	(94)	
Deferred Tax Liabilities	637	655	(18)	Timing of recording of deferred taxes in actuals vs. budget.
Investment Tax Credit	137	136	1	
Accumulated Provision for Pension and Related Benefits	266	269	(3)	
Asset Retirement Obligation	127	128	(1)	
Regulatory Liabilities	1,045	997	48	Primarily due to short-term derivative asset gain from forward hedges entered into in November 2012 with PPL as counterparty as a result of an increase in market interest rates ($57m).
Derivative Liability	39	54	(14)	Increase in interest rate swaps with non-related third parties due to an increase in market interest rates causing a decrease in the derivative liability.
Other Liabilities	240	239	0	
Total Deferred Credits and Other Liabilities	2,490	2,478	12	
Equity	4,021	4,081	(60)	
Total Liabilities and Equity	**$ 11,418**	**$ 11,462**	**$ (44)**	

Capital Investments — June 2013



Capital was $131m lower than budget due mainly to slower than expected mobilization for Mill Creek ($32m) and Ghent ($24) environmental air work. Differences on Ghent and Brown landfill projects ($15m) and other environmental projects ($9m) are expected to reverse by year end. Transmission underspend ($21m) was mainly due to delayed spending on Cane Run 7, New Albany transmission work and line rating projects; Distribution variances ($29m) were driven by timing of circuit hardening, major substation projects, main replacement and gas riser projects.



Capital is projected to be $19m lower than budget due mainly to the portion of Trimble landfill delay not offset by other spend variances.

Cash Flow

June 2013

YTD	Actual	Budget	Variance	Comments
Net income	160	151	9	
Depreciation	179	175	4	
Deferred tax expense	95	110	-15	Differences in how annual estimates are spread in actuals vs. budget.
Other Balance Sheet Movements	-134	-196	62	Includes increases in credit cash balance and accrued taxes, as well as decreases in regulatory assets and deferred tax assets.
Funds From Operations	**300**	**240**	**60**	
Changes in accounts receivables	-72	-31	-41	Tariff rate variance in receivable logic, extended due date granted in rate case.
Changes in inventories	25	43	-18	Increase in fuel prices.
Changes in accounts payable	44	39	4	
Change in Working Capital	**-3**	**52**	**-55**	
Operating Cash flow	**297**	**292**	**5**	
Capex	-579	-739	160	See Capex Charts for details.
Other Investing	11	0	11	
Loans to Affiliates	0	0	0	
Investing Cash flow	**-568**	**-739**	**171**	
Dividends	-69	-42	-27	Higher dividends and lower equity infusions due to lower capital spend projected than budgeted.
Equity Infusion	146	187	-41	Higher dividends and lower equity infusions due to lower capital spend projected than budgeted.
Net Borrowings	174	269	-95	Higher dividends and lower equity infusions due to lower capital spend projected than budgeted.
Other	0	0	0	
Financing Cash flow	**251**	**414**	**-122**	
Net increase (decrease) in cash	**-20**	**-34**	**54**	

Full Year	FC	Budget	Variance	Comments
Net income	329	326	3	
Depreciation, amortization and impairments	354	356	-2	
Deferred tax expense	214	178	36	Differences in YTD actual deferred taxes vs. budget.
Other Balance Sheet Movements	-131	-204	73	Includes increases in credit cash balance and accrued taxes, as well as decreases in regulatory assets and deferred tax assets.
Funds From Operations	**766**	**656**	**110**	
Changes in accounts receivables	-156	-35	-121	Tariff rate variance in receivable logic, extended due date granted in rate case.
Changes in inventories	-2	15	-17	
Changes in accounts payable	166	113	53	Differences in capex accrual.
Change in Working Capital	**9**	**94**	**-85**	
Operating Cash flow	**774**	**750**	**25**	
Capex	-1,510	-1,576	66	Revised cash adjustment ($47m) and delay in Trimble County landfill to 2015 ($12m).
Other Investing	10	0	10	
Loans to Affiliates	0	0	0	
Investing Cash flow	**-1,500**	**-1,576**	**76**	
Dividends	-154	-157	3	
Equity Infusion	318	374	-56	Lower equity infusions and debt due to lower capital spend projected than budgeted.
Net Borrowings	528	577	-48	Lower equity infusions and debt due to lower capital spend projected than budgeted.
Other	0	0	0	
Financing Cash flow	**692**	**793**	**-45**	
Net increase (decrease) in cash	**-34**	**-33**	**56**	

Performance Report

July 2013

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Kentucky Regulated Dashboard — July 2013

Operational Metrics	Current Month		YTD		Full Year	
Safety	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
TCIR - Employees	2.47	2.12	1.52	1.66	N/A	1.35
Employee lost-time incidents	0	0	0	4	N/A	6
Reliability	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Generation Volumes	3,117	3,455	19,926	20,617	34,774	35,128
Utility EFOR	8.1%	5.1%	8.1%	5.1%	N/A	5.1%
Utility EAF	88.3%	92.3%	80.2%	87.3%	N/A	87.08%
Combined SAIFI	0.12	0.17	0.61	0.77	N/A	1.22
Combined SAIDI (minutes)	9.30	17.61	56.22	72.31	N/A	109.60
GwH Sales						
Residential	1,024	1,146	6,388	6,451	10,904	10,912
Commercial	739	795	4,504	4,678	7,858	8,063
Industrial	797	896	5,633	5,725	9,949	9,891
Municipals	173	194	1,102	1,127	1,904	1,944
Other	250	272	1,613	1,686	2,791	2,901
Off-System Sales	53	4	283	320	380	465
Total	3,037	3,306	19,523	19,987	33,785	34,175
Weather-Normalized Sales Growth[(1)]			**W-N**			
Residential			0.45%			
Commercial			-1.36%			
Industrial			2.30%			
Other[(2)]			-1.38%			
Total			0.28%			

	Current Month		YTD		Full Year	
Financial Metrics	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Utility ROE[(3)]	11.9%	13.5%	10.1%	10.0%	9.5%	9.6%
Electric Margins	$148	$160	$924	$948	$1,600	$1,638
Gas Margins	$8	$8	$96	$94	$157	$156
Capital Expenditures ($ millions)	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
New Generation	$30	$31	$166	$161	$310	$310
ECR	43	53	275	366	637	655
Generation	8	12	53	57	115	117
Transmission	5	7	42	65	107	107
Electric Distribution	9	13	67	88	144	144
Gas Distribution	7	9	30	43	77	77
Customer Services	1	1	7	6	12	9
IT and Other	2	5	20	31	49	51
Total	$105	$131	$660	$817	$1,451	$1,470
O&M ($ millions)[(4)]	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Operations	$36	$38	$254	$268	$450	$461
Administrative	$6	8	$49	$53	90	95
Finance and Accounting	$2	2	$10	$11	18	19
Corp Burdens & Other Charges	$12	12	$88	$85	142	146
Total	$56	$59	$401	$417	$700	$721
Head Count	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Full-time Employees	3,344	3,432	3,344	3,432	3,435	3,435
Other Metrics	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
Environmental Events	1	3	4	5	N/A	14
NERC Possible Violations[(5)]	0	0	7	8	N/A	29

Variance Explanations

- The generation fleet's EAF and EFOR are unfavorable YTD to budget due to temperature and balance issues on Ghent U4 ID fan bearing; turbine bearing failure, air heater pluggage and start-up failure generator lockout on Trimble County U2; hydrogen seal leak and damaged bearing on Mill Creek U4; damaged boiler corner support hangers on Brown U3; air heater fouling on Ghent U3 & U4; winding shorts on generator rotor on Cane Run U4; and cooling tower distribution header failure on Ghent U4.
- Lower margins due primarily to $16 million of lower electric energy revenues driven by mild weather and $18 million of lower electric demand charge revenues, offset by $10 million favorable margins on other retail rate mechanisms and $2 million favorable gas margins.
- Capital was $26 million lower than budget in July due mainly to revised schedules for Mill Creek of $5 million and delay in Trimble County landfill to 2015 of $6 million. Timing of distribution capital spend driven partly by priority pipeline and gas riser replacements are not expected to cause full-year distribution variances.
- Capital was $157 million lower than budget YTD due mainly to slower than expected mobilization for Mill Creek of $37 million and Ghent environmental air work of $24 million. Spending delays on Ghent and Brown landfill projects of $14 million and other environmental projects of $6 million are expected to reverse by year end. Transmission underspend of $23 million was due mainly to delayed spending on Cane Run U7, New Albany transmission work and line rating projects; Distribution variances of $34 million were driven by timing of circuit hardening, major substation projects, main replacement and gas riser projects.
- Full year capital is projected to be $19 million lower than budget due mainly to the portion of Trimble landfill delay not offset by other spend variances.

Major Developments

- In Louisville and Lexington, July 2013 ranked as the 3rd and 5th coolest, respectively, in the past 20 years. The extremely mild summer weather has continued during the first half of August.
- Louisville millionaire and tea party favorite Matthew Bevin entered Kentucky's U.S. Senate race, setting up a Republican primary race with Minority Leader Mitch McConnell. The winner will face Democrat Alison Lundergan Grimes.
- The Kentucky Division for Air Quality released their audit findings of the Louisville Air Pollution Control District's ambient air particulate monitoring program. The audit findings were extensive including a statement that "the staff lacked an understanding of their responsibilities and the mathematics and scientific principles upon which air-monitoring programs are implemented." EPA will now review the audit report and determine whether to accept the air monitoring data. Since the Air District had hoped to use this data to demonstrate that the county was in attainment, the county status is now in question.

Significant Future Events

- LG&E and KU continue to evaluate responses received from their request for proposals for up to 700 MW of capacity beginning as early as 2015 as well as self-build alternatives. A decision on market opportunities versus self-build options is expected in Q3 and will be incorporated into the 2014-2018 business plan.

(1) Percentages represent a trailing twelve months.
(2) "Other" is typically comprised of the public authority customer class and KU's 12 full-requirements wholesale municipal customers.
(3) Excludes goodwill and other purchase accounting adjustments.
(4) Net of cost recovery mechanisms.
(5) The seven NERC Possible Violation Issues for YTD Actual are expected to be resolved through NERC's Find, Fix and Track ("FFT") process without financial penalty.
Note: Schedules may not sum due to rounding.

Income Statement: Actual vs. Budget and Forecast (Month) — July 2013

($ Millions)

	MTD				MTD			
	Actual	Budget	Variance	Comments	Actual	Q2 Forecast	Variance	Comments
Revenues:								
Electric Revenues	$ 246	$ 272	$ (26)	Lower energy volumes due to unseasonably mild weather and economic conditions and lower demand charge revenues.	$ 246	$ 264	$ (19)	Lower energy volumes due to unseasonably mild weather and economic conditions and lower demand charge revenues.
Gas Revenues	12	12	1		12	13	(1)	
Total Revenues	258	284	(26)		258	278	(20)	
Cost of Sales:								
Fuel Electric Costs	85	95	10	Decreased electric volumes and prices. Offset by unfavorable electric revenues above.	85	95	10	Decreased electric volumes and prices. Offset by unfavorable electric revenues above.
Gas Supply Expenses	4	4	(0)		4	5	1	
Purchased Power	4	6	1		4	6	2	
Other Electric Cost	8	11	2		8	6	(2)	
Total Cost of Sales	102	115	14		102	112	11	
Gross Margin:								
Electric Margin	148	160	(12)	Primarily $11m of lower electric energy revenues as volumes were down 10% due to unseasonably mild weather and economic conditions.	148	157	(9)	Lower electric energy volumes due to unseasonably mild weather and economic conditions.
Gas Margin	8	8	0		8	8	0	
Total Gross Margin	156	168	(12)		156	166	(9)	
Operating Expenses:								
O&M	56	59	3		56	60	4	
Depreciation & Amortization	27	28	1		27	27	(0)	
Taxes, Other than Income	4	4	0		4	4	0	
Total Operating Expenses	87	91	4		87	92	4	
Equity in earnings	-	(0)	0		-	0	(0)	
Other income	(0)	(1)	0		(0)	(0)	(0)	
EBIT	69	77	(8)		69	73	(4)	
Interest Expense	12	13	0		12	13	0	
Income from Ongoing Operations before income taxes	57	64	(8)		57	61	(4)	
Income Tax Expense	21	24	3		21	23	2	
Net Income (loss) from ongoing operations	**35**	**40**	**(4)**		**35**	**38**	**(2)**	
Non Operating Income	0	-	0		0	-	0	
Discontinued Operations	(0)	(0)	0		(0)	0	(0)	
Net Income (loss)	$ 35	$ 40	$ (4)		$ 35	$ 38	$ (2)	
KY Regulated Financing Costs	(3)	(2)	(0)		(3)	(3)	0	
KY Regulated Net Income	$ 33	$ 37	$ (5)		$ 33	$ 35	$ (2)	
Earnings Per Share	$ 0.05	$ 0.06	$ 0.00		$ 0.05	$ 0.05	$ 0.01	

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7)(o)

Witness: K Blake

Income Statement: Actual vs. Budget (YTD) — July 2013

($ Millions)

	YTD			
	Actual	**Budget**	**Variance**	**Comments**
Revenues:				
Electric Revenues	$ 1,550	$ 1,593	$ (43)	Primarily $16m of lower electric energy volumes driven by unseasonably mild weather and economic conditions and $18m of lower electric demand charge revenues.
Gas Revenues	193	191	2	
Total Revenues	1,743	1,783	(41)	
Cost of Sales:				
Fuel Electric Costs	535	544	10	Decreased electric volumes and prices. Offset by unfavorable electric revenues above.
Gas Supply Expenses	97	97	(0)	
Purchased Power	34	38	3	
Other Electric Cost	57	63	6	Lower electric volumes and ECR costs.
Total Cost of Sales	724	742	19	
Gross Margin:				
Electric Margin	924	948	(24)	Primarily $16m of lower electric energy volumes driven by unseasonably mild weather and economic conditions and $18m of lower electric demand charge revenues, offset by $10m favorable margins on other retail rate mechanisms.
Gas Margin	96	94	2	
Total Gross Margin	1,020	1,042	(22)	
Operating Expenses:				
O&M	401	417	16	Related to $4m of lower outside services, $4m of lower uncollectible accounts and $7m of labor savings.
Depreciation & Amortization	191	196	5	
Taxes, Other than Income	28	28	0	
Total Operating Expenses	620	641	21	
Equity in earnings	-	(1)	1	
Other income	(5)	(6)	1	
EBIT	394	394	0	
Interest Expense	87	87	1	
Income from Ongoing Operations before income taxes	308	307	1	
Income Tax Expense	115	115	(0)	
Net Income (loss) from ongoing operations	**193**	**192**	**1**	
Non Operating Income	1	-	1	
Discontinued Operations	2	(1)	3	
Net Income (loss)	$ 195	$ 191	$ 4	
KY Regulated Financing Costs	(28)	(25)	(3)	
KY Regulated Net Income	$ 168	$ 166	$ 1	
Earnings Per Share	$ 0.27	$ 0.28	$ (0.01)	

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7)(o)

Witness: K Blake

Income Statement: Forecast vs. Budget and Prior Forecast — July 2013

($ Millions)

	Full Year				Full Year			
	Forecast	Budget	Variance	Comments	Forecast	Q2 Forecast	Variance	Comments
Revenues:								
Electric Revenues	$ 2,687	$ 2,753	$ (65)	Lower energy volumes due to unseasonably mild weather and economic conditions and lower demand charge revenues.	$ 2,687	$ 2,706	$ (19)	Lower energy volumes due to unseasonably mild weather and economic conditions and lower demand charge revenues.
Gas Revenues	314	313	2		314	315	(1)	
Total Revenues	3,002	3,065	(64)		3,002	3,021	(20)	
Cost of Sales:								
Fuel Electric Costs	918	928	10	Decreased electric volumes and prices. Offset by unfavorable electric revenues above.	918	928	10	Decreased electric volumes and prices. Offset by unfavorable electric revenues above.
Gas Supply Expenses	157	157	0		157	158	1	
Purchased Power	64	67	3		64	66	2	
Other Electric Cost	105	119	14	Lower electric volumes.	105	103	(2)	
Total Cost of Sales	1,244	1,271	27		1,244	1,255	11	
Gross Margin:								
Electric Margin	1,600	1,638	(38)	Lower energy volumes due to unseasonably mild weather and economic conditions and lower demand charge revenues.	1,600	1,609	(9)	Lower electric energy volumes due to unseasonably mild weather in July and economic conditions.
Gas Margin	157	156	1		157	157	-	
Total Gross Margin	1,757	1,794	(37)		1,757	1,766	(9)	
Operating Expenses:								
O&M	700	721	21	Favorable labor and burdens ($7m), uncollectible accounts ($4m), outside services ($5m) and materials ($5m).	700	704	4	
Depreciation & Amortization	329	338	9	Revised estimates based on delayed capital spend in 2012 and revised in-service dates for capital projects in 2013.	329	329	-	
Taxes, Other than Income	48	48	(0)		48	48	-	
Total Operating Expenses	1,078	1,107	30		1,078	1,082	4	
Equity in earnings	0	(1)	1		0	0	-	
Other income	(7)	(8)	1		(7)	(7)	-	
EBIT	673	677	(4)		673	677	(4)	
Interest Expense	153	154	0		153	153	(0)	
Income from Ongoing Operations before income taxes	520	524	(4)		520	524	(4)	
Income Tax Expense	194	196	2		194	196	2	
Net Income (loss) from ongoing operations	**326**	**328**	**(2)**		**326**	**328**	**(2)**	
Non Operating Income	0	-	0		0	1	(0)	
Discontinued Operations	0	(1)	2		0	1	(1)	
Net Income (loss)	$ 327	$ 326	$ 0		$ 325	$ 329	$ (5)	
KY Regulated Financing Costs	(41)	(37)	(4)		(41)	(40)	(1)	
KY Regulated Net Income	$ 286	$ 289	$ (3)		$ 285	$ 289	$ (4)	
Earnings Per Share	$ 0.45	$ 0.46	$ (0.01)		$ 0.45	$ 0.46	$ (0.01)	

Electric Gross Margin — July 2013

($ Millions)

	MTD Actual	MTD Budget	MTD Unit Variance	MTD Value @	MTD Dollar Variance	MTD Margin Variance	YTD Actual	YTD Budget	YTD Unit Variance	YTD Value @	YTD Dollar Variance	YTD Margin Variance
Base Electric Margin:						$ (15)						$ (34)
Energy Volumes (a)	2,983,768	3,302,728	(319)	$ -	$ (9)		19,238,089	19,666,392	(428)	$ -	$ (11)	
Energy Prices (a)					(2)						(6)	
Customer Charges (Avg. Customers)	934,597	946,711	(12,114)		-		935,295	944,646	(9,351)		1	
Demand Charges (b)					(4)						(18)	
ECR:						(1)						(2)
Average Rate Base	$ 725	$ 838	$ (0)	10.43%	$ (0.9)		$ 608	$ 694	$ (0)	10.44%	$ (4.6)	
Cost of Capital	10.25%	10.43%	-0.19%	$ 725	(0.1)		10.30%	10.44%	-0.14%	$ 608	(0.4)	
Jurisdictional Factor	89.88%	89.80%	0.08%	$ 725	-		88.60%	88.57%	0.03%	$ 608	-	
Other					-						3.4	
DSM:						1						5
Program Expense (Revenue Net of Expense)	$ 0.5	$ (0.5)			$ 1.0		$ 0.5	$ (2.0)			$ 2.5	
Lost Sales	1.1	1.0			0.1		9.1	7.1			2.0	
Incentive	0.1	0.1			-		0.7	0.4			0.3	
Balancing Adjustment	0.3	-			0.3		0.5	-			0.5	
Net Fuel Recovery	$ (0.3)	$ (0.5)				0	$ 1	$ (4)				5
Purchase Power Demand						1						1
Transmission						0						0
Other						0						0
Retail Margin Variance						(13)						(25)
Off-System Margin Variance						1						1
Electric Margin Variance						$ (12)						$ (24)

(a) Non-Fuel Energy Analysis (net of base ECR revenue):

MTD	Actual Revenue $mil	Actual Volume (MWH)	Actual Price ($/MWH)	Budget Revenue $mil	Budget Volume (MWH)	Budget Price ($/MWH)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 50	1,024,208	$ 48.77	$ 56	1,145,750	$ 49.09	$ (6)	$ (6)	$ (0)
Commercial	23	739,452	30.80	26	794,994	32.33	(3)	(2)	(1)
Industrial	7	797,146	8.56	8	896,397	8.99	(1)	(1)	(0)
Municipals	1	172,800	5.56	1	193,956	4.69	0	(0)	0
Other	5	250,162	20.72	6	271,631	22.82	(1)	(1)	(1)
Native Load Total	**$ 86**	**2,983,768**	**$ 28.72**	**$ 97**	**3,302,728**	**$ 29.40**	**$ (11)**	**$ (9)**	**$ (2)**

(a) Non-Fuel Energy Analysis (net of base ECR revenue):

YTD	Actual Revenue $mil	Actual Volume (MWH)	Actual Price ($/MWH)	Budget Revenue $mil	Budget Volume (MWH)	Budget Price ($/MWH)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 310	6,386,677	$ 48.52	$ 312	6,450,943	$ 48.50	$ (2)	$ (2)	$ 0
Commercial	142	4,504,194	31.63	150	4,678,267	32.09	(8)	(6)	(2)
Industrial	49	5,633,031	8.65	51	5,724,862	8.84	(2)	(1)	(1)
Municipals	5	1,101,629	4.82	5	1,127,146	4.69	-	(0)	0
Other	35	1,612,558	21.53	39	1,685,175	23.32	(5)	(2)	(3)
Native Load Total	**$ 541**	**19,238,089**	**$ 28.13**	**$ 557**	**19,666,392**	**$ 28.38**	**$ (16)**	**$ (11)**	**$ (6)**

(b) Demand Analysis (net of base ECR revenue):

$mil	MTD Act	MTD Bud	MTD Variance	YTD Act	YTD Bud	YTD Variance
Commercial	15	18	(2)	91	100	(9)
Industrial	17	19	(2)	113	121	(8)
Municipals	5	5	(0)	28	31	(3)
Other	6	6	0	38	36	2
Native Load Total	**44**	**48**	**(4)**	**270**	**287**	**(18)**

Weather Statistics	MTD Act	MTD +/- Bud		YTD Act	YTD +/- Bud	
Heating Degree Days - Louisville	0	0	0%	2,734	130	5%
Heating Degree Days - Lexington	0	0	0%	2,892	55	2%
Cooling Degree Days - Louisville	345	(69)	-17%	828	(39)	-4%
Cooling Degree Days - Lexington	301	(46)	-13%	722	27	4%

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Gas Gross Margin — July 2013

($ Millions)

	MTD Actual	MTD Budget	MTD Subtotal	MTD Margin Variance	YTD Actual	YTD Budget	YTD Subtotal	YTD Margin Variance
Gas Base Service Charge	**$ 5**	**$ 5**		**$ -**	**$ 38**	**$ 35**		**$ 3**
Gas Supply Costs								
Gas Supply Costs	(4)	(3)	$ (1)		(98)	(92)	$ (6)	
GSC Revenue	4	3	1		98	93	5	
Net Gas Supply Costs				**-**				**(1)**
Retail Gas (a)	**3**	**2**		**1**	**56**	**52**		**4**
Wholesale Gas (a)	**-**	**-**		**-**	**-**	**-**		**-**
DSM	**0**	**(0)**		**0**	**0**	**(1)**		**1**
GLT	**0**	**0**		**-**	**2**	**2**		**(0)**
WNA	**-**	**-**		**-**	**(3)**	**-**		**(3)**
Other Margin	**(0)**	**0**		**(1)**	**1**	**2**		**(1)**
Gas Margin Variance				**$ 0**				**$ 2**

(a) Retail and wholesale gas sales - excludes GSC

MTD	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 1	404,238	$ 2.87	$ 1	392,829	$ 2.68	$ 0	$ -	$ 0
Commercial	1	291,239	2.34	1	264,240	2.08	0	0	0
Industrial	0	97,974	1.63	0	43,228	1.86	0	0	-
Public Authority	0	29,436	2.88	0	36,921	1.87	-	-	-
Transportation	1	704,070	0.99	0	642,511	0.42	0	-	0
Ultimate Consumer	$ 3	1,526,957	$ 1.82	$ 2	1,379,729	$ 1.47	$ 1	$ 0	$ 1

YTD	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 35	13,088,550	$ 2.65	$ 34	13,150,852	$ 2.58	$ 1	$ (0)	$ 1
Commercial	12	5,686,227	2.05	12	5,705,871	2.05	-	-	-
Industrial	1	724,787	1.72	1	559,039	1.85	0	0	(0)
Public Authority	2	1,010,536	2.00	2	1,036,680	1.97	-	(0)	-
Transportation	6	7,150,094	0.83	3	6,831,003	0.44	3	0	3
Ultimate Consumer	$ 56	27,660,194	$ 2.01	$ 52	27,283,444	$ 1.90	$ 4	$ 0	$ 4

O&M										July 2013

($ Millions)

	MTD			Variances						
	Actual	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 16	$ 17	$ 1	$ -	$ 1	$ (0)	$ 0	$ 0	$ -	$ 0
Project Engineering	0	0	0	-	$ 0	-	(0)	(0)	-	0
Transmission	2	3	1	-	$ (0)	-	1	(0)	-	0
Energy Supply and Analysis	1	1	0	-	$ 0	-	0	0	-	0
Electric Distribution	8	6	(2)	-	$ (1)	-	(2)	0	(0)	(0)
Gas Distribution	2	3	0	-	$ 0	-	0	(0)	(0)	0
Customer Services	6	8	2	-	$ 0	-	0	0	1	1
Chief Operations Officer	**36**	**38**	**2**	**-**	**1**	**(0)**	**(1)**	**0**	**1**	**1**
Information Technology	4	4	1	-	0	-	0	0	-	0
General Counsel	2	2	1	-	0	-	1	0	-	0
Human Resources	1	1	0	-	0	-	0	0	-	0
Supply Chain	0	0	0	-	0	-	(0)	(0)	-	0
Chief Administrative Officer	**6**	**8**	**2**	**-**	**1**	**-**	**1**	**0**	**-**	**0**
Chief Financial Officer	**2**	**2**	**0**	**-**	**0**	**-**	**(0)**	**0**	**-**	**(0)**
Corporate	**12**	**12**	**(0)**	**(0)**	**(0)**	**-**	**0**	**0**	**-**	**(0)**
O&M Total MTD	**$ 56**	**$ 59**	**$ 3**	**$ (0)**	**$ 1**	**$ (0)**	**$ 0**	**$ 0**	**$ 1**	**$ 1**

	YTD			Variances						
	Actual	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 127	$ 132	$ 5	$ -	$ 4	$ 6	$ 1	$ 0	$ -	$ (6)
Project Engineering	0	0	0	-	0	-	(0)	(0)	-	0
Transmission	17	18	1	-	(0)	-	1	0	-	(0)
Energy Supply and Analysis	5	6	1	-	0	-	0	0	-	1
Electric Distribution	42	40	(2)	-	(1)	-	(2)	1	(0)	1
Gas Distribution	18	19	1	-	0	-	1	(0)	(0)	0
Customer Services	45	52	8	-	2	-	1	0	4	0
Chief Operations Officer	**254**	**268**	**14**	**-**	**5**	**6**	**3**	**1**	**4**	**(4)**
Information Technology	28	28	1	-	1	-	(1)	(0)	-	1
General Counsel	16	18	2	-	0	-	2	0	-	(0)
Human Resources	3	4	1	-	0	-	0	0	-	0
Supply Chain	2	2	0	-	0	-	0	0	-	0
Chief Administrative Officer	**49**	**53**	**4**	**-**	**2**	**-**	**1**	**(0)**	**-**	**1**
Chief Financial Officer	**10**	**11**	**1**	**-**	**0**	**-**	**(0)**	**0**	**-**	**1**
Corporate	**88**	**85**	**(3)**	**(5)**	**(1)**	**-**	**2**	**1**	**0**	**(1)**
O&M Total YTD	**$ 401**	**$ 417**	**$ 16**	**$ (5)**	**$ 6**	**$ 6**	**$ 6**	**$ 2**	**$ 4**	**$ (4)**

	Full Year			Variances						
	Forecast	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 225	$ 227	$ 2	$ -	$ 3	$ 1	$ (0)	$ (3)	$ -	$ 1
Project Engineering	1	1	0	-	(0)	-	(0)	(0)	-	0
Transmission	28	29	1	-	(0)	-	2	(2)	-	1
Energy Supply and Analysis	9	10	1	-	0	-	0	0	-	0
Electric Distribution	70	69	(1)	-	(1)	-	1	1	-	(3)
Gas Distribution	33	34	1	-	(0)	-	1	0	-	(1)
Customer Services	84	91	7	-	2	-	1	(0)	3	1
Chief Operations Officer	**450**	**461**	**10**	**-**	**4**	**1**	**5**	**(3)**	**3**	**(0)**
Information Technology	49	50	2	-	2	-	(1)	-	-	1
General Counsel	31	34	4	-	0	-	2	-	-	1
Human Resources	7	7	0	-	0	-	0	(0)	-	(0)
Supply Chain	3	3	0	-	(0)	-	0	-	-	0
Chief Administrative Officer	**90**	**95**	**6**	**-**	**2**	**-**	**2**	**(0)**	**-**	**2**
Chief Financial Officer	**18**	**19**	**1**	**-**	**0**	**-**	**0**	**-**	**-**	**1**
Corporate	**142**	**146**	**4**	**(5)**	**(1)**	**-**	**1**	**(1)**	**0**	**8**
O&M Total Full Year	**$ 700**	**$ 721**	**$ 20**	**$ (5)**	**$ 6**	**$ 1**	**$ 8**	**$ (4)**	**$ 3**	**$ 11**

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Financing Activities — July 2013

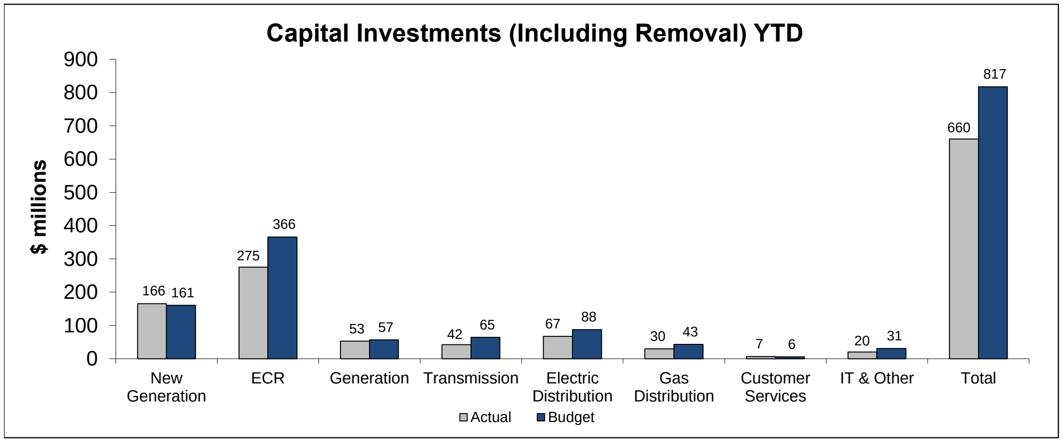
($ Millions)

Balance Sheet	MTD Actual	MTD Budget	MTD Variance	YTD Actual	YTD Budget	YTD Variance	Full Year Forecast	Full Year Budget	Full Year Variance
PCB									
Beg Bal	$ 931.8	$ 931.8	$ -	$ 932.0	$ 932.0	$ 0.0	$ 932.0	$ 932.0	$ -
End Bal	931.8	931.8	-	931.8	931.8	-	931.7	931.7	-
Ave Bal	**$ 931.8**	**$ 931.8**	**$ -**	**$ 931.9**	**$ 931.9**	**$ (0.0)**	**$ 931.8**	**$ 931.8**	**$ -**
Interest Exp	**$ 0.9**	**$ 1.1**	**$ 0.3**	**$ 6.1**	**$ 8.0**	**$ 1.9**	**$ 12.0**	**$ 13.6**	**$ 1.6**
Rate	**0.00%**	**0.00%**	**0.00%**	**1.11%**	**1.46%**	**0.34%**	**1.29%**	**1.46%**	**0.17%**
FMB/Sr Nts									
Beg Bal	$ 3,143.6	$ 3,143.6	$ (0.0)	$ 3,142.8	$ 3,142.8	$ 0.0	$ 3,142.8	$ 3,142.8	$ 0.0
End Bal	3,143.7	3,143.7	(0.0)	3,143.7	3,143.7	(0.0)	3,644.4	3,694.4	50.0
Ave Bal	**$ 3,143.7**	**$ 3,143.7**	**$ (0.0)**	**$ 3,143.3**	**$ 3,143.3**	**$ 0.1**	**$ 3,227.0**	**$ 3,235.3**	**$ 8.3**
Interest Exp	**$ 9.6**	**$ 9.6**	**$ (0.0)**	**$ 66.9**	**$ 66.9**	**$ (0.0)**	**$ 120.3**	**$ 120.2**	**$ (0.1)**
Rate	**0.00%**	**0.00%**	**0.00%**	**3.61%**	**3.61%**	**0.00%**	**3.73%**	**3.72%**	**-0.01%**
Short-term Debt									
Beg Bal	$ 324.8	$ 418.4	$ 93.6	$ 149.7	$ 149.7	$ (0.0)	$ 149.7	$ 149.7	$ (0.0)
End Bal	324.6	449.0	124.4	324.6	449.0	124.4	210.0	176.3	(33.7)
Ave Bal	**$ 324.7**	**$ 433.7**	**$ 109.0**	**$ 237.1**	**$ 330.3**	**$ 93.2**	**$ 329.2**	**$ 359.0**	**$ 29.8**
Interest Exp	**$ 0.2**	**$ 0.2**	**$ 0.0**	**$ 1,345.4**	**$ 1,294.0**	**$ (51.4)**	**$ 2.5**	**$ 1.2**	**$ (1.3)**
Rate	**0.00%**	**0.00%**	**0.00%**	**0.96%**	**0.67%**	**-0.30%**			
Total End Bal	**$ 4,400.1**	**$ 4,524.5**	**$ 124.4**	**$ 4,400.1**	**$ 4,524.5**	**$ 124.4**	**$ 4,786.1**	**$ 4,802.4**	**$ 16.3**
Total Average Bal	**$ 4,400.2**	**$ 4,509.2**	**$ 109.0**	**$ 4,312.3**	**$ 4,405.6**	**$ 93.3**	**$ 4,488.1**	**$ 4,526.2**	**$ 38.1**
Total Expense Excl I/C	**$ 12.3**	**$ 12.5**	**$ 0.2**	**$ 86.5**	**$ 87.4**	**$ 0.9**	**$ 153.5**	**$ 153.8**	**$ 0.4**
Rate	**3.60%**	**3.57%**	**-0.03%**	**3.41%**	**3.37%**	**-0.04%**	**3.42%**	**3.40%**	**-0.02%**

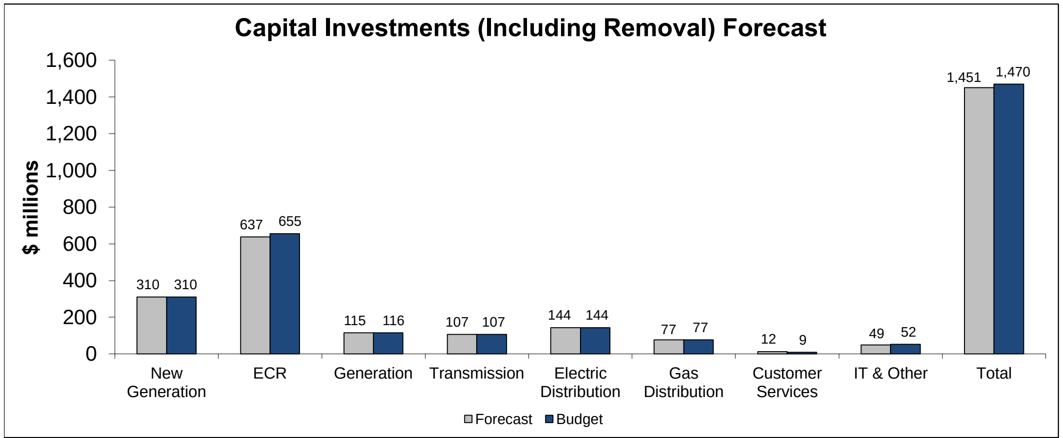
Balance Sheet — July 2013

($ Millions)

	YTD	YTD Budget	Variance	Comments
Assets:				
Current Assets:				
Cash and Cash Equivalents	$ 15	$ 10	$ 5	
Accounts Receivable (Trade)	376	329	47	Due primarily to tariff rate variance in receivable logic and extended due date granted in rate case.
Inventory	251	237	14	Increase in fuel ($7m), gas ($2m) and materials and supplies ($4m).
Deferred Income Taxes	11	13	(3)	
Prepayments and other current assets	133	69	64	Primarily due to short-term derivative asset gain from forward hedges entered into in November 2012 with PPL as counterparty as a result of an increase in market interest rates ($71m).
Total Current Assets	786	658	128	
Property, Plant, and Equipment	8,778	8,935	(157)	See capital chart for details.
Intangible Assets	241	241	(1)	
Other Property and Investments	1	1	1	
Regulatory Assets	599	640	(40)	Primarily interest rate swaps ($17m) and decrease in FAC ($25m).
Goodwill	997	997	-	
Other Long-term Assets	97	104	(7)	
Total Assets	**$ 11,499**	**$ 11,575**	**$ (76)**	
Liabilities and Equity:				
Current Liabilities:				
Accounts Payable (Trade)	$ 303	$ 231	$ 72	Primarily differences in capex accrual and an increase in retainage fees and fuel volumes.
Accounts Payable - Affiliated Company	(0)	(0)	0	
Customer Deposits	49	48	1	
Derivative Liability	4	5	(1)	
Accrued Taxes	48	35	13	
Other Current Liabilities	131	122	9	
Total Current Liabilities	535	442	93	
Debt - Affiliated Company	-	-	-	
Debt	4,400	4,525	(124)	Less short-term debt issued than budgeted ($171m) due to lower capital spend, offset by notes payable to PPL ($47m). See Financing Activities page for more details.
Total Debt	4,400	4,525	(124)	
Deferred Tax Liabilities	637	668	(30)	Timing of recording of deferred taxes in actuals vs. budget.
Investment Tax Credit	136	135	1	
Accumulated Provision for Pension and Related Benefits	266	270	(4)	
Asset Retirement Obligation	127	129	(2)	
Regulatory Liabilities	1,060	995	65	Primarily due to short-term derivative asset gain from forward hedges entered into in November 2012 with PPL as counterparty as a result of an increase in market interest rates ($71m).
Derivative Liability	37	54	(16)	Increase in interest rate swaps with non-related third parties due to an increase in market interest rates causing a decrease in the derivative liability.
Other Liabilities	243	237	6	
Total Deferred Credits and Other Liabilities	2,507	2,487	19	
Equity	4,057	4,121	(64)	
Total Liabilities and Equity	**$ 11,499**	**$ 11,575**	**$ (76)**	



Capital was $157m lower than budget due mainly to slower than expected mobilization for Mill Creek ($37m) and Ghent ($24) environmental air work. Spending delays on Ghent and Brown landfill projects ($14m) and other environmental projects ($6m) are expected to reverse by year end with the remaining ($10m) due to delay in the Trimble County landfill to 2015. Transmission underspend ($23m) was mainly due to delayed spending on Cane Run 7, New Albany transmission work and line rating projects; Distribution variances ($34m) were driven by timing of circuit hardening, major substation projects, main replacement and gas riser projects.



Capital is projected to be $19m lower than budget due mainly to the portion of Trimble landfill delay not offset by other spend variances.

Performance Report

August 2013

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Kentucky Regulated Dashboard — August 2013

Operational Metrics	Current Month		YTD		Full Year	
Safety	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
TCIR - Employees	0.34	0.69	1.41	1.52	N/A	1.35
Employee lost-time incidents	0	0	0	4	N/A	6

Reliability	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Generation Volumes	3,207	3,459	23,133	24,077	34,774	35,128
Utility EFOR	4.8%	5.1%	7.6%	5.1%	N/A	5.1%
Utility EAF	92.4%	92.3%	81.8%	87.9%	N/A	87.08%
Combined SAIFI	0.10	0.13	0.71	0.90	N/A	1.22
Combined SAIDI (minutes)	8.51	10.72	64.72	83.02	N/A	109.60
GwH Sales						
Residential	1,015	1,138	7,403	7,589	10,904	10,912
Commercial	762	803	5,266	5,482	7,858	8,063
Industrial	886	915	6,519	6,640	9,949	9,891
Municipals	175	199	1,277	1,326	1,904	1,944
Other	254	275	1,866	1,961	2,791	2,901
Off-System Sales	23	3	306	324	380	465
Total	3,115	3,334	22,637	23,322	33,785	34,175
Weather-Normalized Sales Growth[1]			**W-N**			
Residential			0.90%			
Commercial			-1.41%			
Industrial			1.04%			
Other[2]			-1.68%			
Total			0.01%			

	Current Month		YTD		Full Year	
Financial Metrics	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Utility ROE[3]	12.7%	13.1%	10.4%	10.4%	9.5%	9.6%
Electric Margins	$152	$162	$1,075	$1,109	$1,596	$1,638
Gas Margins	$7	$8	$103	$102	$157	$156

Capital Expenditures ($ millions)	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
New Generation	$32	$31	$197	$193	$321	$310
ECR	39	57	314	423	610	655
Generation	10	10	64	66	135	117
Transmission	7	9	49	74	100	107
Electric Distribution	13	14	80	102	149	144
Gas Distribution	8	9	38	53	76	77
Customer Services	1	1	8	7	13	9
IT and Other	3	5	23	35	47	51
Total	$113	$136	$773	$953	$1,451	$1,470

O&M ($ millions)[4]	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Operations	$35	$40	$288	$308	$447	$461
Administrative	$7	8	$56	$61	90	95
Finance and Accounting	$2	2	$12	$13	18	19
Corp Burdens & Other Charges	$11	12	$99	$97	145	146
Total	$54	$62	$455	$479	$700	$721

Head Count	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Full-time Employees	3,363	3,431	3,363	3,431	3,429	3,435

Other Metrics	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
Environmental Events	3	4	7	9	N/A	14
NERC Possible Violations[5]	2	13	9	21	N/A	29

Variance Explanations

- The generation fleet's EAF and EFOR are unfavorable to budget due primarily to Ghent Unit 4 cooling tower header failure, Trimble County Unit 2 low pressure turbine bearing failure and Cane Run Unit 4 generator rotor winding shorts.
- Lower margins in August due primarily to $9 million of lower energy revenues, as volumes were down 7% due to unseasonably mild temperatures, and $6 million of lower demand charge revenues, partially offset by favorable margins of $3 million on retail rate mechanisms.
- Lower margins YTD due primarily to $26 million of lower energy revenues, as volumes were down 3% due to mild weather, and $23 million of lower demand charge revenues, partially offset by favorable margins of $14 million on retail rate mechanisms.
- Capital was $23 million lower than budget in August due mainly to revised schedules for Mill Creek environmental work of $10 million and delay in Trimble County landfill to 2015 of $6 million. Timing of distribution capital spend driven partly by priority pipeline and gas riser replacements are not expected to cause full-year distribution variances.
- Capital was $180 million lower than budget YTD due mainly to slower than expected mobilization for Mill Creek of $47 million and Ghent environmental air work of $23 million. Spending delays on Brown landfill of $20 million and the delay of Trimble County landfill to 2015 due to permitting issues of $16 million are remaining environmental variances. Transmission underspend of $25 million was due mainly to delayed spending on Cane Run U7, New Albany transmission work and line rating projects; Distribution variances of $37 million were driven by timing of circuit hardening, major substation projects, main replacement and gas riser projects and are expected to reverse by year end.
- Full year capital is projected to be $19 million lower than budget due mainly to the portion of Trimble landfill delay not offset by other spend variances.
- Lower O&M in August due primarily to $3 million of lower outside services and $2 million of lower materials and other nonlabor costs.
- Lower O&M YTD due primarily to $8 million of labor savings, $7 million of lower outside services, $4 million of lower uncollectible accounts and $3 million of lower material costs.

Major Developments

- On September 6, 2013, LG&E and PPL received Notice of Intent to Sue for alleged violations of the federal Resource Conservation and Recovery Act and the Clean Air Act associated with LG&E's operation of the Cane Run generating facility. The suit itself is expected to be filed shortly before the end of the year. The notice does not indicate the court in which the action may be filed. We believe this private litigation may be a precursor to further civil litigation against the company from residents in and around the Cane Run site. LG&E is closing the Cane Run coal facility and landfill in mid-2015. LKE and PPL legal teams are jointly working to identify and hire legal counsel to assist in the defense of this suit and to prepare for potential additional litigation.
- LG&E and KU has received two awards for its safety and community initiatives.
  - o LG&E and KU won the National Highway Traffic Safety Administration 2013 Outstanding Service Award for its efforts to combat distracted driving.
  - o The Business First newspaper announced that LG&E and KU has earned a "Partners in Philanthropy Award" for being an outstanding corporate citizen. LG&E and KU achieved a third-place finish in the large-company category of firms with revenues higher than $50 million. This marks the second consecutive year LG&E and KU has received a strong ranking in the category, having finished fourth in last year's competition.

Significant Future Events

- LG&E and KU completed their evaluation of alternatives for generation capacity. LG&E and KU expect to make a filing with the Kentucky Public Service Commission in Q4 for a certificate of public convenience and necessity to build a new combined cycle gas unit for commercial operation in 2018.
- KU is proceeding with efforts to improve its returns on equity for its Old Dominion Power operations in Virginia and with the Kentucky municipal customers supplied under FERC-approved rates. KU is preparing rebuttal testimony and preparing for an October 1 hearing in the VA rate case and preparing to file a rate case at FERC during September.

(1) Percentages represent a trailing twelve months.
(2) "Other" is typically comprised of the public authority customer class and KU's 12 full-requirements wholesale municipal customers.
(3) Excludes goodwill and other purchase accounting adjustments.
(4) Net of cost recovery mechanisms.
(5) The nine NERC Possible Violation Issues for YTD Actual are expected to be resolved through NERC's Find, Fix and Track ("FFT") process without financial penalty.
Note: Schedules may not sum due to rounding.

Income Statement: Actual vs. Budget and Forecast (Month) — August 2013

($ Millions)

	MTD				MTD			
	Actual	Budget	Variance	Comments	Actual	Q2 Forecast	Variance	Comments
Revenues:								
Electric Revenues	$ 248	$ 275	$ (27)	Lower energy volumes due to unseasonably mild weather and economic conditions and lower demand charge revenues.	$ 248	$ 267	$ (19)	Lower energy volumes due to unseasonably mild weather and economic conditions and lower demand charge revenues.
Gas Revenues	11	12	(1)		11	12	(1)	
Total Revenues	259	287	(28)		259	279	(20)	
Cost of Sales:								
Fuel Electric Costs	83	95	12	Decreased electric volumes and prices. Offset by unfavorable electric revenues above.	83	95	12	Decreased electric volumes and prices. Offset by unfavorable electric revenues above.
Gas Supply Expenses	3	4	0		3	4	0	
Purchased Power	4	7	2		4	7	2	
Other Electric Cost	9	12	3		9	9	0	
Total Cost of Sales	100	117	18		100	115	15	
Gross Margin:								
Electric Margin	152	162	(10)	Primarily $9m of lower energy volumes (-7%) due to unseasonably mild weather, and $6m of lower demand charge revenues, partially offset by favorable margins of $3m on retail rate mechanisms.	152	156	(5)	Lower electric energy volumes due to unseasonably mild weather and economic conditions.
Gas Margin	7	8	(1)		8	8	(0)	
Total Gross Margin	159	170	(11)		159	164	(5)	
Operating Expenses:								
O&M	54	62	8	Primarily $3m of lower outside services and $2m of lower materials and other nonlabor costs.	54	60	7	Primarily $3m of lower outside services and $2m of lower materials and other nonlabor costs.
Depreciation & Amortization	27	28	1		27	27	0	
Taxes, Other than Income	4	4	(0)		4	4	0	
Total Operating Expenses	85	94	9		85	92	7	
Equity in earnings	-	(0)	0		-	0	(0)	
Other income	(1)	(0)	(0)		(1)	(0)	(0)	
EBIT	73	76	(3)		73	72	1	
Interest Expense	12	13	0		12	13	0	
Income from Ongoing Operations before income taxes	61	63	(2)		61	59	1	
Income Tax Expense	22	24	1		22	23	0	
Net Income (loss) from ongoing operations	**38**	**39**	**(1)**		**38**	**37**	**2**	
Non Operating Income	0	-	0		0	-	0	
Discontinued Operations	(0)	(0)	0		(0)	0	(0)	
Net Income (loss)	$ 38	$ 39	$ (1)		$ 38	$ 37	$ 1	
KY Regulated Financing Costs	(3)	(2)	(0)		(3)	(3)	0	
KY Regulated Net Income	$ 36	$ 37	$ (1)		$ 36	$ 34	$ 2	
Earnings Per Share	$ 0.05	$ 0.06	$ (0.01)		$ 0.05	$ 0.05	$ 0.01	

Income Statement: Actual vs. Budget (YTD) — August 2013

($ Millions)

	YTD			
	Actual	Budget	Variance	Comments
Revenues:				
Electric Revenues	$ 1,798	$ 1,868	$ (70)	Primarily lower electric energy volumes driven by unseasonably mild weather and economic conditions and lower electric demand charge revenues.
Gas Revenues	204	203	1	
Total Revenues	2,002	2,071	(69)	
Cost of Sales:				
Fuel Electric Costs	617	639	21	Decreased electric volumes and prices. Offset by unfavorable electric revenues above.
Gas Supply Expenses	101	101	0	
Purchased Power	39	45	6	
Other Electric Cost	66	75	9	Lower electric volumes and ECR costs.
Total Cost of Sales	823	859	36	
Gross Margin:				
Electric Margin	1,075	1,109	(34)	Primarily $26m of lower energy volumes (-3%) due to unseasonably mild weather, and $23m of lower demand charge revenues, partially offset by favorable margins of $14m on retail rate mechanisms.
Gas Margin	103	102	1	
Total Gross Margin	1,178	1,211	(33)	
Operating Expenses:				
O&M	455	479	24	Primarily $8m of labor savings, $7m of lower outside services, $4m of lower uncollectible accounts and $3m of lower material costs.
Depreciation & Amortization	218	224	6	
Taxes, Other than Income	32	32	0	
Total Operating Expenses	705	735	30	
Equity in earnings	-	(1)	1	
Other income	(6)	(6)	0	
EBIT	467	470	(2)	
Interest Expense	99	100	1	
Income from Ongoing Operations before income taxes	368	370	(1)	
Income Tax Expense	137	138	1	
Net Income (loss) from ongoing operations	**231**	**231**	**(0)**	
Non Operating Income	0	-	0	
Discontinued Operations	2	(1)	3	
Net Income (loss)	$ 233	230	$ 3	
KY Regulated Financing Costs	(31)	(27)	(3)	
KY Regulated Net Income	$ 201	$ 202	$ (1)	
Earnings Per Share	$ 0.33	$ 0.33	$ (0.00)	

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7)(o)

Witness: K Blake

Income Statement: Forecast vs. Budget and Prior Forecast — **August 2013**

($ Millions)

	Full Year				Full Year			
	Forecast	Budget	Variance	Comments	Forecast	Q2 Forecast	Variance	Comments
Revenues:								
Electric Revenues	$ 2,664	$ 2,753	$ (88)	Lower energy volumes due to unseasonably mild weather and economic conditions and lower demand charge revenues.	$ 2,664	$ 2,706	$ (42)	Lower energy volumes due to unseasonably mild weather and economic conditions and lower demand charge revenues.
Gas Revenues	313	313	1		313	315	(2)	
Total Revenues	2,977	3,065	(88)		2,977	3,021	(44)	
Cost of Sales:								
Fuel Electric Costs	905	928	23	Decreased electric volumes and prices. Offset by unfavorable electric revenues above.	905	928	23	Decreased electric volumes and prices. Offset by unfavorable electric revenues above.
Gas Supply Expenses	156	157	1		156	158	2	
Purchased Power	57	67	10	Lower purchases than originally planned and updated to more accurately reflect trend in actuals.	57	66	9	Lower purchases than originally planned and updated to more accurately reflect trend in actuals.
Other Electric Cost	106	119	13	Lower electric volumes.	106	103	(3)	
Total Cost of Sales	1,224	1,271	47		1,224	1,255	31	
Gross Margin:								
Electric Margin	1,596	1,638	(42)	Lower energy volumes due to unseasonably mild weather and economic conditions and lower demand charge revenues.	1,596	1,609	(13)	Lower electric energy volumes due to unseasonably mild weather in July and August and economic conditions.
Gas Margin	157	156	1		157	157	-	
Total Gross Margin	1,753	1,794	(41)		1,753	1,766	(13)	
Operating Expenses:								
O&M	700	721	22	Favorable labor and burdens ($7m), uncollectible accounts ($4m), outside services ($5m) and materials ($5m).	700	704	5	
Depreciation & Amortization	329	338	9	Revised estimates based on delayed capital spend in 2012 and revised in-service dates for capital projects in 2013.	329	329	-	
Taxes, Other than Income	48	48	(0)		48	48	-	
Total Operating Expenses	1,077	1,107	30		1,077	1,082	5	
Equity in earnings	0	(1)	1		0	0	-	
Other income	(8)	(8)	1		(8)	(7)	(1)	
EBIT	668	677	(10)		668	677	(10)	
Interest Expense	153	154	0		153	153	(0)	
Income from Ongoing Operations before income taxes	514	524	(10)		514	524	(10)	
Income Tax Expense	191	196	5		191	196	5	
Net Income (loss) from ongoing operations	**323**	**328**	**(4)**		**323**	**328**	**(4)**	
Non Operating Income	0	-	0		0	1	(0)	
Discontinued Operations	0	(1)	2		0	1	(1)	
Net Income (loss)	$ 324	$ 326	$ (3)		$ 324	$ 329	$ (6)	
KY Regulated Financing Costs	(41)	(37)	(4)		(41)	(40)	(1)	
KY Regulated Net Income	$ 283	$ 289	$ (7)		$ 283	$ 289	$ (6)	
Earnings Per Share	$ 0.45	$ 0.46	$ (0.01)		$ 0.45	$ 0.46	$ (0.01)	

Electric Gross Margin — August 2013

($ Millions)

	MTD Actual	MTD Budget	MTD Unit Variance	MTD Value @	MTD Dollar Variance	MTD Margin Variance	YTD Actual	YTD Budget	YTD Unit Variance	YTD Value @	YTD Dollar Variance	YTD Margin Variance
Base Electric Margin:						$ (15)						$ (48)
Energy Volumes (a)	3,092,030	3,331,056	(239,026)	$ -	$ (8)		22,330,119	22,997,448	(667,329)	$ -	$ (20)	
Energy Prices (a)					(1)						(6)	
Customer Charges (Avg. Customers)	935,516	946,734	(11,218)		(0)		935,322	944,907	(9,584)		1	
Demand Charges (b)					(6)						(23)	
ECR:						(0)						(2)
Average Rate Base	$ 768	$ 886	$ (119)	10.43%	$ (0.9)		$ 628	$ 718	$ (90)	10.44%	$ (5.6)	
Cost of Capital	10.27%	10.43%	-0.16%	$ 768	(0.1)		10.30%	10.44%	-0.14%	$ 628	(0.5)	
Jurisdictional Factor	89.85%	89.98%	-0.13%	$ 768	-		88.79%	88.78%	0.01%	$ 628	-	
Other					0.9						4.3	
DSM:						1						4
Program Expense (Revenue Net of Expense)	$ 0.1	$ -			$ 0.1		$ 0.5	$ 0.3			$ 0.2	
Lost Sales	1.9	1.0			0.9		11.0	8.1			2.9	
Incentive	0.1	0.1			-		0.8	0.5			0.3	
Balancing Adjustment	0.2	-			0.2		0.7	-			0.7	
Net Fuel Recovery	$ 1.0	$ (0.9)				2	$ 2	$ (5)				6
Purchase Power Demand	(2.3)	(2.6)				0	(19.0)	(20.2)				1
Transmission	1.4	0.8				1	8.9	6.8				2
Other	(1.0)	(2.2)				1	(13.0)	(14.8)				2
Retail Margin Variance						(10)						(35)
Off-System Margin Variance						0						1
Electric Margin Variance						$ (10)						$ (34)

(a) Non-Fuel Energy Analysis (net of base ECR revenue): MTD

	Actual Revenue $mil	Actual Volume (MWH)	Actual Price ($/MWH)	Budget Revenue $mil	Budget Volume (MWH)	Budget Price ($/MWH)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 50	1,015,005	$ 49.03	$ 56	1,138,063	$ 48.96	$ (6)	$ (6)	$ 0
Commercial	24	761,805	30.91	26	803,441	32.36	(3)	(1)	(1)
Industrial	8	886,054	8.97	8	915,465	8.96	(0)	(0)	-
Municipals	1	175,459	5.56	1	198,837	4.69	0	(0)	0
Other	6	253,707	23.21	6	275,250	22.74	(0)	(1)	0
Native Load Total	**$ 88**	**3,092,030**	**$ 28.50**	**$ 97**	**3,331,056**	**$ 29.15**	**$ (9)**	**$ (8)**	**$ (1)**

(a) Non-Fuel Energy Analysis (net of base ECR revenue): YTD

	Actual Revenue $mil	Actual Volume (MWH)	Actual Price ($/MWH)	Budget Revenue $mil	Budget Volume (MWH)	Budget Price ($/MWH)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 360	7,401,682	$ 48.59	$ 368	7,589,006	$ 48.47	$ (8)	$ (9)	$ 1
Commercial	166	5,265,999	31.52	176	5,481,708	32.13	(10)	(7)	(3)
Industrial	57	6,519,085	8.69	59	6,640,327	8.85	(2)	(1)	(1)
Municipals	6	1,277,087	4.92	6	1,325,983	4.69	0	(0)	0
Other	41	1,866,265	21.76	46	1,960,425	23.24	(5)	(2)	(3)
Native Load Total	**$ 629**	**22,330,119**	**$ 28.18**	**$ 655**	**22,997,448**	**$ 28.46**	**$ (25)**	**$ (20)**	**$ (6)**

(b) Demand Analysis (net of base ECR revenue):

$mil	MTD Act	MTD Bud	MTD Variance	YTD Act	YTD Bud	YTD Variance
Commercial	15	18	(3)	106	118	(11)
Industrial	17	20	(3)	130	141	(11)
Municipals	5	5	(1)	32	36	(4)
Other	6	6	-	44	42	2
Native Load Total	**43**	**49**	**(6)**	**313**	**336**	**(23)**

Weather Statistics	MTD Act	MTD +/- Bud		YTD Act	YTD +/- Bud	
Heating Degree Days - Louisville	0	0	0%	2,734	130	5%
Heating Degree Days - Lexington	3	1	50%	2,895	56	2%
Cooling Degree Days - Louisville	375	(16)	-4%	1,203	(55)	-4%
Cooling Degree Days - Lexington	315	(10)	-3%	1,037	17	2%

Gas Gross Margin — August 2013

($ Millions)

	MTD				YTD			
	Actual	Budget	Subtotal	Margin Variance	Actual	Budget	Subtotal	Margin Variance
Gas Base Service Charge	**$ 5**	**$ 5**		**$ -**	**$ 43**	**$ 40**		**$ 2**
Gas Supply Costs								
Gas Supply Costs	(4)	(3)	$ (1)		(102)	(95)	$ (7)	
GSC Revenue	3	3	0		101	96	4	
Net Gas Supply Costs				**(1)**				**(2)**
Retail Gas (a)	**2**	**2**		**-**	**58**	**54**		**4**
Wholesale Gas (a)	**-**	**-**		**-**	**-**	**-**		**-**
DSM	**-**	**(0)**		**0**	**0**	**(1)**		**1**
GLT	**0**	**0**		**-**	**2**	**2**		**(0)**
WNA	**-**	**-**		**-**	**(3)**	**-**		**(3)**
Other Margin	**0**	**0**		**(0)**	**1**	**2**		**(1)**
Gas Margin Variance				**$ (1)**				**$ 1**

(a) Retail and wholesale gas sales - excludes GSC

MTD	Actual			Budget			Variance		
	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume $mil	Price $mil
Residential	$ 1	356,992	$ 2.38	$ 1	399,022	$ 2.68	$ (0)	$ (0)	$ (0)
Commercial	0	265,909	1.60	1	259,461	2.08	(0)	-	(0)
Industrial	0	73,215	1.52	0	48,848	1.88	-	-	-
Public Authority	-	33,240	0.65	0	49,902	1.92	(0)	-	-
Transportation	1	745,479	0.96	0	648,787	0.41	0	-	0
Ultimate Consumer	$ 2	1,474,835	$ 1.44	$ 2	1,406,020	$ 1.47	$ -	$ -	$ 0

YTD	Actual			Budget			Variance		
	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume $mil	Price $mil
Residential	$ 36	13,445,542	$ 2.64	$ 35	13,549,874	$ 2.59	$ 0	$ (0)	$ 1
Commercial	12	5,949,293	2.03	12	5,965,332	2.05	(0)	-	(0)
Industrial	1	798,002	1.70	1	607,886	1.85	0	0	(0)
Public Authority	2	1,043,776	1.96	2	1,086,582	1.96	(0)	(0)	-
Transportation	7	7,895,573	0.84	3	7,479,789	0.44	3	0	3
Ultimate Consumer	$ 58	29,132,186	$ 1.98	$ 54	28,689,464	$ 1.88	$ 4	$ 0	$ 4

O&M — August 2013

($ Millions)

	MTD			Variances						
	Actual	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 16	$ 18	$ 2	$ -	$ 1	$ (0)	$ 1	$ 0	$ -	$ 0
Project Engineering	0	0	0	-	$ 0	-	(0)	(0)	-	0
Transmission	2	3	0	-	$ (0)	-	(0)	(0)	-	0
Energy Supply and Analysis	1	1	0	-	$ (0)	-	0	0	(0)	0
Electric Distribution	6	7	1	-	$ (0)	-	0	1	(0)	0
Gas Distribution	2	3	1	-	$ 0	-	1	0	(0)	0
Customer Services	8	8	1	-	$ 0	-	0	0	0	0
Chief Operations Officer	**35**	**40**	**5**	**-**	**1**	**(0)**	**2**	**1**	**0**	**1**
Information Technology	4	4	0	-	0	-	0	0	-	(0)
General Counsel	2	3	1	-	(0)	-	1	0	-	0
Human Resources	1	1	0	-	(0)	-	(0)	0	-	0
Supply Chain	0	0	0	-	0	-	0	0	-	0
Chief Administrative Officer	**7**	**8**	**1**	**-**	**0**	**-**	**1**	**0**	**-**	**0**
Chief Financial Officer	**2**	**2**	**0**	**-**	**0**	**-**	**(0)**	**0**	**-**	**0**
Corporate	**11**	**12**	**1**	**1**	**1**	**-**	**0**	**0**	**-**	**(0)**
O&M Total MTD	**$ 54**	**$ 62**	**$ 8**	**$ 1**	**$ 2**	**$ (0)**	**$ 3**	**$ 1**	**$ 0**	**$ 1**

	YTD			Variances						
	Actual	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 143	$ 150	$ 7	$ -	$ 4	$ 8	$ 2	$ 1	$ -	$ (8)
Project Engineering	0	1	0	-	0	-	(0)	(0)	-	0
Transmission	20	21	1	-	(0)	-	1	0	-	(0)
Energy Supply and Analysis	6	7	1	-	0	-	0	0	(0)	1
Electric Distribution	47	47	(0)	-	(1)	-	(2)	2	(0)	1
Gas Distribution	20	22	2	-	0	-	2	(0)	(0)	0
Customer Services	53	61	8	-	2	-	2	0	4	0
Chief Operations Officer	**288**	**308**	**20**	**-**	**6**	**8**	**5**	**2**	**4**	**(5)**
Information Technology	32	33	1	-	1	-	(1)	(0)	-	1
General Counsel	18	21	3	-	0	-	3	0	-	0
Human Resources	4	5	1	-	0	-	0	0	-	0
Supply Chain	2	2	0	-	0	-	0	0	-	0
Chief Administrative Officer	**56**	**61**	**5**	**-**	**2**	**-**	**2**	**0**	**-**	**1**
Chief Financial Officer	**12**	**13**	**1**	**-**	**0**	**-**	**(0)**	**0**	**-**	**1**
Corporate	**99**	**97**	**(2)**	**(4)**	**(0)**	**-**	**2**	**1**	**0**	**(1)**
O&M Total YTD	**$ 455**	**$ 479**	**$ 24**	**$ (4)**	**$ 8**	**$ 8**	**$ 9**	**$ 3**	**$ 4**	**$ (5)**

	Full Year			Variances						
	Forecast	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 223	$ 227	$ 4	$ -	$ 4	$ 3	$ 1	$ (3)	$ -	$ (0)
Project Engineering	1	1	0	-	(0)	-	(0)	(0)	-	0
Transmission	29	29	(0)	-	(0)	-	2	(2)	-	(0)
Energy Supply and Analysis	9	10	1	-	0	-	0	0	-	0
Electric Distribution	70	69	(1)	-	(1)	-	0	(0)	-	(0)
Gas Distribution	31	34	3	-	0	-	2	1	-	(0)
Customer Services	84	91	7	-	2	-	2	(0)	4	(1)
Chief Operations Officer	**447**	**461**	**14**	**-**	**6**	**3**	**7**	**(5)**	**4**	**(1)**
Information Technology	49	50	1	-	2	-	(1)	(0)	-	0
General Counsel	30	34	4	-	0	-	3	(0)	-	0
Human Resources	7	7	0	-	0	-	0	(0)	-	(0)
Supply Chain	3	3	0	-	0	-	0	-	-	0
Chief Administrative Officer	**90**	**95**	**6**	**-**	**2**	**-**	**3**	**(0)**	**-**	**0**
Chief Financial Officer	**18**	**19**	**1**	**-**	**0**	**-**	**0**	**-**	**-**	**1**
Corporate	**145**	**146**	**1**	**(5)**	**(0)**	**-**	**2**	**(0)**	**0**	**5**
O&M Total Full Year	**$ 700**	**$ 721**	**$ 22**	**$ (5)**	**$ 8**	**$ 3**	**$ 12**	**$ (5)**	**$ 4**	**$ 5**

Financing Activities — August 2013

($ Millions)

Balance Sheet	MTD Actual	MTD Budget	MTD Variance	YTD Actual	YTD Budget	YTD Variance	Full Year Forecast	Full Year Budget	Full Year Variance
PCB									
Beg Bal	$ 931.8	$ 931.8	$ -	$ 932.0	$ 932.0	$ 0.0	$ 932.0	$ 932.0	$ -
End Bal	931.8	931.8	-	931.8	931.8	-	931.7	931.7	-
Ave Bal	**$ 931.8**	**$ 931.8**	**$ -**	**$ 931.9**	**$ 931.9**	**$ (0.0)**	**$ 931.8**	**$ 931.8**	**$ -**
Interest Exp	**$ 0.9**	**$ 1.1**	**$ 0.3**	**$ 7.0**	**$ 9.1**	**$ 2.2**	**$ 12.0**	**$ 13.6**	**$ 1.6**
Rate	**0.00%**	**0.00%**	**0.00%**	**1.11%**	**1.45%**	**0.34%**	**1.29%**	**1.46%**	**0.17%**
FMB/Sr Nts									
Beg Bal	$ 3,143.7	$ 3,143.7	$ (0.0)	$ 3,142.8	$ 3,142.8	$ 0.0	$ 3,142.8	$ 3,142.8	$ 0.0
End Bal	3,143.9	3,143.9	(0.0)	3,143.9	3,143.9	(0.0)	3,644.4	3,694.4	50.0
Ave Bal	**$ 3,143.8**	**$ 3,143.8**	**$ (0.0)**	**$ 3,143.3**	**$ 3,143.4**	**$ 0.1**	**$ 3,227.0**	**$ 3,235.3**	**$ 8.3**
Interest Exp	**$ 9.6**	**$ 9.6**	**$ (0.0)**	**$ 76.4**	**$ 76.4**	**$ (0.0)**	**$ 120.3**	**$ 120.2**	**$ (0.1)**
Rate	**0.00%**	**0.00%**	**0.00%**	**3.60%**	**3.60%**	**0.00%**	**3.73%**	**3.72%**	**-0.01%**
Short-term Debt									
Beg Bal	$ 324.6	$ 449.0	$ 124.4	$ 149.7	$ 149.7	$ (0.0)	$ 149.7	$ 149.7	$ (0.0)
End Bal	279.5	509.1	229.6	279.5	509.1	229.6	210.0	176.3	(33.7)
Ave Bal	**$ 302.0**	**$ 479.0**	**$ 177.0**	**$ 214.6**	**$ 352.7**	**$ 138.1**	**$ 329.2**	**$ 359.0**	**$ 29.8**
Interest Exp	**$ 0.2**	**$ 0.2**	**$ 0.0**	**$ 1,533.2**	**$ 1,525.3**	**$ (7.9)**	**$ 2.5**	**$ 1.2**	**$ (1.3)**
Rate	**0.00%**	**0.00%**	**0.00%**	**1.06%**	**0.64%**	**-0.42%**			
Total End Bal	**$ 4,355.2**	**$ 4,584.7**	**$ 229.6**	**$ 4,355.2**	**$ 4,584.7**	**$ 229.6**	**$ 4,786.1**	**$ 4,802.4**	**$ 16.3**
Total Average Bal	**$ 4,377.7**	**$ 4,554.6**	**$ 177.0**	**$ 4,289.8**	**$ 4,428.0**	**$ 138.1**	**$ 4,488.1**	**$ 4,526.2**	**$ 38.1**
Total Expense Excl I/C	**$ 12.4**	**$ 12.5**	**$ 0.1**	**$ 98.9**	**$ 100.0**	**$ 1.1**	**$ 153.5**	**$ 153.8**	**$ 0.4**
Rate	**3.64%**	**3.54%**	**-0.10%**	**3.42%**	**3.35%**	**-0.07%**	**3.42%**	**3.40%**	**-0.02%**

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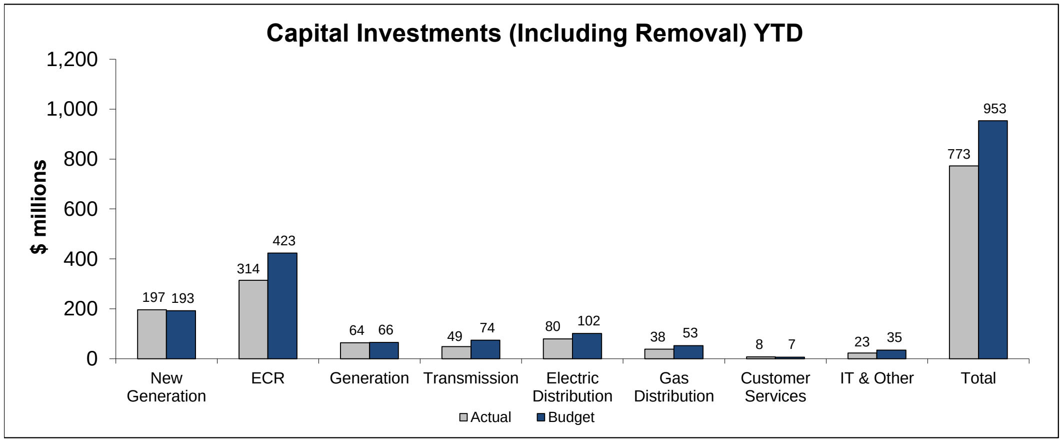
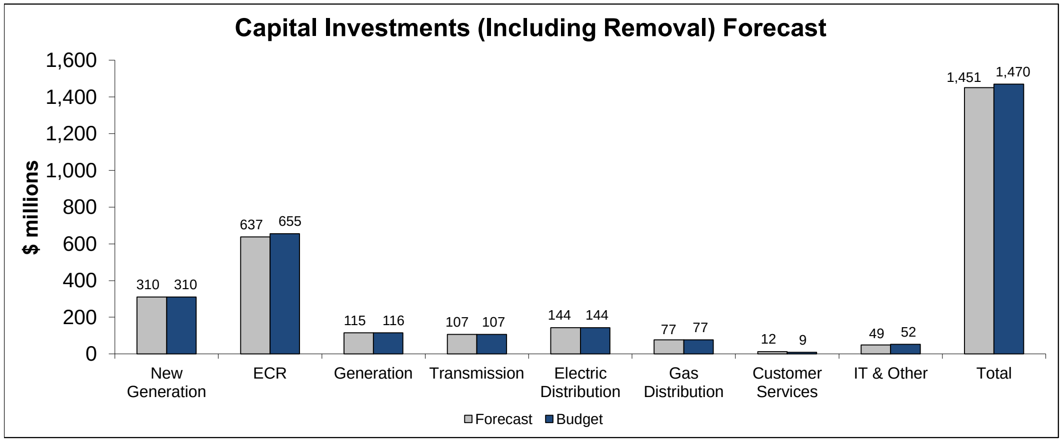
Balance Sheet — August 2013

($ Millions)

	YTD	YTD Budget	Variance	Comments
Assets:				
Current Assets:				
Cash and Cash Equivalents	$ 13	$ 11	$ 3	
Accounts Receivable (Trade)	373	334	39	Due primarily to tariff rate variance in receivable logic and extended due date granted in rate case.
Inventory	259	243	16	Primarily an increase in fuel ($10m) and materials and supplies ($4m).
Deferred Income Taxes	8	13	(6)	
Prepayments and other current assets	136	67	69	Primarily due to short-term derivative asset gain from forward hedges entered into in November 2012 with PPL as counterparty as a result of an increase in market interest rates ($78m).
Total Current Assets	789	669	121	
Property, Plant, and Equipment	8,859	9,043	(184)	See capital chart for details.
Intangible Assets	236	237	(1)	
Other Property and Investments	1	1	1	
Regulatory Assets	594	638	(45)	Primarily interest rate swaps ($20m) and decrease in FAC ($31m).
Goodwill	997	997	-	
Other Long-term Assets	96	103	(8)	
Total Assets	**$ 11,572**	**$ 11,688**	**$ (116)**	
Liabilities and Equity:				
Current Liabilities:				
Accounts Payable (Trade)	$ 338	$ 206	$ 132	Primarily differences in capex accrual and an increase in retainage fees and fuel volumes.
Accounts Payable - Affiliated Company	47	(0)	47	Dividends declared.
Customer Deposits	49	48	1	
Derivative Liability	4	5	(1)	
Accrued Taxes	66	50	16	Timing of tax payments and accruals in actuals vs. budget.
Other Current Liabilities	145	134	11	
Total Current Liabilities	649	443	206	
Debt - Affiliated Company	-	-	-	
Debt	4,355	4,585	(230)	Less short-term debt issued than budgeted ($274m) due to lower capital spend, partially offset by notes payable to PPL ($45m). See Financing Activities page for more details.
Total Debt	4,355	4,585	(230)	
Deferred Tax Liabilities	642	681	(39)	Timing of recording of deferred taxes in actuals vs. budget.
Investment Tax Credit	136	135	1	
Accumulated Provision for Pension and Related Benefits	266	271	(4)	
Asset Retirement Obligation	126	129	(3)	
Regulatory Liabilities	1,067	993	74	Primarily due to short-term derivative asset gain from forward hedges entered into in November 2012 with PPL as counterparty as a result of an increase in market interest rates ($78m).
Derivative Liability	35	54	(18)	Increase in interest rate swaps with non-related third parties due to an increase in market interest rates causing a decrease in the derivative liability.
Other Liabilities	247	237	10	
Total Deferred Credits and Other Liabilities	2,520	2,500	19	
Equity	4,048	4,160	(112)	
Total Liabilities and Equity	**$ 11,572**	**$ 11,688**	**$ (116)**	



Capital was $180 million lower than budget YTD due mainly to slower than expected mobilization for Mill Creek of $47 million and Ghent environmental air work of $23 million. Spending delays on Brown landfill of $20 million and the delay of Trimble County landfill to 2015 due to permitting issues of $16 million are remaining environmental variances. Transmission underspend of $25 million was due mainly to delayed spending on Cane Run U7, New Albany transmission work and line rating projects; Distribution variances of $37 million were driven by timing of circuit hardening, major substation projects, main replacement and gas riser projects and are expected to reverse by year end.



Capital is projected to be $19m lower than budget due mainly to the portion of Trimble landfill delay not offset by other spend variances.

Performance Report

September 2013

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Kentucky Regulated Dashboard — September 2013

Operational Metrics	Current Month		YTD		Full Year	
Safety	Actual	PY	Actual	PY	Forecast	PY
TCIR - Employees	0.39	1.28	1.30	1.50	N/A	1.35
Employee lost-time incidents	0	0	1	4	N/A	6

Reliability	Actual	Budget	Actual	Budget	Forecast	Budget
Generation Volumes	2,739	2,802	25,871	26,879	34,120	35,128
Utility EFOR	6.3%	5.1%	7.5%	5.1%	N/A	5.1%
Utility EAF	88.0%	90.9%	82.4%	88.2%	N/A	87.08%
Combined SAIFI	0.08	0.09	0.80	0.98	N/A	1.22
Combined SAIDI (minutes)	6.65	8.31	71.37	91.33	N/A	109.60
Steam Fleet Commercial Availability	94.0%	N/A	91.9%	91.3%	N/A	N/A
GwH Sales						
Residential	774	884	8,177	8,473	10,595	10,912
Commercial	656	673	5,922	6,155	7,792	8,063
Industrial	798	792	7,317	7,432	9,786	9,891
Municipals	153	153	1,430	1,479	1,878	1,944
Other	258	239	2,124	2,200	2,805	2,901
Off-System Sales	14	22	320	346	494	465
Total	2,652	2,764	25,290	26,085	33,349	34,175
Weather-Normalized Sales Growth[(1)]			W-N			
Residential			1.42%			
Commercial			-1.41%			
Industrial			-0.02%			
Other[(2)]			-1.62%			
Total			-0.12%			

Variance Explanations

- The generation fleet's EAF and EFOR are unfavorable to budget due primarily to Ghent Unit 4 cooling tower header failure, Trimble County Unit 2 low pressure turbine bearing failure and Cane Run Unit 4 generator rotor winding shorts.
- Lower margins in September due primarily to $6 million of lower energy revenues, as volumes were down 4% due to mild weather, and $5 million of lower demand charge revenues.
- Lower margins YTD due primarily to $32 million of lower energy revenues, as volumes were down 3% due to unseasonably mild temperatures, and $29 million of lower demand charge revenues, partially offset by favorable margins of $13 million on retail rate mechanisms.
- Capital was $193 million lower than budget YTD due mainly to slower than expected mobilization for Mill Creek of $55 million and Ghent environmental air work of $21 million. Spending delays on Brown landfill of $24m and the delay of Trimble County landfill to 2015 due to permitting issues of $21 million are remaining environmental variances. Transmission underspend of $25 million was due mainly to delayed spending on Cane Run U7, New Albany transmission work and line rating projects; Distribution variances of $37 million were driven by timing of circuit hardening, major substation projects, main replacement and gas riser projects and are expected to reverse by year end.
- Full year capital is projected to be $19 million lower than budget due mainly to the portion of Trimble landfill delay not offset by other spend variances.
- Lower O&M in September due primarily to $3 million of lower outside services and $7 million of lower materials and other non-labor costs.
- Lower O&M YTD due primarily to $9 million of labor savings, $11 million of lower outside services, $4 million of lower uncollectible accounts and $10 million of lower materials and other non-labor costs.

	Current Month		YTD		Full Year	
Financial Metrics	Actual	Budget	Actual	Budget	Forecast	Budget
Utility ROE[(3)]	10.5%	9.3%	10.4%	10.2%	9.6%	9.6%
Electric Margins	$131	$143	$1,206	$1,252	$1,590	$1,638
Gas Margins	$8	$8	$112	$111	$157	$156

Capital Expenditures ($ millions)	Actual	Budget	Actual	Budget	Forecast	Budget
New Generation	$32	$31	$197	$193	$321	$310
ECR	36	52	350	474	610	655
Generation	14	10	110	107	135	117
Transmission	9	9	58	83	100	107
Electric Distribution	14	13	93	115	149	144
Gas Distribution	7	8	45	60	76	77
Customer Services	1	1	9	7	13	9
IT and Other	2	4	24	40	47	51
Total	$115	$128	$886	$1,079	$1,451	$1,470

O&M ($ millions)[(4)]	Actual	Budget	Actual	Budget	Forecast	Budget
Operations	$34	$40	$323	$348	$442	$461
Administrative	$7	9	$64	$71	88	95
Finance and Accounting	$1	2	$13	$14	18	19
Corp Burdens & Other Charges	$10	12	$109	$109	146	146
Total	$53	$63	$508	$542	$693	$721

Head Count	Actual	Budget	Actual	Budget	Forecast	Budget
Full-time Employees	3,372	3,434	3,372	3,434	3,429	3,435

Other Metrics	Actual	PY	Actual	PY	Forecast	PY
Environmental Events	2	1	9	10	N/A	14
NERC Possible Violations[(5)]	0	3	9	24	N/A	29

Major Developments

- On September 10 the combined LG&E/KU native load peaked at 6,434 MW, exceeding the previous peak for this summer of 6,409 MW that was set in July. This represents the first time that the summer peak was established in September.
- LG&E applied for, and received from the Louisville Metro Air Pollution Control District, a 6-month extension under the MATS regulations for completing the Cane Run Unit 7 project. The extension ties to LG&E's contract terms for final completion and acceptance testing of the new unit. LG&E previously received authorization for a one-year extension at Mill Creek.
- For the second consecutive year, LG&E and KU has been named as one of the top 10 utilities in economic development by Site Selection magazine. The selections were based on a number of criteria related to 2012 activity including new projects resulting in approximately 9,300 jobs and $1.7 billion in investment.
- KU is proceeding with efforts to improve its returns on equity (ROE) for its Old Dominion Power operations in Virginia and with the Kentucky municipal customers supplied under FERC-approved rates.

o KU filed a Stipulation and Recommendation with the Virginia Staff agreeing to a $4.7 million revenue increase with new base rates going into effect on December 1, 2013 (one month earlier than requested).

o KU filed a rate case with FERC to modify its wholesale power contracts and formula rates for its 12 municipal customers. KU testimony supports a 10.7 percent ROE and proposes a true-up component which effectively removes regulatory lag.

Significant Future Events

- LG&E and KU expects to make a filing with the Kentucky Public Service Commission in Q4 for a certificate of public convenience and necessity to build a new natural gas combined cycle (NGCC) unit for commercial operation in 2018. LG&E and KU also proposes to construct about a 10-megawatt solar facility at one of its existing generating stations. These projects do not materially impact LKE's 5-year capital plan; capital for the 2018 NGCC build was included in last year's business plan.

(1) Percentages represent a trailing twelve months.

(2) "Other" is typically comprised of the public authority customer class and KU's 12 full-requirements wholesale municipal customers.

(3) Excludes goodwill and other purchase accounting adjustments.

(4) Net of cost recovery mechanisms.

(5) The nine NERC Possible Violation Issues for YTD Actual are expected to be resolved through NERC's Find, Fix and Track ("FFT") process without financial penalty.

Income Statement: Actual vs. Budget and Forecast (Month) — September 2013

($ Millions)

	MTD				MTD			
	Actual	Budget	Variance	Comments	Actual	Q2 Forecast	Variance	Comments
Revenues:								
Electric Revenues	$ 215	$ 235	$ (19)	Lower energy volumes due to unseasonably mild weather and economic conditions and lower demand charge revenues.	$ 215	$ 228	$ (12)	Lower energy volumes due to unseasonably mild weather and economic conditions and lower demand charge revenues.
Gas Revenues	13	13	(0)		13	12	0	
Total Revenues	228	247	(20)		228	240	(12)	
Cost of Sales:								
Fuel Electric Costs	71	74	3		71	74	3	
Gas Supply Expenses	4	4	0		4	4	(0)	
Purchased Power	4	6	1		4	6	2	
Other Electric Cost	9	12	3		9	9	0	
Total Cost of Sales	89	96	7	Primarily decreased electric volumes and prices. Offset by unfavorable electric revenues above.	89	93	4	
Gross Margin:								
Electric Margin	131	143	(12)	Primarily $6m of lower energy revenues, as volumes were down 4% due to mild weather, and $5m of lower demand charge revenues.	131	139	(8)	Lower electric energy volumes due to unseasonably mild weather and economic conditions.
Gas Margin	8	8	(0)		8	8	0	
Total Gross Margin	139	151	(12)		139	147	(8)	
Operating Expenses:								
O&M	53	63	10	Primarily $3m of lower outside services and $7m of lower materials and other non-labor costs.	53	60	7	Lower outside services, materials and other nonlabor costs.
Depreciation & Amortization	28	28	1		28	27	(0)	
Taxes, Other than Income	4	4	0		4	4	0	
Total Operating Expenses	84	96	11		84	92	7	
Equity in earnings	-	(0)	0		-	0	(0)	
Other income	(0)	(0)	0		(0)	(0)	0	
EBIT	55	55	0		55	55	(0)	
Interest Expense	12	13	0		12	13	0	
Income from Ongoing Operations before income taxes	43	42	1		43	42	0	
Income Tax Expense	16	16	1		16	16	0	
Net Income (loss) from ongoing operations	**27**	**26**	**1**		**27**	**26**	**1**	
Non Operating Income	0	-	0		0	-	0	
Discontinued Operations	0	(0)	0		0	0	(0)	
Net Income (loss)	$ 27	$ 26	$ 1		$ 27	$ 27	$ 0	
KY Regulated Financing Costs	(3)	(2)	(0)		(3)	(3)	(0)	
KY Regulated Net Income	$ 24	$ 24	$ 0		$ 24	$ 24	$ 0	
Earnings Per Share	$ 0.04	$ 0.04	$ 0.00		$ 0.04	$ 0.03	$ 0.00	

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Income Statement: Actual vs. Budget (YTD) — September 2013

($ Millions)

	YTD			
	Actual	**Budget**	**Variance**	**Comments**
Revenues:				
Electric Revenues	$ 2,013	$ 2,103	$ (89)	Primarily lower electric energy volumes driven by unseasonably mild weather and economic conditions and lower demand charge revenues.
Gas Revenues	216	216	1	
Total Revenues	2,230	2,318	(89)	
Cost of Sales:				
Fuel Electric Costs	688	713	24	Decreased electric volumes and prices. Offset by unfavorable electric revenues above.
Gas Supply Expenses	105	105	0	
Purchased Power	43	50	7	Lower purchases than originally planned.
Other Electric Cost	76	87	12	Lower electric volumes and ECR costs.
Total Cost of Sales	912	955	43	
Gross Margin:				
Electric Margin	1,206	1,252	(46)	Primarily $32m of lower energy revenues, as volumes were down 3% due to unseasonably mild temperatures, and $29m of lower demand charge revenues, partially offset by favorable margins of $13 million on retail rate mechanisms.
Gas Margin	112	111	1	
Total Gross Margin	1,318	1,363	(45)	
Operating Expenses:				
O&M	508	542	34	Primarily $9m of labor savings, $11m of lower outside services, $4m of lower uncollectible accounts and $10m of lower materials and other non-labor costs.
Depreciation & Amortization	246	252	6	Revised estimates based on delayed capital spend in 2012 and revised in-service dates for capital projects in 2013.
Taxes, Other than Income	36	36	0	
Total Operating Expenses	790	831	41	
Equity in earnings	-	(1)	1	
Other income	(6)	(7)	1	
EBIT	522	525	(3)	
Interest Expense	111	113	1	
Income from Ongoing Operations before income taxes	411	413	(2)	
Income Tax Expense	153	155	2	
Net Income (loss) from ongoing operations	**258**	**258**	**0**	
Non Operating Income	1	-	1	
Discontinued Operations	2	(1)	3	
Net Income (loss)	$ 261	257	$ 4	
KY Regulated Financing Costs	(33)	(30)	(3)	
KY Regulated Net Income	$ 227	$ 227	$ 1	
Earnings Per Share	$ 0.37	$ 0.37	$ (0.01)	

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Witness: K Blake

Income Statement: Forecast vs. Budget and Prior Forecast									September 2013
($ Millions)	Full Year				Full Year				
	Forecast	Budget	Variance	Comments	Forecast	Q2 Forecast	Variance	Comments	
Revenues:									
Electric Revenues	$ 2,650	$ 2,753	$ (102)	Lower energy volumes due to unseasonably mild weather and economic conditions and lower demand charge revenues.	$ 2,650	$ 2,706	$ (55)	Lower energy volumes due to unseasonably mild weather and economic conditions and lower demand charge revenues.	
Gas Revenues	315	313	2		315	315	(1)		
Total Revenues	2,965	3,065	(100)		2,965	3,021	(56)		
Cost of Sales:									
Fuel Electric Costs	902	928	25	Decreased electric volumes and prices. Offset by unfavorable electric revenues above.	902	928	26	Decreased electric volumes and prices. Offset by unfavorable electric revenues above.	
Gas Supply Expenses	158	157	(1)		158	158	1		
Purchased Power	56	67	11	Lower purchases than originally planned and updated to more accurately reflect trend in actuals.	56	66	10	Lower purchases than originally planned and updated to more accurately reflect trend in actuals.	
Other Electric Cost	103	119	17	Lower electric volumes.	103	103	0		
Total Cost of Sales	1,219	1,271	53		1,219	1,255	36		
Gross Margin:									
Electric Margin	1,590	1,638	(49)	Lower energy volumes due to unseasonably mild weather and economic conditions and lower demand charge revenues.	1,590	1,609	(20)	Lower electric energy volumes due to unseasonably mild weather in July and August and economic conditions.	
Gas Margin	157	156	1		157	157	(0)		
Total Gross Margin	1,746	1,794	(48)		1,746	1,766	(20)		
Operating Expenses:									
O&M	693	721	28	Favorable labor and burdens, uncollectible accounts, outside services and materials.	693	704	11	Primarily a continued efforts to control costs.	
Depreciation & Amortization	330	338	8	Revised estimates based on delayed capital spend in 2012 and revised in-service dates for capital projects in 2013.	330	329	(0)		
Taxes, Other than Income	48	48	(0)		48	48	0		
Total Operating Expenses	1,071	1,107	36		1,071	1,082	11		
Equity in earnings	-	(1)	1		-	0	(0)		
Other income	(8)	(8)	1		(8)	(7)	(0)		
EBIT	668	677	(10)		668	677	(10)		
Interest Expense	152	154	2		152	153	1		
Income from Ongoing Operations before income taxes	515	524	(8)		515	524	(9)		
Income Tax Expense	192	196	4		192	196	4		
Net Income (loss) from ongoing operations	**324**	**328**	**(4)**		**324**	**328**	**(3)**		
Non Operating Income	1	-	1		1	1	0		
Discontinued Operations	2	(1)	3		2	1	1		
Net Income (loss)	$ 326	$ 326	$ (0)		$ 326	$ 329	$ (3)		
KY Regulated Financing Costs	(41)	(37)	(4)		(41)	(40)	(1)		
KY Regulated Net Income	$ 285	$ 289	$ (4)		$ 285	$ 289	$ (3)		
Earnings Per Share	$ 0.46	$ 0.46	$ 0.00		$ 0.46	$ 0.46	$ (0.00)		

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Witness: K Blake

Electric Gross Margin — September 2013

($ Millions)

	MTD Actual	MTD Budget	MTD Unit Variance	MTD Value @	MTD Dollar Variance	MTD Margin Variance	YTD Actual	YTD Budget	YTD Unit Variance	YTD Value @	YTD Dollar Variance	YTD Margin Variance
Base Electric Margin:						$ (12)						$ (59)
Energy Volumes (a)	2,638,359	2,741,329	(102,970)	$ -	$ (5)		24,968,477	25,738,777	(770,299)	$ -	$ (25)	
Energy Prices (a)					(1)						(7)	
Customer Charges (Avg. Customers)	936,089	946,752	(10,663)		-		935,408	945,112	(9,704)		1	
Demand Charges (b)	43	48			(5)		355	384			(29)	
ECR:						(0)						(2)
Average Rate Base	$ 805	$ 929	$ (124)	10.43%	$ (1.0)		$ 648	$ 742	$ (94)	10.44%	$ (6.5)	
Cost of Capital	10.26%	10.43%	-0.17%	$ 805	(0.1)		10.29%	10.44%	-0.14%	$ 648	(0.6)	
Jurisdictional Factor	90.94%	90.10%	0.84%	$ 805	0.1		89.09%	88.97%	0.12%	$ 648	0.1	
Other					0.7						5.0	
DSM:						1						5
Program Expense (Revenue Net of Expense)	$ 0.1	$ 0.1			$ -		$ 0.5	$ 0.4			$ 0.1	
Lost Sales	1.5	1.0			0.5		12.5	9.1			3.4	
Incentive	0.1	0.1			-		0.9	0.7			0.2	
Balancing Adjustment	0.2	-			0.2		0.9	-			0.9	
Net Fuel Recovery	$ (0.3)	$ (0.4)				0	$ 1	$ (5)				6
Purchase Power Demand	(2.2)	(2.5)				0	(21.3)	(22.7)				1
Transmission	(0.5)	1.0				(2)	7.4	7.8				(0)
Other	(1.2)	(1.5)				0	(14.2)	(16.3)				2
Retail Margin Variance						(12)						(47)
Off-System Margin Variance						-						1
Electric Margin Variance						$ (12)						$ (46)

(a) Non-Fuel Energy Analysis (net of base ECR revenue): MTD

	Actual Revenue $mil	Actual Volume (MWH)	Actual Price ($/MWH)	Budget Revenue $mil	Budget Volume (MWH)	Budget Price ($/MWH)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 38	774,453	$ 48.95	$ 43	884,477	$ 48.83	$ (5)	$ (5)	$ 0
Commercial	20	655,638	30.62	22	672,934	31.96	(1)	(1)	(1)
Industrial	7	797,605	8.93	7	792,036	8.90	-	-	-
Municipals	1	152,628	5.56	1	153,127	4.69	0	-	0
Other	6	258,034	21.40	5	238,755	22.56	0	0	(0)
Native Load Total	**$ 72**	**2,638,359**	**$ 27.09**	**$ 78**	**2,741,329**	**$ 28.40**	**$ (7)**	**$ (5)**	**$ (1)**

(a) Non-Fuel Energy Analysis (net of base ECR revenue): YTD

	Actual Revenue $mil	Actual Volume (MWH)	Actual Price ($/MWH)	Budget Revenue $mil	Budget Volume (MWH)	Budget Price ($/MWH)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 398	8,176,135	$ 48.63	$ 411	8,473,482	$ 48.51	$ (14)	$ (14)	$ 1
Commercial	186	5,921,638	31.42	198	6,154,642	32.11	(12)	(8)	(4)
Industrial	64	7,316,690	8.72	66	7,432,363	8.86	(2)	(1)	(1)
Municipals	7	1,429,716	4.99	7	1,479,110	4.69	0	(0)	0
Other	46	2,124,299	21.71	51	2,199,180	23.17	(5)	(2)	(3)
Native Load Total	**$ 701**	**24,968,477**	**$ 28.06**	**$ 732**	**25,738,777**	**$ 28.46**	**$ (32)**	**$ (25)**	**$ (7)**

(b) Demand Analysis (net of base ECR revenue):

$mil	MTD Act	MTD Bud	MTD Variance	YTD Act	YTD Bud	YTD Variance
Commercial	14	18	(3)	121	135	(15)
Industrial	17	20	(3)	147	161	(14)
Municipals	5	5	0	37	40	(3)
Other	7	6	1	51	48	3
Native Load Total	**43**	**48**	**(5)**	**355**	**384**	**(29)**

Weather Statistics	MTD Act	MTD +/- Bud		YTD Act	YTD +/- Bud	
Heating Degree Days - Louisville	10	(23)	-70%	2,744	107	4%
Heating Degree Days - Lexington	17	(31)	-65%	2,912	25	1%
Cooling Degree Days - Louisville	201	18	10%	1,404	(37)	-3%
Cooling Degree Days - Lexington	163	18	12%	1,200	35	3%

Gas Gross Margin — September 2013

($ Millions)

	MTD				YTD			
	Actual	Budget	Subtotal	Margin Variance	Actual	Budget	Subtotal	Margin Variance
Gas Base Service Charge	**$ 5**	**$ 5**		**$ -**	**$ 48**	**$ 45**		**$ 2**
Gas Supply Costs								
Gas Supply Costs	(4)	(3)	$ (1)		(106)	(98)	$ (8)	
GSC Revenue	4	3	1		105	98	7	
Net Gas Supply Costs				**(0)**				**$ (2)**
Retail Gas (a)	**2**	**2**		**(0)**	**60**	**56**		**$ 4**
Wholesale Gas (a)	**-**	**-**		**-**	**-**	**-**		**$ -**
DSM	**(0)**	**(0)**		**0**	**-**	**(2)**		**$ 2**
GLT	**0**	**0**		**-**	**2**	**2**		**$ (0)**
WNA	**-**	**-**		**-**	**(3)**	**-**		**$ (3)**
Other Margin	**0**	**0**		**(0)**	**1**	**2**		**$ (2)**
Gas Margin Variance				**$ (0)**				**$ 1**

(a) Retail and wholesale gas sales - excludes GSC

MTD	Actual			Budget			Variance		
	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume $mil	Price $mil
Residential	$ 1	390,991	$ 2.64	$ 1	433,894	$ 2.68	$ (0)	$ (0)	$ -
Commercial	-	269,362	-	1	286,432	2.08	(1)	-	(1)
Industrial	0	235,050	1.00	0	52,215	1.85	0	0	(0)
Public Authority	0	33,075	1.83	0	36,322	1.81	-	-	-
Transportation	1	735,849	0.96	0	707,571	0.42	0	-	0
Ultimate Consumer	$ 2	1,664,327	$ 1.22	$ 2	1,516,434	$ 1.46	$ (0)	$ 0	$ (0)

YTD	Actual			Budget			Variance		
	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume $mil	Price $mil
Residential	$ 37	13,836,533	$ 5.28	$ 36	13,983,768	$ 5.27	$ 0	$ (0)	$ 1
Commercial	12	6,218,655	2.03	13	6,251,764	4.13	(1)	-	(1)
Industrial	2	1,033,052	2.70	1	660,101	3.70	0	1	(0)
Public Authority	2	1,076,851	3.79	2	1,122,904	3.77	(0)	(0)	-
Transportation	7	8,631,422	1.80	4	8,187,360	0.86	4	0	4
Ultimate Consumer	$ 60	30,796,513	$ 15.60	$ 56	30,205,897	$ 17.73	$ 4	$ 0	$ 3

Attachment to Filing Requirement
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Witness: K Blake

O&M										September 2013

($ Millions)

	MTD			Variances						
	Actual	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 17	$ 20	$ 3	$ -	$ 0	$ 2	$ 1	$ 2	$ -	$ (2)
Project Engineering	0	0	0	-	0	-	(0)	(0)	-	0
Transmission	2	2	0	-	(0)	-	0	(0)	-	0
Energy Supply and Analysis	1	1	0	-	0	-	0	0	-	0
Electric Distribution	5	6	1	-	(1)	-	0	1	(0)	1
Gas Distribution	3	3	1	-	0	-	1	0	(0)	(0)
Customer Services	7	8	1	-	0	-	(0)	0	(0)	0
Chief Operations Officer	**34**	**40**	**6**	**-**	**0**	**2**	**2**	**3**	**(0)**	**(1)**
Information Technology	4	5	1	-	1	-	0	(0)	-	(0)
General Counsel	3	4	1	-	0	-	1	(0)	-	0
Human Resources	1	1	0	-	0	-	0	0	-	0
Supply Chain	0	0	0	-	0	-	0	(0)	-	0
Chief Administrative Officer	**7**	**9**	**2**	**-**	**1**	**-**	**1**	**(0)**	**-**	**0**
Chief Financial Officer	**1**	**2**	**0**	**-**	**0**	**-**	**(0)**	**0**	**-**	**0**
Corporate	**10**	**12**	**2**	**2**	**(0)**	**-**	**0**	**0**	**0**	**(0)**
O&M Total MTD	**$ 53**	**$ 63**	**$ 10**	**$ 2**	**$ 1**	**$ 2**	**$ 3**	**$ 3**	**$ 0**	**$ (1)**

	YTD			Variances						
	Actual	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 160	$ 170	$ 10	$ -	$ 4	$ 11	$ 3	$ 3	$ -	$ (11)
Project Engineering	0	1	0	-	0	-	(0)	(0)	-	0
Transmission	22	23	1	-	(0)	-	1	0	-	0
Energy Supply and Analysis	6	8	1	-	0	-	0	0	(0)	1
Electric Distribution	52	53	1	-	(0)	-	(2)	3	(0)	0
Gas Distribution	22	25	3	-	0	-	2	(0)	(0)	0
Customer Services	60	69	9	-	2	-	2	0	4	1
Chief Operations Officer	**323**	**348**	**25**	**-**	**7**	**11**	**7**	**6**	**4**	**(10)**
Information Technology	35	37	2	-	2	-	(1)	(0)	-	0
General Counsel	21	25	4	-	0	-	4	0	-	0
Human Resources	5	5	1	-	0	-	0	0	-	0
Supply Chain	2	3	0	-	0	-	0	0	-	0
Chief Administrative Officer	**64**	**71**	**7**	**-**	**3**	**-**	**3**	**(0)**	**-**	**1**
Chief Financial Officer	**13**	**14**	**1**	**-**	**0**	**-**	**(0)**	**0**	**-**	**1**
Corporate	**109**	**109**	**1**	**(2)**	**(0)**	**-**	**3**	**1**	**1**	**(2)**
O&M Total YTD	**$ 508**	**$ 542**	**$ 34**	**$ (2)**	**$ 10**	**$ 11**	**$ 12**	**$ 7**	**$ 4**	**$ (9)**

	Full Year			Variances						
	Forecast	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 222	$ 227	$ 6	$ -	$ 5	$ 2	$ 2	$ (3)	$ -	$ 0
Project Engineering	1	1	0	-	(0)	-	(0)	(0)	-	0
Transmission	29	29	0	-	(0)	-	3	(2)	-	(0)
Energy Supply and Analysis	9	10	1	-	0	-	0	0	-	0
Electric Distribution	69	69	0	-	(1)	-	0	1	-	(0)
Gas Distribution	31	34	3	-	0	-	2	1	-	(0)
Customer Services	82	91	9	-	3	-	3	0	4	(1)
Chief Operations Officer	**442**	**461**	**19**	**-**	**7**	**2**	**10**	**(4)**	**4**	**(0)**
Information Technology	48	50	2	-	2	-	(1)	(0)	-	1
General Counsel	30	34	4	-	0	-	3	(0)	-	0
Human Resources	7	7	1	-	0	-	0	(0)	-	0
Supply Chain	3	3	0	-	0	-	0	-	-	0
Chief Administrative Officer	**88**	**95**	**7**	**-**	**3**	**-**	**3**	**(0)**	**-**	**1**
Chief Financial Officer	**18**	**19**	**1**	**-**	**0**	**-**	**0**	**-**	**-**	**1**
Corporate	**146**	**146**	**0**	**(2)**	**0**	**-**	**2**	**(0)**	**1**	**(0)**
O&M Total Full Year	**$ 693**	**$ 721**	**$ 28**	**$ (2)**	**$ 11**	**$ 2**	**$ 15**	**$ (4)**	**$ 5**	**$ 2**

Financing Activities — September 2013

($ Millions)

Balance Sheet	MTD Actual	MTD Budget	MTD Variance	YTD Actual	YTD Budget	YTD Variance	Full Year Forecast	Full Year Budget	Full Year Variance
PCB									
Beg Bal	$ 931.8	$ 931.8	$ -	$ 932.0	$ 932.0	$ 0.0	$ 932.0	$ 932.0	$ -
End Bal	931.8	931.8	-	931.8	931.8	-	931.7	931.7	(0.0)
Ave Bal	**$ 931.8**	**$ 931.8**	**$ -**	**$ 931.9**	**$ 931.9**	**$ (0.0)**	**$ 931.8**	**$ 931.8**	**$ (0.0)**
Interest Exp	**$ 0.9**	**$ 1.1**	**$ 0.3**	**$ 7.8**	**$ 10.3**	**$ 2.4**	**$ 10.6**	**$ 13.6**	**$ 3.0**
Rate	**0.00%**	**0.00%**	**0.00%**	**1.11%**	**1.45%**	**0.34%**	**1.13%**	**1.46%**	**0.33%**
FMB/Sr Nts									
Beg Bal	$ 3,143.9	$ 3,143.9	$ (0.0)	$ 3,142.8	$ 3,142.8	$ 0.0	$ 3,142.8	$ 3,142.8	$ 0.0
End Bal	3,144.0	3,144.0	(0.0)	3,144.0	3,144.0	(0.0)	3,644.4	3,694.4	50.0
Ave Bal	**$ 3,144.0**	**$ 3,144.0**	**$ (0.0)**	**$ 3,143.4**	**$ 3,143.5**	**$ 0.1**	**$ 3,227.0**	**$ 3,235.3**	**$ 8.3**
Interest Exp	**$ 9.6**	**$ 9.6**	**$ 0.0**	**$ 86.0**	**$ 86.0**	**$ (0.0)**	**$ 120.5**	**$ 120.2**	**$ (0.3)**
Rate	**0.00%**	**0.00%**	**0.00%**	**3.61%**	**3.61%**	**0.00%**	**3.73%**	**3.72%**	**-0.02%**
Short-term Debt									
Beg Bal	$ 279.5	$ 509.1	$ 229.6	$ 149.7	$ 149.7	$ (0.0)	$ 149.7	$ 149.7	$ (0.0)
End Bal	263.7	517.4	253.7	263.7	517.4	253.7	209.4	176.3	(33.1)
Ave Bal	**$ 271.6**	**$ 513.2**	**$ 241.6**	**$ 206.7**	**$ 371.0**	**$ 164.3**	**$ 290.1**	**$ 359.0**	**$ 69.0**
Interest Exp	**$ 0.2**	**$ 0.2**	**$ 0.1**	**$ 1,689.7**	**$ 1,770.9**	**$ 81.2**	**$ 2.4**	**$ 1.2**	**$ (1.2)**
Rate	**0.00%**	**0.00%**	**0.00%**	**1.08%**	**0.63%**	**-0.45%**			
Total End Bal	**$ 4,339.5**	**$ 4,593.2**	**$ 253.7**	**$ 4,339.5**	**$ 4,593.2**	**$ 253.7**	**$ 4,785.5**	**$ 4,802.4**	**$ 16.9**
Total Average Bal	**$ 4,347.3**	**$ 4,588.9**	**$ 241.6**	**$ 4,282.0**	**$ 4,446.3**	**$ 164.3**	**$ 4,448.9**	**$ 4,526.2**	**$ 77.3**
Total Expense Excl I/C	**$ 12.3**	**$ 12.6**	**$ 0.3**	**$ 111.2**	**$ 112.5**	**$ 1.4**	**$ 152.2**	**$ 153.8**	**$ 1.7**
Rate	**3.63%**	**3.52%**	**-0.11%**	**3.42%**	**3.34%**	**-0.09%**	**3.42%**	**3.40%**	**-0.02%**

Credit Facilities ($ Millions)	Committed Capacity	Borrowed	Letters of Credit Issued	Unused Capacity
LKE	$ 300	$ 52		$ 248
LG&E	500	72		428
KU	598	140	$ 198	260
TOTAL	$ 1,398	$ 264	$ 198	$ 936

Credit Metrics ($ Millions)	YTD Actual	YTD +/- Bud	Full Year Forecast	Full Year +/- Bud
FFO to Debt - LG&E	37.0%	+0.10	29.3%	+0.03
FFO to Debt - KU	30.6%	+0.05	25.8%	+0.00
Debt to EBITDA - LG&E (1)	2.79	-0.53	3.28	-0.04
Debt to EBITDA - KU (1)	3.51	-0.15	3.69	+0.02
Debt to Capitalization - LG&E (2)	43.4%	-0.02	47.0%	-0.00
Debt to Capitalization - KU (2)	45.7%	-0.01	47.1%	+0.00

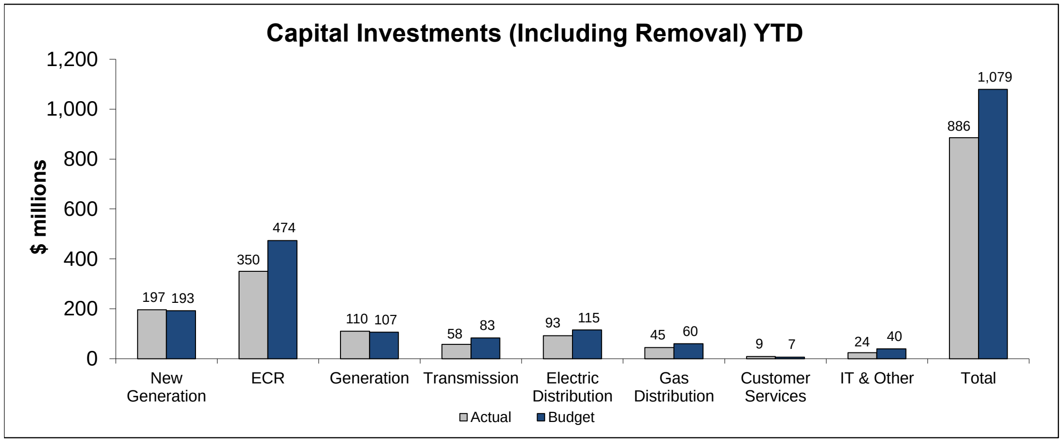
(1) Actuals represent a trailing 12 months

(2) Excludes purchase accounting adjustments and corresponding goodwill of $996m

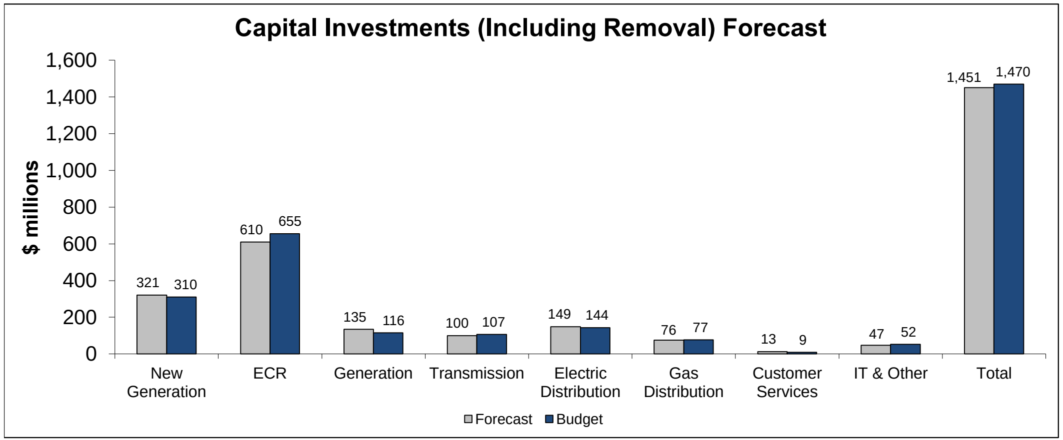
Balance Sheet — September 2013

($ Millions)

	YTD	YTD Budget	Variance	Comments
Assets:				
Current Assets:				
Cash and Cash Equivalents	$ 21	$ 10	$ 11	See cash flow statement for details.
Accounts Receivable (Trade)	359	322	37	Due primarily to tariff rate variance in receivable logic and extended due date granted in rate case.
Inventory	275	254	21	Primarily an increase in fuel ($16m) and materials and supplies ($5m).
Deferred Income Taxes	20	13	6	
Prepayments and other current assets	43	65	(22)	Budget included $14m for forward hedging swaps entered into in Nov. 2012 compared to actuals of zero due to settlement in Sept.; also $5m for provision for bad debts above plan.
Total Current Assets	718	664	53	
Property, Plant, and Equipment	9,064	9,142	(78)	See capital chart for details.
Intangible Assets	232	233	(1)	
Other Property and Investments	1	1	1	
Regulatory Assets	595	627	(32)	Primarily interest rate swaps ($18m) and decrease in FAC ($16m).
Goodwill	997	997	-	
Other Long-term Assets	96	103	(7)	
Total Assets	**$ 11,702**	**$ 11,767**	**$ (65)**	
Liabilities and Equity:				
Current Liabilities:				
Accounts Payable (Trade)	$ 314	$ 204	$ 110	Primarily differences in capex accrual and an increase in retainage fees and fuel volumes.
Accounts Payable - Affiliated Company	-	(0)	0	
Customer Deposits	49	48	1	
Derivative Liability	18	5	13	Primarily due to short-term derivative liability from forward hedges with PPL as counterparty ($14m).
Accrued Taxes	109	40	69	Timing of tax payments and accruals in actuals vs. budget.
Other Current Liabilities	156	147	10	Credit Cash Balance over plan ($4m); Accr Sal & Ben over plan ($3m)
Total Current Liabilities	646	443	203	
Debt - Affiliated Company	-	-	-	
Debt	4,339	4,593	(254)	Less short-term debt issued than budgeted ($281m) due to lower capital spend, partially offset by notes payable to PPL ($27m). See Financing Activities page for more details.
Total Debt	4,339	4,593	(254)	
Deferred Tax Liabilities	651	684	(32)	Timing of recording of deferred taxes in actuals vs. budget.
Investment Tax Credit	136	134	1	
Accumulated Provision for Pension and Related Benefits	267	272	(5)	
Asset Retirement Obligation	245	130	115	ARO unplanned revaluation.
Regulatory Liabilities	1,056	990	66	Primarily due to short-term derivative asset gain from forward hedges entered into in Nov. 2012 and settled in Sept. 2013 with PPL as counterparty ($84m); partially offset by loss from hedges entered into in Sept. 2013 with PPL as counterparty ($14m).
Derivative Liability	37	54	(17)	Forward hedges with PPL as counterpary entered into in Sept. 2013.
Other Liabilities	249	238	11	Long-term project engineering retention fee balances over Plan.
Total Deferred Credits and Other Liabilities	2,641	2,501	140	
Equity	4,075	4,229	(154)	
Total Liabilities and Equity	**$ 11,702**	**$ 11,767**	**$ (65)**	



Capital was $193m lower than budget YTD due mainly to slower than expected mobilization for Mill Creek of $55m and Ghent environmental air work of $21m. Spending delays on Brown landfill of $24m and the delay of Trimble County landfill to 2015 due to permitting issues of $21m are remaining environmental variances. Transmission underspend of $25m was due mainly to delayed spending on Cane Run U7, New Albany transmission work and line rating projects; Distribution variances of $37m were driven by timing of circuit hardening, major substation projects, main replacement and gas riser projects and are expected to reverse by year end.



Capital is projected to be $19m lower than budget due mainly to the portion of Trimble landfill delay not offset by other spend variances.

Cash Flow

September 2013

YTD	Actual	Budget	Variance	Comments
Net income	261	257	4	
Depreciation	268	265	4	
Deferred tax expense	99	137	-38	Differences in how annual estimates are spread in actuals vs. budget.
Other Balance Sheet Movements	114	-157	271	Primarily forward starting swaps settlement and increases in accrued taxes and other deferred credits.
Funds From Operations	**743**	**502**	**241**	
Changes in accounts receivables	-66	-29	-37	Tariff rate variance in receivable logic, extended due date granted in rate case.
Changes in inventories	1	20	-19	Increase in fuel volumes and materials and supplies.
Changes in accounts payable	35	78	-42	Decrease in fuel usage and other.
Change in Working Capital	**-30**	**68**	**-98**	
Operating Cash flow	**713**	**570**	**143**	
Capex	-891	-1,159	268	See Capex Charts for details.
Other Investing	12	0	12	Primarily collateral deposit for swaps.
Loans to Affiliates	0	0	0	
Investing Cash flow	**-879**	**-1,159**	**280**	
Dividends	-116	-93	-23	Higher dividends and lower equity infusions due to lower capital spend projected than budgeted.
Equity Infusion	146	280	-134	Higher dividends and lower equity infusions due to lower capital spend projected than budgeted.
Net Borrowings	114	368	-254	Higher dividends and lower equity infusions due to lower capital spend projected than budgeted.
Other	0	0	0	
Financing Cash flow	**144**	**555**	**-411**	
Net increase (decrease) in cash	**-22**	**-34**	**12**	

Full Year	FC	Budget	Variance	Comments
Net income	326	326	0	
Depreciation, amortization and impairments	354	356	-2	
Deferred tax expense	164	178	-14	Differences in YTD actual deferred taxes vs. budget.
Other Balance Sheet Movements	-30	-204	174	Includes increases in credit cash balance and accrued taxes, as well as decreases in regulatory assets and deferred tax assets and forward starting swaps settlement.
Funds From Operations	**814**	**656**	**158**	
Changes in accounts receivables	-117	-35	-83	Tariff rate variance in receivable logic, extended due date granted in rate case.
Changes in inventories	-11	15	-26	Increase in fuel volumes.
Changes in accounts payable	136	113	23	Differences in capex accrual.
Change in Working Capital	**7**	**94**	**-86**	
Operating Cash flow	**821**	**750**	**71**	
Capex	-1,510	-1,576	66	Revised cash adjustment ($47m) and delay in Trimble County landfill to 2015 ($12m).
Other Investing	12	0	12	Primarily collateral deposit for swaps.
Loans to Affiliates	0	0	0	
Investing Cash flow	**-1,498**	**-1,576**	**78**	
Dividends	-203	-157	-46	Lower equity infusions and debt due to lower capital spend projected than budgeted.
Equity Infusion	287	374	-87	Lower equity infusions and debt due to lower capital spend projected than budgeted.
Net Borrowings	560	577	-17	Lower equity infusions and debt due to lower capital spend projected than budgeted.
Other	0	0	0	
Financing Cash flow	**644**	**793**	**-149**	
Net increase (decrease) in cash	**-33**	**-33**	**0**	

Performance Report

October 2013

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Kentucky Regulated Dashboard — October 2013

Operational Metrics	Current Month		YTD		Full Year	
Safety	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
TCIR - Employees	3.43	0.77	1.51	1.42	N/A	1.35
Employee lost-time incidents	2	1	3	5	N/A	6

Reliability	Actual	Budget	Actual	Budget	Forecast	Budget
Generation Volumes	2,629	2,537	28,501	29,416	34,213	35,128
Utility EFOR	10.5%	5.1%	7.7%	5.1%	N/A	5.1%
Utility EAF	70.1%	75.5%	81.2%	86.9%	N/A	87.08%
Combined SAIFI	0.09	0.10	0.88	1.08	N/A	1.22
Combined SAIDI (minutes)	7.57	7.38	78.94	98.71	N/A	109.60
Steam Fleet Commercial Availability	88.7%	N/A	91.5%	91.3%	N/A	N/A
GwH Sales						
Residential	646	689	8,823	9,163	10,595	10,912
Commercial	651	637	6,573	6,791	7,792	8,063
Industrial	831	808	8,148	8,240	9,786	9,891
Municipals	141	149	1,571	1,628	1,878	1,944
Other	251	232	2,375	2,432	2,805	2,901
Off-System Sales	49	8	369	354	494	465
Total	2,569	2,522	27,859	28,607	33,349	34,175
Weather-Normalized Sales Growth[(1)]			**W-N**			
Residential			1.19%			
Commercial			-1.22%			
Industrial			0.34%			
Other			-1.16%			
Total			0.03%			

Variance Explanations

- The generation fleet's EAF and EFOR are unfavorable to budget due primarily to Mill Creek Unit 3 Turbine crossover expansion joint failure, Ghent Unit 4 cooling tower header failure, Trimble County Unit 2 low pressure turbine bearing failure and Cane Run Unit 4 generator rotor winding shorts.
- Lower margins YTD due primarily to $33 million of lower energy revenues, as volumes were down 3% due to unseasonably mild temperatures, and $29 million of lower demand charge revenues, partially offset by favorable margins of $21 million on retail rate mechanisms, off-system sales and gas.
- Capital was $176m lower than budget YTD due mainly to timing delays to be largely made up in November and December – see Full Year Forecast below.
- Full year capital is projected to be $19 million lower than budget due mainly to the portion of Trimble landfill delay not offset by other spend variances.
- Lower O&M YTD due primarily to $12 million of labor savings, $6 million of lower outside services, $4 million of lower uncollectible accounts and $13 million of lower materials and other nonlabor costs.

	Current Month		YTD		Full Year	
Financial Metrics	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Utility ROE[(2)]	6.8%	5.7%	10.1%	9.8%	9.8%	9.6%
Electric Margins	$127	$123	$1,333	$1,375	$1,591	$1,638
Gas Margins	$10	$10	$122	$121	$157	$156

Capital Expenditures ($ millions)	Actual	Budget	Actual	Budget	Forecast	Budget
New Generation	$34	$34	$271	$260	$321	$310
ECR	64	65	415	540	610	655
Generation	22	22	92	96	135	117
Transmission	14	9	72	91	100	107
Electric Distribution	17	11	110	126	149	144
Gas Distribution	10	6	54	66	76	77
Customer Services	2	1	11	8	13	9
IT and Other	5	4	30	44	47	51
Total	$168	$152	$1,055	$1,231	$1,451	$1,470

O&M ($ millions)[(3)]	Actual	Budget	Actual	Budget	Forecast	Budget
Operations	$43	$41	$366	$389	$440	$461
Administrative	$7	8	$70	$79	87	95
Finance	$2	2	$15	$16	17	19
Burdens & Other Charges	$10	12	$119	$121	144	146
Total	$62	$63	$570	$605	$688	$721

Head Count	Actual	Budget	Actual	Budget	Forecast	Budget
Full-time Employees	3,392	3,436	3,392	3,436	3,423	3,435

Other Metrics	Actual	PY	Actual	PY	Forecast	PY
Environmental Events	2	0	11	10	N/A	14
NERC Possible Violations[(4)]	0	0	9	24	N/A	24

Major Developments

- Based on the federal government shutdown and consistent with LKE's vision to empower economic vitality and quality of life, LKE announced that it will match $2 for every $1 (extending beyond the previous $1 for $1 match) donated by residential customers to its heating assistance programs.
- Cane Run Unit 7 achieved a significant milestone as the combustion turbines and generators have been delivered to the site. The Heat Recovery Steam Generator drums and tube bundle sections have also begun to arrive by barge delivery in Louisville, staged near the plant site.
- LKE announced a financing agreement with local banks to fund $75 million in working capital needs. The agreement also supports regional economic development throughout the LG&E and KU service territories as it capitalizes on substantial local bank deposits and offers investment-grade lending opportunities to bank participants.
- LG&E and KU filed a prospectus in November each selling $250 million of 4.650 percent first mortgage bonds due November 15, 2043. The bonds have a spread to benchmark Treasury of 90 basis points, the lowest 30 year utility spread seen since April, and were offered at a price of 99.280 percent. LG&E and KU had hedged the underlying treasury rate risk earlier which will reduce the effective rate by about 58 bps.

Significant Future Events

- LKE expects to make a filing with the Kentucky Public Service Commission in Q4 for a CPCN to build a new NGCC unit at the Green River site for commercial operation in 2018. The filing also proposes to construct about a 10-megawatt solar facility at its Brown generating station.
- In addition, LG&E is expected to file in Q4 a new permit for the Trimble County landfill. In May, the Kentucky Division of Waste Management notified LG&E of its intent to deny the permit application. The new permit application will represent the next lowest cost alternate location which is also on existing plant property.

(1) Percentages represent a trailing twelve months.
(2) Excludes goodwill and other purchase accounting adjustments.
(3) Net of cost recovery mechanisms.
(4) The nine NERC Possible Violation Issues for YTD Actual are expected to be resolved through NERC's Find, Fix and Track ("FFT") process without financial penalty.
Note: Schedules may not sum due to rounding.

Income Statement: Actual vs. Budget and Forecast (Month) — October 2013

($ Millions)

	MTD				MTD			
	Actual	Budget	Variance	Comments	Actual	Q3 Forecast	Variance	Comments
Revenues:								
Electric Revenues	$ 204	$ 206	$ (2)		$ 204	$ 200	$ 4	
Gas Revenues	19	18	1		19	19	(0)	
Total Revenues	223	224	(1)		223	219	4	
Cost of Sales:								
Fuel Electric Costs	64	67	3		64	67	3	
Gas Supply Expenses	9	7	(1)		9	9	0	
Purchased Power	5	6	1		5	5	(1)	
Other Electric Cost	8	10	3		8	8	0	
Total Cost of Sales	86	91	5	Due primarily to increased fuel recoveries.	86	88	2	
Gross Margin:								
Electric Margin	127	123	4		127	121	6	Due primarily to increased fuel recoveries due partially from a change in the FAC rate.
Gas Margin	10	10	(0)		10	10	0	
Total Gross Margin	137	133	4		137	131	6	
Operating Expenses:								
O&M	62	63	1		62	70	8	Includes $5m of permanent cost savings identified and $3m of delayed spending.
Depreciation & Amortization	28	28	1		28	28	0	
Taxes, Other than Income	4	4	0		4	4	0	
Total Operating Expenses	93	95	2		93	102	8	
Equity in earnings	-	(0)	0		-	-	-	
Other income	(1)	(1)	(0)		(1)	(0)	(0)	
EBIT	43	37	6		43	29	14	
Interest Expense	12	13	0		12	13	0	
Income from Ongoing Operations before income taxes	31	25	6		31	16	14	
Income Tax Expense	11	9	(2)		11	6	(6)	
Net Income (loss) from ongoing operations	**19**	**16**	**3**		**19**	**11**	**9**	
Non Operating Income	0	-	0		0	-	0	
Discontinued Operations	(0)	(0)	0		(0)	0	(0)	
Net Income (loss)	$ 19	$ 16	$ 3		$ 19	$ 11	$ 9	
KY Regulated Financing Costs	(3)	(2)	(0)		(3)	(3)	(0)	
KY Regulated Net Income	$ 16	$ 13	$ 2		$ 16	$ 8	$ 8	
Earnings Per Share	$ 0.02	$ 0.02	$ 0.00		$ 0.02	$ 0.01	$ 0.01	

Income Statement: Actual vs. Budget (YTD) — October 2013

($ Millions)

	YTD			
	Actual	Budget	Variance	Comments
Revenues:				
Electric Revenues	$ 2,217	$ 2,309	$ (91)	Due to lower residential and commercial electric consumption volumes, lower demand charges and other customer/tariff mix changes partially offset by higher recoveries from fuel adjustment and demand side management rate mechanisms.
Gas Revenues	235	233	2	
Total Revenues	2,453	2,542	(90)	
Cost of Sales:				
Fuel Electric Costs	753	779	27	
Gas Supply Expenses	113	112	(1)	
Purchased Power	48	57	8	Lower purchases than originally planned.
Other Electric Cost	83	98	15	
Total Cost of Sales	998	1,046	49	Due to lower residential and commercial electric consumption volumes, lower demand charges and other customer/tariff mix changes partially offset by higher recoveries from fuel adjustment and demand side management rate mechanisms.
Gross Margin:				
Electric Margin	1,333	1,375	(42)	Due to lower residential and commercial electric consumption volumes, lower demand charges and other customer/tariff mix changes partially offset by higher recoveries from fuel adjustment and demand side management rate mechanisms.
Gas Margin	122	121	1	
Total Gross Margin	1,455	1,496	(41)	
Operating Expenses:				
O&M	570	605	35	Primarily $12m of labor savings, $6m of lower outside services, $4m of lower uncollectible accounts and $13m of lower materials and other nonlabor costs.
Depreciation & Amortization	274	281	7	Revised estimates based on delayed capital spend in 2012 and revised in-service dates for capital projects in 2013.
Taxes, Other than Income	39	40	1	
Total Operating Expenses	883	925	42	
Equity in earnings	-	(1)	1	
Other income	(7)	(7)	1	
EBIT	565	562	3	
Interest Expense	124	125	2	
Income from Ongoing Operations before income taxes	442	437	4	
Income Tax Expense	164	164	(1)	
Net Income (loss) from ongoing operations	**277**	**274**	**4**	
Non Operating Income	1	-	1	
Discontinued Operations	2	(1)	3	
Net Income (loss)	$ 280	272	$ 7	
KY Regulated Financing Costs	(36)	(32)	(4)	
KY Regulated Net Income	$ 244	$ 240	$ 4	
Earnings Per Share	$ 0.39	$ 0.39	$ 0.00	

Attachment to Filing Requirement
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Income Statement: Forecast vs. Budget and Prior Forecast — October 2013

($ Millions)

	Full Year				Full Year			
	Forecast	Budget	Variance	Comments	Forecast	Q3 Forecast	Variance	Comments
Revenues:								
Electric Revenues	$ 2,650	$ 2,753	$ (103)	Due to lower residential and commercial electric consumption volumes, lower demand charges and other customer/tariff mix changes partially offset by higher recoveries from fuel adjustment and demand side management rate mechanisms.	$ 2,650	$ 2,650	$ (1)	
Gas Revenues	315	313	2		315	315	(0)	
Total Revenues	2,964	3,065	(101)		2,964	2,965	(1)	
Cost of Sales:								
Fuel Electric Costs	900	928	28		900	902	3	
Gas Supply Expenses	158	157	(1)		158	158	0	
Purchased Power	57	67	11	Lower purchases than originally planned and updated to more accurately reflect trend in actuals.	57	56	(1)	
Other Electric Cost	103	119	17		103	103	0	
Total Cost of Sales	1,216	1,271	55	Due to lower residential and commercial electric consumption volumes, lower demand charges and other customer/tariff mix changes partially offset by higher recoveries from fuel adjustment and demand side management rate mechanisms.	1,216	1,219	2	
Gross Margin:								
Electric Margin	1,591	1,638	(47)	Due to lower residential and commercial electric consumption volumes, lower demand charges and other customer/tariff mix changes partially offset by higher recoveries from fuel adjustment and demand side management rate mechanisms.	1,591	1,590	1	
Gas Margin	157	156	1		157	157	0	
Total Gross Margin	1,748	1,794	(46)		1,748	1,746	2	
Operating Expenses:								
O&M	688	721	33	Favorable labor and burdens, uncollectible accounts, outside services and materials.	688	693	5	Primarily a continued efforts to control costs.
Depreciation & Amortization	330	338	8	Revised estimates based on delayed capital spend in 2012 and revised in-service dates for capital projects in 2013.	330	330	0	
Taxes, Other than Income	48	48	0		48	48	0	
Total Operating Expenses	1,066	1,107	42		1,066	1,071	5	
Equity in earnings	-	(1)	1		-	-	-	
Other income	(8)	(8)	1		(8)	(8)	(0)	
EBIT	674	677	(3)		674	668	7	
Interest Expense	152	154	2		152	152	0	
Income from Ongoing Operations before income taxes	522	524	(1)		522	515	7	
Income Tax Expense	194	196	1		194	192	(3)	
Net Income (loss) from ongoing operations	**328**	**328**	**0**		**328**	**324**	**4**	
Non Operating Income	1	-	1		1	1	0	
Discontinued Operations	2	(1)	3		2	2	0	
Net Income (loss)	$ 330	$ 326	$ 4		$ 330	$ 326	$ 4	
KY Regulated Financing Costs	(41)	(37)	(4)		(41)	(41)	-	
KY Regulated Net Income	$ 289	$ 289	$ 0		$ 289	$ 285	$ 4	
Earnings Per Share	$ 0.46	$ 0.46	$ 0.00		$ 0.46	$ 0.46	$ -	

Electric Gross Margin — October 2013

($ Millions)

	MTD Actual	MTD Budget	MTD Unit Variance	MTD Value @	MTD Dollar Variance	MTD Margin Variance	YTD Actual	YTD Budget	YTD Unit Variance	YTD Value @	YTD Dollar Variance	YTD Margin Variance
Base Electric Margin:						$ (2)						$ (61)
Energy Volumes (a)	2,520,280	2,514,081	6,200	$ -	$ (1)		27,488,757	28,252,857	(764,100)	$ -	$ (26)	
Energy Prices (a)					(0)						(7)	
Customer Charges (Avg. Customers)	937,208	948,347	(11,139)		0		935,588	945,435	(9,848)		2	
Demand Charges (b)	39	39			(1)		394	423			(29)	
ECR:						(0)						(3)
Average Rate Base	$ 840	$ 986	$ (146)	10.43%	$ (1.1)		$ 667	$ 766	$ (99)	10.44%	$ (7.7)	
Cost of Capital	10.30%	10.43%	-0.13%	$ 840	(0.1)		10.29%	10.44%	-0.14%	$ 667	(0.7)	
Jurisdictional Factor	89.83%	90.27%	-0.45%	$ 840	-		89.18%	89.13%	0.04%	$ 667	-	
Other					0.9						5.8	
DSM:						(1)						4
Program Expense (Revenue Net of Expense)	$ -	$ 0.1			$ (0.1)		$ 0.5	$ 0.4			$ 0.1	
Lost Sales	1.3	1.0			0.3		13.9	10.1			3.8	
Incentive	0.1	0.1			-		1.0	0.8			0.2	
Balancing Adjustment	(0.8)	-			(0.8)		0.1	-			0.1	
Net Fuel Recovery	$ 5.6	$ (0.6)				6	$ 7	$ (6)				12
Purchase Power Demand	(2.7)	(2.6)				(0)	(23.9)	(25.2)				1
Transmission	0.4	0.4				-	7.9	8.2				(0)
Other	(1.2)	(1.6)				0	(15.4)	(17.9)				3
Retail Margin Variance						4						(44)
Off-System Margin Variance						0						1
Electric Margin Variance						$ 4						$ (42)

(a) Non-Fuel Energy Analysis (net of base ECR revenue): MTD

	Actual Revenue $mil	Actual Volume (MWH)	Actual Price ($/MWH)	Budget Revenue $mil	Budget Volume (MWH)	Budget Price ($/MWH)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 32	645,833	$ 48.79	$ 33	689,495	$ 48.46	$ (2)	$ (2)	$ 0
Commercial	20	651,132	30.15	20	636,601	31.50	(1)	1	(1)
Industrial	8	831,098	8.97	7	807,506	8.76	0	0	0
Municipals	1	141,080	5.56	1	148,660	4.69	0	-	0
Other	6	251,137	23.27	5	231,818	23.00	1	0	0
Native Load Total	**$ 65**	**2,520,280**	**$ 25.88**	**$ 67**	**2,514,081**	**$ 26.48**	**$ (1)**	**$ (1)**	**$ (0)**

(a) Non-Fuel Energy Analysis (net of base ECR revenue): YTD

	Actual Revenue $mil	Actual Volume (MWH)	Actual Price ($/MWH)	Budget Revenue $mil	Budget Volume (MWH)	Budget Price ($/MWH)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 429	8,821,968	$ 48.64	$ 445	9,162,977	$ 48.51	$ (15)	$ (17)	$ 1
Commercial	206	6,572,769	31.30	218	6,791,244	32.06	(12)	(7)	(5)
Industrial	71	8,147,788	8.74	73	8,239,869	8.85	(2)	(1)	(1)
Municipals	8	1,570,795	5.04	8	1,627,769	4.69	0	(0)	1
Other	52	2,375,436	21.88	56	2,430,998	23.15	(4)	(1)	(3)
Native Load Total	**$ 766**	**27,488,757**	**$ 27.86**	**$ 799**	**28,252,857**	**$ 28.28**	**$ (33)**	**$ (26)**	**$ (7)**

(b) Demand Analysis (net of base ECR revenue):

$mil	MTD Act	MTD Bud	MTD Variance	YTD Act	YTD Bud	YTD Variance
Commercial	13	13	(0)	134	148	(15)
Industrial	16	17	(1)	163	178	(15)
Municipals	4	4	(0)	41	44	(4)
Other	6	5	1	57	53	4
Native Load Total	**39**	**39**	**(1)**	**394**	**423**	**(29)**

Weather Statistics	MTD Act	MTD +/- Bud		YTD Act	YTD +/- Bud	
Heating Degree Days - Louisville	263	27	11%	3,007	134	5%
Heating Degree Days - Lexington	265	(13)	-5%	3,177	12	0%
Cooling Degree Days - Louisville	42	10	31%	1,446	(27)	-2%
Cooling Degree Days - Lexington	44	21	91%	1,244	56	5%

Gas Gross Margin — October 2013

($ Millions)

	MTD Actual	MTD Budget	MTD Subtotal	MTD Margin Variance	YTD Actual	YTD Budget	YTD Subtotal	YTD Margin Variance
Gas Base Service Charge	$ 5	$ 5		$ -	$ 53	$ 50		$ 2
Gas Supply Costs								
Gas Supply Costs	(8)	(7)	$ (2)		(114)	(104)	$ (10)	
GSC Revenue	8	7	2		114	105	9	
Net Gas Supply Costs				0				$ (1)
Retail Gas (a)	4	4		(0)	63	61		$ 3
Wholesale Gas (a)	-	-		-	-	-		$ -
DSM	0	(0)		0	0	1		$ (0)
GLT	0	1		(0)	3	3		$ (0)
WNA	(0)	-		(0)	(2)	-		$ (2)
Other Margin	0	0		(0)	1	3		$ (2)
Gas Margin Variance				$ (0)				$ 1

(a) Retail and wholesale gas sales - excludes GSC

MTD

	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 3	996,025	$ 2.64	$ 3	967,407	$ 2.64	$ -	$ 0	$ -
Commercial	-	465,916	-	1	470,930	2.06	(1)	-	(1)
Industrial	0	192,986	1.23	0	83,341	1.91	-	0	(0)
Public Authority	0	68,935	1.74	0	87,545	1.93	(0)	-	-
Transportation	1	943,219	0.86	0	870,974	0.44	0	-	0
Ultimate Consumer	$ 4	2,667,081	$ 1.42	$ 4	2,480,197	$ 1.71	$ (0)	$ 0	$ (1)

YTD

	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 39	14,832,558	$ 2.64	$ 39	14,951,175	$ 2.59	$ 0	$ (0)	$ 1
Commercial	12	6,684,571	-	14	6,722,695	2.05	(2)	-	(2)
Industrial	2	1,226,038	1.49	1	743,442	1.86	0	1	(0)
Public Authority	2	1,145,786	1.94	2	1,210,448	1.96	(0)	(0)	-
Transportation	8	9,574,641	0.85	4	9,058,335	0.44	4	0	4
Ultimate Consumer	$ 63	33,463,594	$ 1.54	$ 61	32,686,094	$ 1.84	$ 3	$ 1	$ 3

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7)(o)

Witness: K Blake

O&M — October 2013

($ Millions)

	MTD			Variances						
	Actual	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 24	$ 20	$ (4)	$ -	$ 1	$ (4)	$ (4)	$ (0)	$ -	$ 4
Project Engineering	0	0	0	-	0	-	(0)	(0)	-	0
Transmission	2	2	0	-	0	-	0	0	-	0
Energy Supply and Analysis	1	1	0	-	0	-	0	0	-	(0)
Electric Distribution	5	6	0	-	0	-	(0)	0	(0)	0
Gas Distribution	2	3	1	-	0	-	0	0	(0)	0
Customer Services	8	8	(0)	-	0	-	(0)	0	(0)	0
Chief Operations Officer	**43**	**41**	**(3)**	**-**	**2**	**(4)**	**(4)**	**(0)**	**(0)**	**4**
Information Technology	4	5	1	-	1	-	0	(0)	-	0
General Counsel	2	3	1	-	0	-	0	(0)	-	0
Human Resources	1	1	0	-	0	-	0	0	-	0
Supply Chain	0	0	(0)	-	0	-	(0)	0	-	0
Chief Administrative Officer	**7**	**8**	**1**	**-**	**1**	**-**	**0**	**(0)**	**-**	**0**
Chief Financial Officer	**2**	**2**	**0**	**-**	**0**	**-**	**(0)**	**0**	**-**	**(0)**
Corporate	**10**	**12**	**2**	**1**	**(0)**	**-**	**1**	**0**	**-**	**0**
O&M Total MTD	**$ 62**	**$ 63**	**$ 1**	**$ 1**	**$ 2**	**$ (4)**	**$ (3)**	**$ (0)**	**$ (0)**	**$ 5**

	YTD			Variances						
	Actual	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 184	$ 190	$ 6	$ -	$ 6	$ 7	$ (1)	$ 2	$ -	$ (8)
Project Engineering	0	1	0	-	0	-	(0)	(0)	-	0
Transmission	24	25	1	-	(0)	-	1	0	-	0
Energy Supply and Analysis	7	9	2	-	1	-	0	0	(0)	1
Electric Distribution	58	58	1	-	(0)	-	(2)	3	(0)	0
Gas Distribution	25	28	4	-	1	-	3	0	-	0
Customer Services	68	77	9	-	(0)	-	-	-	-	9
Chief Operations Officer	**366**	**389**	**22**	**-**	**6**	**7**	**1**	**5**	**(0)**	**2**
Information Technology	39	42	3	-	3	-	(1)	(0)	-	1
General Counsel	23	28	5	-	0	-	4	(0)	-	0
Human Resources	5	6	1	-	0	-	0	0	-	0
Supply Chain	3	3	0	-	0	-	(0)	0	-	0
Chief Administrative Officer	**70**	**79**	**8**	**-**	**4**	**-**	**3**	**(0)**	**-**	**1**
Chief Financial Officer	**15**	**16**	**1**	**-**	**0**	**-**	**(0)**	**0**	**-**	**1**
Corporate	**119**	**121**	**2**	**(1)**	**(1)**	**-**	**3**	**1**	**1**	**(2)**
O&M Total YTD	**$ 570**	**$ 605**	**$ 35**	**$ (1)**	**$ 10**	**$ 7**	**$ 8**	**$ 6**	**$ 0**	**$ 3**

	Full Year			Variances						
	Forecast	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 220	$ 227	$ 7	$ -	$ 5	$ 3	$ 3	$ (3)	$ -	$ (1)
Project Engineering	1	1	0	-	0	-	(0)	(0)	-	0
Transmission	29	29	1	-	0	-	3	(3)	-	(0)
Energy Supply and Analysis	9	10	1	-	0	-	0	0	-	1
Electric Distribution	69	69	0	-	(1)	-	0	1	-	(0)
Gas Distribution	31	34	3	-	0	-	3	1	-	(0)
Customer Services	82	91	9	-	3	-	3	0	4	(1)
Chief Operations Officer	**440**	**461**	**21**	**-**	**9**	**3**	**12**	**(5)**	**4**	**(1)**
Information Technology	47	50	3	-	3	-	(1)	0	-	1
General Counsel	30	34	4	-	0	-	4	(0)	-	0
Human Resources	6	7	1	-	0	-	0	0	-	0
Supply Chain	3	3	0	-	0	-	0	-	-	0
Chief Administrative Officer	**87**	**95**	**8**	**-**	**3**	**-**	**4**	**0**	**-**	**2**
Chief Financial Officer	**17**	**19**	**2**	**-**	**0**	**-**	**0**	**-**	**-**	**2**
Corporate	**144**	**146**	**2**	**(1)**	**1**	**-**	**2**	**(0)**	**1**	**1**
O&M Total Full Year	**$ 688**	**$ 721**	**$ 35**	**$ (1)**	**$ 13**	**$ 3**	**$ 18**	**$ (5)**	**$ 4**	**$ 3**

Financing Activities — October 2013

($ Millions)

Balance Sheet	MTD Actual	MTD Budget	MTD Variance	YTD Actual	YTD Budget	YTD Variance	Full Year Forecast	Full Year Budget	Full Year Variance
PCB									
Beg Bal	$ 931.8	$ 931.8	$ -	$ 932.0	$ 932.0	$ 0.0	$ 932.0	$ 932.0	$ -
End Bal	931.7	931.7	-	931.7	931.7	-	931.7	931.7	(0.0)
Ave Bal	**$ 931.7**	**$ 931.7**	**$ -**	**$ 931.9**	**$ 931.9**	**$ (0.0)**	**$ 931.8**	**$ 931.8**	**$ (0.0)**
Interest Exp	**$ 0.9**	**$ 1.1**	**$ 0.3**	**$ 8.7**	**$ 11.4**	**$ 2.7**	**$ 10.6**	**$ 13.6**	**$ 3.0**
Rate	**0.00%**	**0.00%**	**0.00%**	**1.11%**	**1.45%**	**0.34%**	**1.13%**	**1.46%**	**0.33%**
FMB/Sr Nts									
Beg Bal	$ 3,144.0	$ 3,144.0	$ (0.0)	$ 3,142.8	$ 3,142.8	$ 0.0	$ 3,142.8	$ 3,142.8	$ 0.0
End Bal	3,144.2	3,144.2	(0.0)	3,144.2	3,144.2	(0.0)	3,644.4	3,694.4	50.0
Ave Bal	**$ 3,144.1**	**$ 3,144.1**	**$ (0.0)**	**$ 3,143.5**	**$ 3,143.5**	**$ 0.1**	**$ 3,227.0**	**$ 3,235.3**	**$ 8.3**
Interest Exp	**$ 9.6**	**$ 9.6**	**$ (0.0)**	**$ 95.6**	**$ 95.6**	**$ (0.0)**	**$ 120.5**	**$ 120.2**	**$ (0.3)**
Rate	**0.00%**	**0.00%**	**0.00%**	**3.60%**	**3.60%**	**0.00%**	**3.73%**	**3.72%**	**-0.02%**
Short-term Debt									
Beg Bal	$ 263.7	$ 517.4	$ 253.7	$ 149.7	$ 149.7	$ (0.0)	$ 149.7	$ 149.7	$ (0.0)
End Bal	291.0	597.8	306.8	291.0	597.8	306.8	209.4	176.3	(33.1)
Ave Bal	**$ 277.3**	**$ 557.6**	**$ 280.3**	**$ 220.3**	**$ 393.7**	**$ 173.3**	**$ 290.1**	**$ 359.0**	**$ 69.0**
Interest Exp	**$ 0.2**	**$ 0.3**	**$ 0.1**	**$ 1,840.2**	**$ 2,037.3**	**$ 197.2**	**$ 2.4**	**$ 1.2**	**$ (1.2)**
Rate	**0.00%**	**0.00%**	**0.00%**	**0.99%**	**0.61%**	**-0.38%**			
Total End Bal	**$ 4,366.9**	**$ 4,673.7**	**$ 306.8**	**$ 4,366.9**	**$ 4,673.7**	**$ 306.8**	**$ 4,785.5**	**$ 4,802.4**	**$ 16.9**
Total Average Bal	**$ 4,353.2**	**$ 4,633.4**	**$ 280.3**	**$ 4,295.7**	**$ 4,469.1**	**$ 173.4**	**$ 4,448.9**	**$ 4,526.2**	**$ 77.3**
Total Expense Excl I/C	**$ 12.4**	**$ 12.6**	**$ 0.1**	**$ 123.6**	**$ 125.1**	**$ 1.5**	**$ 152.2**	**$ 153.8**	**$ 1.7**
Rate	**3.67%**	**3.49%**	**-0.18%**	**3.41%**	**3.32%**	**-0.09%**	**3.42%**	**3.40%**	**-0.02%**

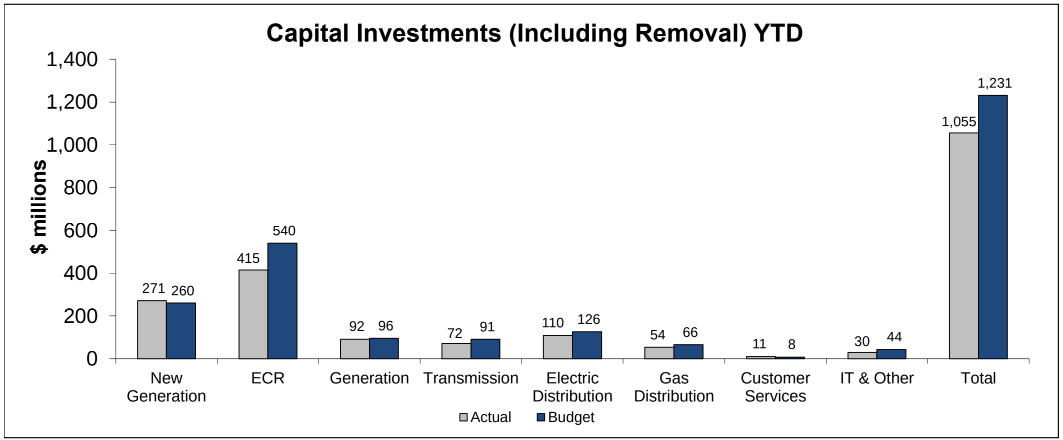
Attachment to Filing Requirement
807 KAR 5:001 Section 16(7)(o)

Witness: K Blake

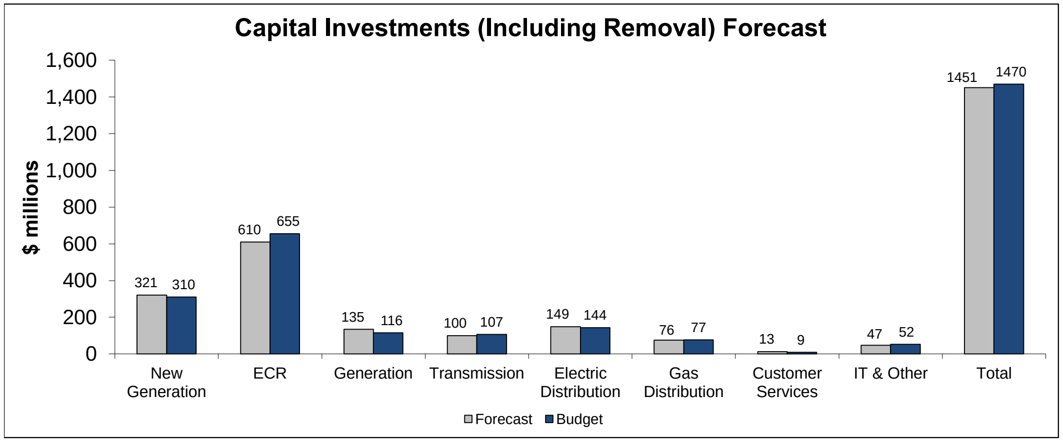
Balance Sheet — October 2013

($ Millions)

	YTD	YTD Budget	Variance	Comments
Assets:				
Current Assets:				
Cash and Cash Equivalents	$ 31	$ 10	$ 21	Primarily forward starting swaps settlement and issuance of revolver debt.
Accounts Receivable (Trade)	321	302	20	Due primarily to tariff rate variance in receivable logic and extended due date granted in rate case.
Inventory	291	270	21	Primarily an increase in fuel ($17m) and materials and supplies ($4m).
Deferred Income Taxes	20	13	6	
Prepayments and other current assets	40	64	(24)	Budget included $14m for forward hedging swaps entered into in Nov. 2012 compared to actuals of zero due to settlement in Sept.; also $5m for provision for bad debts above plan.
Total Current Assets	702	658	44	
Property, Plant, and Equipment	9,200	9,266	(67)	See capital chart for details.
Intangible Assets	229	229	1	
Other Property and Investments	1	1	1	
Regulatory Assets	594	620	(26)	Primarily interest rate swaps ($17m) and decrease in FAC ($17m).
Goodwill	997	997	-	
Other Long-term Assets	96	102	(6)	
Total Assets	**$ 11,820**	**$ 11,873**	**$ (53)**	
Liabilities and Equity:				
Current Liabilities:				
Accounts Payable (Trade)	$ 366	$ 206	$ 160	Primarily differences in capex accrual and an increase in retainage fees and fuel volumes.
Accounts Payable - Affiliated Company	-	(0)	0	
Customer Deposits	49	48	1	
Derivative Liability	25	5	20	Primarily due to short-term derivative liability from forward hedges with PPL as counterparty ($14m).
Accrued Taxes	108	38	71	Timing of tax payments and accruals in actuals vs. budget.
Other Current Liabilities	175	154	21	Credit Cash Balance over plan ($15m); Accr Sal & Ben over plan ($6m)
Total Current Liabilities	723	451	272	
Debt - Affiliated Company	-	-	-	
Debt	4,367	4,674	(307)	Less short-term debt issued than budgeted ($282m) due to lower capital spend and notes payable to PPL ($25m). See Financing Activities page for more details.
Total Debt	4,367	4,674	(307)	
Deferred Tax Liabilities	652	690	(38)	Timing of recording of deferred taxes in actuals vs. budget.
Investment Tax Credit	135	134	1	
Accumulated Provision for Pension and Related Benefits	267	273	(6)	
Asset Retirement Obligation	246	131	115	ARO unplanned revaluation.
Regulatory Liabilities	1,043	987	56	Primarily due to short-term derivative asset gain from forward hedges entered into in Nov. 2012 and settled in Sept. 2013 with PPL as counterparty partially offset by loss from hedges entered into in Sept. 2013 with PPL as counterparty ($64m); offset by an increase in cost of removal ($8m).
Derivative Liability	38	54	(16)	Forward hedges with PPL as counterpary entered into in Sept. 2013.
Other Liabilities	254	236	19	Primarily long-term project engineering retention fee balances over Plan.
Total Deferred Credits and Other Liabilities	2,635	2,503	132	
Equity	4,094	4,245	(150)	
Total Liabilities and Equity	**$ 11,820**	**$ 11,873**	**$ (53)**	



Capital was $176m lower than budget YTD due mainly to timing delays to be largely made up in November and December – see Full Year Forecast below.



Capital is projected to be $19m lower than budget due mainly to the portion of Trimble landfill delay not offset by other spend variances.

Performance Report

November 2013

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Kentucky Regulated Dashboard — November 2013

Operational Metrics	Current Month		YTD		Full Year	
Safety	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
TCIR - Employees	0.27	0.89	1.36	1.36	N/A	1.35
Employee lost-time incidents	0	0	3	5	N/A	6
Reliability	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Generation Volumes	2,739	2,626	31,240	32,042	34,326	35,128
Utility EFOR	9.0%	5.1%	7.8%	5.1%	N/A	5.1%
Utility EAF	77.2%	83.1%	80.8%	86.6%	N/A	87.08%
Combined SAIFI	0.09	0.07	0.94	1.15	N/A	1.22
Combined SAIDI (minutes)	6.44	5.18	85.45	103.90	N/A	109.60
Steam Fleet Commercial Availability	92.5%	N/A	91.6%	91.3%	N/A	N/A
GwH Sales						
Residential	826	731	9,649	9,894	10,595	10,912
Commercial	589	613	7,161	7,404	7,792	8,063
Industrial	831	818	8,978	9,058	9,786	9,891
Municipals	145	153	1,716	1,780	1,878	1,944
Other	218	227	2,594	2,659	2,805	2,901
Off-System Sales	35	43	404	397	494	465
Total	2,643	2,586	30,502	31,193	33,349	34,175
Weather-Normalized Sales Growth			**TTM**			
Residential			0.73%			
Commercial			-0.77%			
Industrial			2.13%			
Other			-0.59%			
Total			0.59%			

	Current Month		YTD		Full Year	
Financial Metrics	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Utility ROE[1]	9.4%	6.6%	10.0%	9.5%	10.0%	9.6%
Electric Margins	$125	$122	$1,458	$1,497	$1,594	$1,638
Gas Margins	$17	$15	$139	$136	$160	$156
Capital Expenditures ($ millions)	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
New Generation	$27	$29	$298	$289	$321	$310
ECR	85	64	499	604	610	655
Generation	20	14	112	111	135	117
Transmission	12	8	84	99	100	107
Electric Distribution	18	10	129	136	149	144
Gas Distribution	7	6	62	72	76	77
Customer Services	1	1	12	9	13	9
IT and Other	3	3	33	47	47	51
Total	$173	$135	$1,229	$1,367	$1,451	$1,470
O&M ($ millions)[2]	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Operations	$35	$39	$401	$428	$437	$461
Administrative	$6	7	$77	$86	85	95
Finance	$1	1	$16	$17	17	19
Burdens & Other Charges	$9	12	$128	$133	142	146
Total	$52	$59	$622	$664	$681	$721
Head Count	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Full-time Employees	3,390	3,437	3,390	3,437	3,423	3,435
Other Metrics	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
Environmental Events	3	0	14	10	N/A	14
NERC Possible Violations[3]	2	0	11	24	N/A	24

Variance Explanations

• The generation fleet's EAF and EFOR are unfavorable to budget due primarily to Mill Creek Unit 4 first reheater leaks, Mill Creek Unit 3 Turbine crossover expansion joint failure, Ghent Unit 4 cooling tower header failure, Trimble County Unit 2 low pressure turbine bearing failure and Cane Run Unit 4 generator rotor winding shorts. However, the units have run effectively when most needed as evidenced by the favorable YTD variance in Commercial Availability.
• Higher margins MTD on electric and gas due to volume increases resulting from colder than normal weather.
• Lower electric margins YTD due primarily to shortfalls of $59 million in electric energy and demand charge revenues, attributable to a mild summer, weak economic conditions (particularly the mining sector), as well as peak demand reductions and other changes in customer usage patterns. These shortfalls were partially offset by $23 million of incremental recovery on FAC (Fuel Adjustment Clause) and DSM (Demand Side Management) retail rate mechanisms.
• Lower O&M MTD primarily due to $3 million of lower outside services and $4 million of lower materials and other nonlabor costs.
• Lower O&M YTD primarily due to $13 million of labor savings, $9 million of lower outside services, $4 million of lower uncollectible accounts, $6 million of lower materials and $10 million of lower other nonlabor costs.
• Capital was $138m lower than budget YTD due mainly to timing delays to be largely made up in December – see Full Year Forecast below.
• Full year capital is projected to be $19 million lower than budget due mainly to the portion of Trimble landfill delay not offset by other spend variances.

Major Developments

• The Virginia Corporation Commission issued an order approving Old Dominion's settlement with no exceptions and an ROE range of 9.5% to 10.5% for annual information filings and earnings analysis. New rates, generating annual incremental revenues of $4.7 million, became effective December 1, 2013 consistent with the settlement.
• Nearly all the major construction contracts have been awarded with KU recently executing the engineering, procurement and construction ("EPC") contract with AMEC for the construction of the fabric filter on Brown Unit 3. EPC bids for Trimble County 1 are under evaluation and expected to be signed in January 2014.

Significant Future Events

• LG&E is expected to file a new permit for the Trimble County landfill in December after the Kentucky Division of Waste Management notified LG&E in May of its intent to deny the permit application. The new permit application will represent the next lowest cost alternate location which is also on existing plant property.
• LKE expects to make a filing with the Kentucky Public Service Commission at the end of December for a certificate for public convenience and necessity to build a new natural gas combined-cycle unit at the Green River site for commercial operation in 2018. The filing also proposes to construct about a 10-megawatt solar facility at its Brown generating station.

(1) Excludes goodwill and other purchase accounting adjustments.
(2) Net of cost recovery mechanisms.
(3) The 11 NERC Possible Violation Issues for YTD Actual are expected to be resolved through NERC's Find, Fix and Track ("FFT") process without financial penalty.
Note: Schedules may not sum due to rounding.

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7)(o)

Witness: K Blake

Income Statement: Actual vs. Budget and Forecast (Month)									November 2013
($ Millions)	MTD				MTD				
	Actual	Budget	Variance	Comments	Actual	Q3 Forecast	Variance	Comments	
Revenues:									
Electric Revenues	$ 206	$ 205	$ 1		$ 206	$ 203	$ 3		
Gas Revenues	36	30	6	Due to increasing gas volumes resulting from colder than normal weather.	36	29	6	Due to increasing volumes resulting from colder than normal weather.	
Total Revenues	242	235	7		242	232	9		
Cost of Sales:									
Fuel Electric Costs	68	68	(1)		68	67	(1)		
Gas Supply Expenses	19	16	(3)		19	15	(4)		
Purchased Power	5	6	1		5	4	(1)		
Other Electric Cost	8	10	2		8	9	1		
Total Cost of Sales	100	99	(1)		100	96	(5)	Due to increasing volumes resulting from colder than normal weather.	
Gross Margin:									
Electric Margin	125	122	3		125	123	2		
Gas Margin	17	15	2		17	14	3		
Total Gross Margin	142	137	5	Due to increasing electric and gas volumes resulting from colder than normal weather.	142	137	5	Due to increasing electric and gas volumes resulting from colder than normal weather.	
Operating Expenses:									
O&M	52	59	7	Primarily $3m of lower outside services and $4m of lower materials and other nonlabor costs identified as permanent savings.	52	59	7	Primarily $3m of lower outside services and $4m of lower materials and other nonlabor costs identified as permanent savings.	
Depreciation & Amortization	28	28	1		28	28	0		
Taxes, Other than Income	4	4	0		4	4	0		
Total Operating Expenses	84	92	8		84	91	8		
Equity in earnings	-	(0)	0		-	-	-		
Other income	(0)	(0)	0		(0)	(0)	0		
EBIT	58	44	13		58	45	12		
Interest Expense	13	14	1		13	14	1		
Income from Ongoing Operations before income taxes	44	30	14		44	31	13		
Income Tax Expense	16	11	(6)	Higher pre-tax income.	16	11	(5)	Higher pre-tax income.	
Net Income (loss) from ongoing operations	**28**	**19**	**9**		**28**	**19**	**9**		
Non Operating Income	0	-	0		0	-	0		
Discontinued Operations	0	(0)	0		0	0	(0)		
Net Income (loss)	$ 28	$ 19	$ 9		$ 28	$ 19	$ 9		
KY Regulated Financing Costs	(3)	(3)	(0)		(3)	(3)	(0)		
KY Regulated Net Income	$ 25	$ 16	$ 9		$ 25	$ 17	$ 9		
Earnings Per Share	$ 0.04	$ 0.02	$ 0.01		$ 0.04	$ 0.02	$ 0.01		

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7)(o)

Witness: K Blake

Income Statement: Actual vs. Budget (YTD) November 2013

($ Millions)

	YTD			
	Actual	Budget	Variance	Comments
Revenues:				
Electric Revenues	$ 2,423	$ 2,514	$ (91)	Due to lower residential and commercial electric consumption volumes, lower demand charges and other customer/tariff mix changes partially offset by higher recoveries from fuel adjustment and demand side management rate mechanisms.
Gas Revenues	271	263	8	Due to increasing gas volumes resulting from colder than normal November weather.
Total Revenues	2,694	2,777	(83)	
Cost of Sales:				
Fuel Electric Costs	821	847	26	Decreased electric volumes and prices. Offset by unfavorable electric revenues above.
Gas Supply Expenses	132	128	(4)	
Purchased Power	53	62	9	Lower purchases than originally planned.
Other Electric Cost	91	108	17	Lower electric volumes.
Total Cost of Sales	1,098	1,145	47	
Gross Margin:				
Electric Margin	1,458	1,497	(39)	See electric revenue comment above.
Gas Margin	139	136	3	
Total Gross Margin	1,597	1,633	(36)	
Operating Expenses:				
O&M	622	664	42	Primarily $13m of labor savings, $9m of lower outside services, $4m of lower uncollectible accounts, $6m of lower materials and $10m of lower other nonlabor costs.
Depreciation & Amortization	301	309	8	Delayed capital spend in 2012 and revised in-service dates for capital projects in 2013.
Taxes, Other than Income	43	44	1	
Total Operating Expenses	967	1,017	51	
Equity in earnings	-	(1)	1	
Other income	(7)	(8)	1	
EBIT	623	607	16	
Interest Expense	137	140	3	
Income from Ongoing Operations before income taxes	486	467	19	
Income Tax Expense	181	174	(6)	Higher pre-tax income.
Net Income (loss) from ongoing operations	**305**	**293**	**12**	
Non Operating Income	1	-	1	
Discontinued Operations	2	(1)	3	
Net Income (loss)	$ 308	291	$ 16	
KY Regulated Financing Costs	(38)	(35)	(4)	
KY Regulated Net Income	$ 269	$ 257	$ 13	
Earnings Per Share	$ 0.42	$ 0.41	$ 0.01	

Income Statement: Forecast vs. Budget and Prior Forecast								**November 2013**
($ Millions)	Full Year				Full Year			
	Forecast	Budget	Variance	Comments	Forecast	Q3 Forecast	Variance	Comments
Revenues:								
Electric Revenues	$ 2,654	$ 2,753	$ (99)	Due to lower residential and commercial electric consumption volumes, lower demand charges and other customer/tariff mix changes partially offset by higher recoveries from fuel adjustment and demand side management rate mechanisms.	$ 2,654	$ 2,650	$ 3	
Gas Revenues	320	313	7	Due to increasing gas volumes resulting from colder than normal November weather.	320	315	5	Due to increasing gas volumes resulting from colder than normal November weather.
Total Revenues	2,974	3,065	(92)		2,974	2,965	9	
Cost of Sales:								
Fuel Electric Costs	900	928	27		900	902	2	
Gas Supply Expenses	160	157	(3)		160	158	(3)	
Purchased Power	58	67	9		58	56	(2)	
Other Electric Cost	101	119	18		101	103	1	
Total Cost of Sales	1,220	1,271	51	Due to lower residential and commercial electric consumption volumes, lower demand charges and other customer/tariff mix changes partially offset by higher recoveries from fuel adjustment and demand side management rate mechanisms.	1,220	1,219	(1)	
Gross Margin:								
Electric Margin	1,594	1,638	(44)	Due to lower residential and commercial electric consumption volumes, lower demand charges and other customer/tariff mix changes partially offset by higher recoveries from fuel adjustment and demand side management rate mechanisms.	1,594	1,590	4	
Gas Margin	160	156	4		160	157	3	
Total Gross Margin	1,754	1,794	(40)		1,754	1,746	7	Due to increasing electric and gas volumes resulting from colder than normal weather.
Operating Expenses:								
O&M	681	721	40	Favorable labor and burdens, uncollectible accounts, outside services and materials.	681	693	12	Permanent cost savings identified in October and November.
Depreciation & Amortization	329	338	8	Revised estimates based on delayed capital spend in 2012 and revised in-service dates for capital projects in 2013.	329	330	0	
Taxes, Other than Income	47	48	1		47	48	1	
Total Operating Expenses	1,058	1,107	49		1,058	1,071	13	
Equity in earnings	-	(1)	1		-	-	-	
Other income	(8)	(8)	1		(8)	(8)	(0)	
EBIT	688	677	10		688	668	20	
Interest Expense	151	154	3		151	152	1	
Income from Ongoing Operations before income taxes	537	524	13		537	515	22	
Income Tax Expense	200	196	(4)		200	192	(8)	
Net Income (loss) from ongoing operations	**337**	**328**	**9**		**337**	**324**	**13**	
Non Operating Income	1	-	1		1	1	0	
Discontinued Operations	2	(1)	3		2	2	0	
Net Income (loss)	$ 340	$ 326	$ 13		$ 340	$ 326	$ 14	
KY Regulated Financing Costs	(41)	(37)	(4)		(41)	(41)	-	
KY Regulated Net Income	$ 299	$ 289	$ 9		$ 299	$ 285	$ 14	
Earnings Per Share	$ 0.46	$ 0.46	$ 0.00		$ 0.46	$ 0.46	$ -	

Electric Gross Margin — November 2013

($ Millions)

	MTD Actual	MTD Budget	MTD Unit Variance	MTD Value @	MTD Dollar Variance	MTD Margin Variance	YTD Actual	YTD Budget	YTD Unit Variance	YTD Value @	YTD Dollar Variance	YTD Margin Variance
Base Electric Margin:						$ 3						$ (57)
Energy Volumes (a)	2,607,961	2,542,155	65,807	$ -	$ 4		30,096,719	30,795,012	(698,293)	$ -	$ (22)	
Energy Prices (a)					(1)						(8)	
Customer Charges (Avg. Customers)	938,902	948,354	(9,452)		0		935,889	945,701	(9,812)		2	
Demand Charges (b)	37	37			-		431	460			(29)	
ECR:						(0)						(3)
Average Rate Base	$ 904	$ 1,042	$ (138)	10.43%	$ (1.1)		$ 689	$ 791	$ (103)	10.43%	$ (8.7)	
Cost of Capital	10.32%	10.43%	-0.11%	$ 904	(0.1)		10.30%	10.43%	-0.14%	$ 689	(0.8)	
Jurisdictional Factor	88.21%	87.42%	0.79%	$ 904	0.1		89.06%	88.93%	0.13%	$ 689	0.1	
Other					0.8						6.6	
DSM:						(0)						4
Program Expense (Revenue Net of Expense)	$ -	$ 0.1			$ (0.1)		$ 0.5	$ 0.5			$ -	
Lost Sales	1.1	1.0			0.1		14.9	11.1			3.8	
Incentive	0.1	0.1			-		1.1	0.9			0.2	
Balancing Adjustment	(0.2)	-			(0.2)		(0.1)	-			(0.1)	
Net Fuel Recovery	$ -	$ (0.5)				1	$ 7	$ (6)				13
Purchase Power Demand	(2.6)	(2.5)				(0)	(26.6)	(27.7)				1
Transmission	0.8	0.8				-	8.7	9.0				(0)
Other	(1.9)	(1.5)				(0)	(17.3)	(19.4)				2
Retail Margin Variance						3						(40)
Off-System Margin Variance						(0)						1
Electric Margin Variance						$ 3						$ (39)

(a) Non-Fuel Energy Analysis (net of base ECR revenue): MTD

	Actual Revenue $mil	Actual Volume (MWH)	Actual Price ($/MWH)	Budget Revenue $mil	Budget Volume (MWH)	Budget Price ($/MWH)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 40	825,624	$ 48.46	$ 35	730,835	$ 48.22	$ 5	$ 5	$ 0
Commercial	18	588,606	30.25	20	613,206	31.89	(2)	(1)	(1)
Industrial	7	830,532	8.92	7	818,107	8.75	0	0	0
Municipals	1	144,996	5.56	1	152,611	4.69	0	-	0
Other	5	218,204	23.48	5	227,397	23.40	(0)	(0)	-
Native Load Total	**$ 71**	**2,607,961**	**$ 27.28**	**$ 68**	**2,542,155**	**$ 26.75**	**$ 3**	**$ 4**	**$ (1)**

(a) Non-Fuel Energy Analysis (net of base ECR revenue): YTD

	Actual Revenue $mil	Actual Volume (MWH)	Actual Price ($/MWH)	Budget Revenue $mil	Budget Volume (MWH)	Budget Price ($/MWH)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 469	9,647,592	$ 48.62	$ 480	9,893,811	$ 48.49	$ (11)	$ (12)	$ 1
Commercial	224	7,161,375	31.21	237	7,404,450	32.04	(14)	(8)	(6)
Industrial	79	8,978,320	8.76	80	9,057,976	8.84	(1)	(1)	(1)
Municipals	9	1,715,791	5.09	8	1,780,380	4.69	0	(0)	1
Other	57	2,593,640	22.01	62	2,658,395	23.17	(5)	(2)	(3)
Native Load Total	**$ 837**	**30,096,719**	**$ 27.81**	**$ 867**	**30,795,012**	**$ 28.15**	**$ (30)**	**$ (22)**	**$ (8)**

(b) Demand Analysis (net of base ECR revenue):

$mil	MTD Act	MTD Bud	MTD Variance	YTD Act	YTD Bud	YTD Variance
Commercial	12	12	0	146	160	(15)
Industrial	16	16	(1)	179	194	(15)
Municipals	4	4	(0)	44	48	(4)
Other	5	5	1	62	57	5
Native Load Total	**37**	**37**	**-**	**431**	**460**	**(29)**

Weather Statistics	MTD Act	MTD +/- Bud		YTD Act	YTD +/- Bud	
Heating Degree Days - Louisville	635	71	13%	3,642	205	6%
Heating Degree Days - Lexington	642	133	26%	3,819	145	4%
Cooling Degree Days - Louisville	0	(1)	-100%	1,446	(28)	-2%
Cooling Degree Days - Lexington	0	(2)	-100%	1,244	54	5%

Gas Gross Margin — November 2013

($ Millions)

	MTD				YTD			
	Actual	Budget	Subtotal	Margin Variance	Actual	Budget	Subtotal	Margin Variance
Gas Base Service Charge	**$ 5**	**$ 5**		**$ -**	**$ 58**	**$ 55**		**$ 2**
Gas Supply Costs								
Gas Supply Costs	(19)	(15)	$ (4)		(133)	(119)	$ (14)	
GSC Revenue	19	15	4		133	120	13	
Net Gas Supply Costs				**0**				**$ (1)**
Retail Gas (a)	**11**	**8**		**3**	**74**	**68**		**$ 6**
Wholesale Gas (a)	**-**	**-**		**-**	**-**	**-**		**$ -**
DSM	**0**	**-**		**0**	**1**	**1**		**$ -**
GLT	**0**	**1**		**(1)**	**3**	**3**		**$ (0)**
WNA	**(0)**	**-**		**(0)**	**(2)**	**-**		**$ (2)**
Other Margin	**0**	**0**		**(0)**	**1**	**3**		**$ (2)**
Gas Margin Variance				**$ 2**				**$ 3**

(a) Retail and wholesale gas sales - excludes GSC

	MTD								
	Actual			Budget			Variance		
	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume $mil	Price $mil
Residential	$ 7	2,641,453	$ 2.64	$ 5	2,035,701	$ 2.59	$ 2	$ 2	$ 0
Commercial	2	987,226	-	2	812,738	2.06	0	0	(0)
Industrial	0	223,516	1.77	0	84,464	1.90	0	0	(0)
Public Authority	0	183,563	2.16	0	176,406	2.00	-	-	-
Transportation	1	1,152,549	0.80	1	1,013,818	0.45	1	0	0
Ultimate Consumer	$ 11	5,188,307	$ 1.68	$ 8	4,123,127	$ 1.92	$ 3	$ 2	$ 0

	YTD								
	Actual			Budget			Variance		
	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume $mil	Price $mil
Residential	$ 46	17,474,011	$ 2.64	$ 44	16,986,875	$ 2.59	$ 2	$ 2	$ 0
Commercial	14	7,671,797	-	16	7,535,433	2.05	(1)	0	(2)
Industrial	2	1,449,554	1.53	2	827,907	1.86	1	0	0
Public Authority	3	1,329,349	1.97	3	1,386,854	1.96	(0)	-	(0)
Transportation	9	10,727,190	0.85	4	10,072,152	0.44	5	0	5
Ultimate Consumer	$ 74	38,651,901	$ 1.56	$ 68	36,809,221	$ 1.85	$ 6	$ 2	$ 3

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Witness: K Blake

O&M — November 2013

($ Millions)

	MTD			Variances						
	Actual	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 17	$ 21	$ 4	$ -	$ 0	$ 4	$ 3	$ 1	$ -	$ (4)
Project Engineering	0	0	0	-	0	-	(0)	(0)	-	0
Transmission	2	2	(0)	-	(0)	-	(0)	(0)	-	0
Energy Supply and Analysis	1	1	(0)	-	0	-	0	0	-	(0)
Electric Distribution	6	5	(1)	-	(0)	-	(1)	(0)	(0)	0
Gas Distribution	2	3	1	-	0	-	0	(0)	(0)	0
Customer Services	6	7	1	-	0	-	0	0	0	0
Chief Operations Officer	**35**	**39**	**4**	**-**	**0**	**4**	**3**	**1**	**0**	**(4)**
Information Technology	3	4	1	-	1	-	(0)	0	-	0
General Counsel	2	3	0	-	(0)	-	0	0	-	0
Human Resources	1	1	0	-	0	-	0	0	-	0
Supply Chain	0	0	0	-	0	-	0	0	-	0
Chief Administrative Officer	**6**	**7**	**1**	**-**	**1**	**-**	**0**	**0**	**-**	**0**
Chief Financial Officer	**1**	**1**	**0**	**-**	**0**	**-**	**0**	**0**	**-**	**0**
Corporate	**9**	**12**	**3**	**2**	**0**	**-**	**0**	**0**	**-**	**0**
O&M Total MTD	**$ 52**	**$ 59**	**$ 7**	**$ 2**	**$ 1**	**$ 4**	**$ 3**	**$ 1**	**$ 0**	**$ (3)**

	YTD			Variances						
	Actual	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 201	$ 211	$ 10	$ -	$ 6	$ 12	$ 1	$ 4	$ -	$ (12)
Project Engineering	0	1	0	-	0	-	(0)	(0)	-	0
Transmission	26	27	1	-	(0)	-	1	(0)	-	0
Energy Supply and Analysis	8	9	2	-	1	-	0	0	(0)	1
Electric Distribution	64	64	0	-	(0)	-	(3)	3	(0)	0
Gas Distribution	27	31	4	-	1	-	3	0	-	0
Customer Services	74	84	9	-	(0)	-	-	-	-	10
Chief Operations Officer	**401**	**428**	**27**	**-**	**6**	**12**	**4**	**6**	**(0)**	**(1)**
Information Technology	43	46	3	-	3	-	(1)	(0)	-	1
General Counsel	25	31	5	-	0	-	4	0	-	1
Human Resources	6	7	1	-	0	-	0	0	-	0
Supply Chain	3	3	0	-	0	-	0	0	-	0
Chief Administrative Officer	**77**	**86**	**10**	**-**	**4**	**-**	**4**	**(0)**	**-**	**2**
Chief Financial Officer	**16**	**17**	**2**	**-**	**1**	**-**	**(0)**	**0**	**-**	**1**
Corporate	**128**	**133**	**5**	**1**	**(0)**	**-**	**4**	**1**	**1**	**(2)**
O&M Total YTD	**$ 622**	**$ 664**	**$ 42**	**$ 1**	**$ 11**	**$ 12**	**$ 11**	**$ 8**	**$ 0**	**$ (1)**

	Full Year			Variances						
	Forecast	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 218	$ 227	$ 9	$ -	$ 6	$ 4	$ 4	$ (3)	$ -	$ (1)
Project Engineering	1	1	0	-	0	-	(0)	(0)	-	0
Transmission	29	29	0	-	0	-	3	(3)	-	(0)
Energy Supply and Analysis	9	10	1	-	0	-	0	0	-	0
Electric Distribution	69	69	0	-	(1)	-	0	1	-	(0)
Gas Distribution	30	34	4	-	0	-	3	1	-	(1)
Customer Services	82	91	9	-	3	-	3	0	4	(0)
Chief Operations Officer	**437**	**461**	**23**	**-**	**9**	**4**	**13**	**(4)**	**4**	**(2)**
Information Technology	47	50	4	-	3	-	(1)	0	-	1
General Counsel	29	34	6	-	0	-	5	(0)	-	2
Human Resources	6	7	1	-	0	-	0	0	-	0
Supply Chain	3	3	0	-	0	-	0	-	-	0
Chief Administrative Officer	**85**	**95**	**10**	**-**	**4**	**-**	**5**	**0**	**-**	**3**
Chief Financial Officer	**17**	**19**	**2**	**-**	**0**	**-**	**0**	**-**	**-**	**1**
Corporate	**142**	**146**	**4**	**2**	**0**	**-**	**2**	**(0)**	**1**	**(1)**
O&M Total Full Year	**$ 681**	**$ 721**	**$ 40**	**$ 2**	**$ 13**	**$ 4**	**$ 20**	**$ (4)**	**$ 4**	**$ 1**

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Financing Activities — November 2013

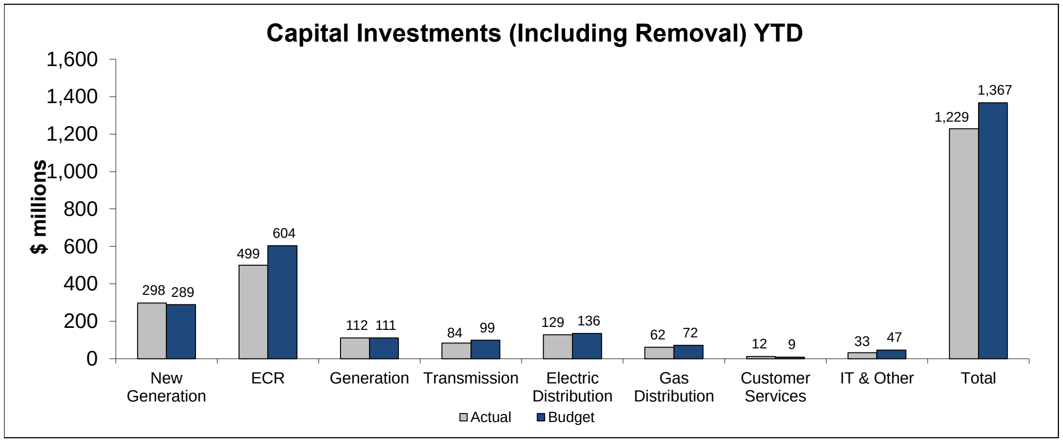
($ Millions)

Balance Sheet	MTD Actual	MTD Budget	MTD Variance	YTD Actual	YTD Budget	YTD Variance	Full Year Forecast	Full Year Budget	Full Year Variance
PCB									
Beg Bal	$ 931.7	$ 931.7	$ -	$ 932.0	$ 932.0	$ 0.0	$ 932.0	$ 932.0	$ -
End Bal	931.7	931.7	-	931.7	931.7	-	931.7	931.7	(0.0)
Ave Bal	**$ 931.7**	**$ 931.7**	**$ -**	**$ 931.9**	**$ 931.8**	**$ (0.0)**	**$ 931.8**	**$ 931.8**	**$ (0.0)**
Interest Exp	**$ 0.9**	**$ 1.1**	**$ 0.3**	**$ 9.6**	**$ 12.6**	**$ 3.0**	**$ 10.6**	**$ 13.6**	**$ 3.0**
Rate	**0.00%**	**0.00%**	**0.00%**	**1.11%**	**1.45%**	**0.34%**	**1.13%**	**1.46%**	**0.33%**
FMB/Sr Nts									
Beg Bal	$ 3,144.2	$ 3,144.2	$ (0.0)	$ 3,142.8	$ 3,142.8	$ 0.0	$ 3,142.8	$ 3,142.8	$ 0.0
End Bal	3,640.7	3,694.3	53.6	3,640.7	3,694.3	53.6	3,644.4	3,694.4	50.0
Ave Bal	**$ 3,392.4**	**$ 3,419.2**	**$ 26.8**	**$ 3,391.7**	**$ 3,193.6**	**$ (198.1)**	**$ 3,227.0**	**$ 3,235.3**	**$ 8.3**
Interest Exp	**$ 10.6**	**$ 11.5**	**$ 0.9**	**$ 106.1**	**$ 107.1**	**$ 0.9**	**$ 120.5**	**$ 120.2**	**$ (0.3)**
Rate	**0.00%**	**0.00%**	**0.00%**	**3.37%**	**3.61%**	**0.24%**	**3.73%**	**3.72%**	**-0.02%**
Short-term Debt									
Beg Bal	$ 291.0	$ 597.8	$ 306.8	$ 149.7	$ 149.7	$ (0.0)	$ 149.7	$ 149.7	$ (0.0)
End Bal	75.0	196.1	121.1	75.0	196.1	121.1	209.4	176.3	(33.1)
Ave Bal	**$ 183.0**	**$ 396.9**	**$ 214.0**	**$ 112.3**	**$ 375.7**	**$ 263.4**	**$ 290.1**	**$ 359.0**	**$ 69.0**
Interest Exp	**$ 0.1**	**$ 0.2**	**$ 0.2**	**$ 1,997.2**	**$ 2,244.9**	**$ 247.7**	**$ 2.4**	**$ 1.2**	**$ (1.2)**
Rate	**0.00%**	**0.00%**	**0.00%**	**1.92%**	**0.64%**	**-1.27%**			
Total End Bal	**$ 4,647.4**	**$ 4,822.1**	**$ 174.7**	**$ 4,647.4**	**$ 4,822.1**	**$ 174.7**	**$ 4,785.5**	**$ 4,802.4**	**$ 16.9**
Total Average Bal	**$ 4,507.1**	**$ 4,747.9**	**$ 240.8**	**$ 4,435.9**	**$ 4,501.1**	**$ 65.2**	**$ 4,448.9**	**$ 4,526.2**	**$ 77.3**
Total Expense Excl I/C	**$ 13.2**	**$ 14.5**	**$ 1.3**	**$ 136.8**	**$ 139.6**	**$ 2.8**	**$ 152.2**	**$ 153.8**	**$ 1.7**
Rate	**3.76%**	**3.92%**	**0.15%**	**3.32%**	**3.34%**	**0.02%**	**3.42%**	**3.40%**	**-0.02%**

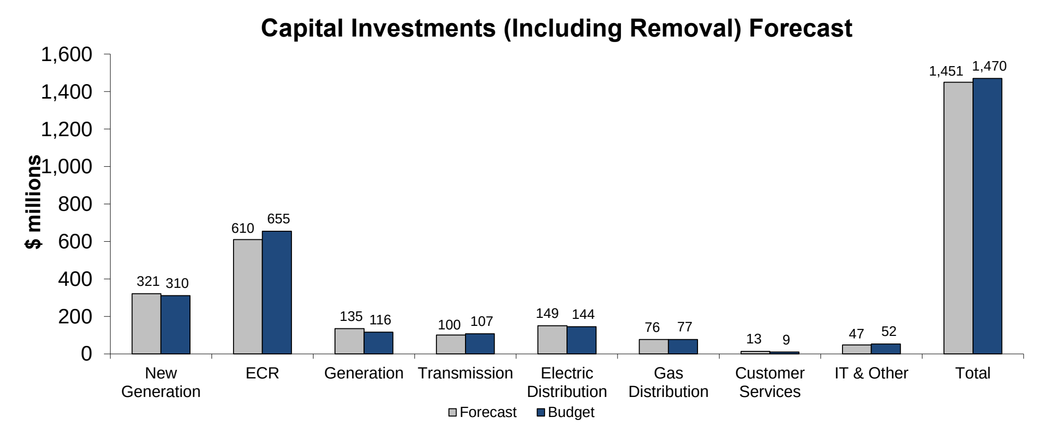
Balance Sheet — November 2013

($ Millions)

	YTD	YTD Budget	Variance	Comments
Assets:				
Current Assets:				
Cash and Cash Equivalents	$ 153	$ 10	$ 143	Primarily lower capex payments, lower dividends than budgeted, forward starting swaps settlement and issuance of revolver debt.
Accounts Receivable (Trade)	358	310	48	Due primarily to tariff rate variance in receivable logic and extended due date granted in rate case.
Inventory	295	273	23	Primarily an increase in fuel ($20m) and materials and supplies ($3m).
Deferred Income Taxes	20	13	6	
Prepayments and other current assets	39	62	(23)	Budget included ($14m) for forward hedging swaps entered into in Nov. 2012 compared to actuals of zero due to settlement in Sept.; ($6m) for provision for bad debts above plan; and ($2m) AR to PPL in plan but no actuals.
Total Current Assets	865	668	197	
Property, Plant, and Equipment	9,343	9,373	(30)	See capital chart for details.
Intangible Assets	225	224	1	
Other Property and Investments	1	1	1	
Regulatory Assets	588	614	(26)	Primarily interest rate swaps ($19m) and decrease in FAC ($10m).
Goodwill	997	997	-	
Other Long-term Assets	99	102	(3)	
Total Assets	**$ 12,118**	**$ 11,979**	**$ 139**	
Liabilities and Equity:				
Current Liabilities:				
Accounts Payable (Trade)	$ 409	$ 174	$ 235	Primarily differences in capex accrual and an increase in retainage fees and fuel volumes.
Accounts Payable - Affiliated Company	138	(0)	138	Dividend payable to PPL.
Customer Deposits	50	48	1	
Derivative Liability	4	5	(1)	
Accrued Taxes	120	39	81	Timing of tax payments and accruals in actuals vs. budget.
Other Current Liabilities	125	116	9	
Total Current Liabilities	845	383	462	
Debt - Affiliated Company	-	-	-	
Debt	4,647	4,822	(175)	Less long-term debt issued in November then budgeted ($54m); short-term debt less then plan ($96m) due to lower capital spend and notes payable to PPL ($25m). See Financing Activities page for more details.
Total Debt	4,647	4,822	(175)	
Deferred Tax Liabilities	652	697	(45)	Timing of recording of deferred taxes in actuals vs. budget.
Investment Tax Credit	135	134	1	
Accumulated Provision for Pension and Related Benefits	268	274	(6)	
Asset Retirement Obligation	247	131	115	ARO unplanned revaluation.
Regulatory Liabilities	1,046	985	61	Primarily due to short-term derivative asset gain from forward hedges entered into in Nov. 2012 and settled in Sept. 2013 with PPL as counterparty partially offset by loss from hedges entered into in Sept. 2013 with PPL as counterparty ($71m); offset by an increase in cost of removal ($8m).
Derivative Liability	36	54	(18)	Forward hedges with PPL as counterpary entered into in Sept. 2013.
Other Liabilities	258	236	22	Primarily long-term project engineering retention fee balances over Plan.
Total Deferred Credits and Other Liabilities	2,641	2,510	131	
Equity	3,984	4,263	(279)	
Total Liabilities and Equity	**$ 12,118**	**$ 11,979**	**$ 139**	



Capital was $138m lower than budget YTD due mainly to timing delays to be largely made up in December – see Full Year Forecast below.



Capital is projected to be $19m lower than budget due mainly to the portion of Trimble landfill delay not offset by other spend variances.

Performance Report

December 2013

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Kentucky Regulated Dashboard — December 2013

Operational Metrics	Current Month		YTD	
Safety	**Actual**	**PY**	**Actual**	**PY**
TCIR - Employees	0.43	1.26	1.29	1.35
Employee lost-time incidents	0	1	3	6
Reliability	**Actual**	**Budget**	**Actual**	**Budget**
Generation Volumes	3,099	3,086	34,338	35,128
Utility EFOR	6.4%	5.1%	7.7%	5.1%
Utility EAF	87.2%	92.3%	81.4%	87.1%
Combined SAIFI	0.10	0.07	1.04	1.22
Combined SAIDI (minutes)	9.64	5.71	95.09	109.60
Steam Fleet Commercial Availability	94.4%	N/A	91.9%	91.3%
GwH Sales				
Residential	1,114	1,018	10,761	10,912
Commercial	618	658	7,779	8,063
Industrial	755	833	9,733	9,891
Municipals	164	164	1,880	1,944
Other	221	242	2,815	2,901
Off-System Sales	97	68	503	465
Total	2,969	2,982	33,471	34,175
Weather-Normalized Sales Growth			**TTM**	
Residential			0.22%	
Commercial			-1.28%	
Industrial			1.52%	
Municipal			-0.78%	
Other			-1.73%	
Total			0.01%	

	Current Month		YTD	
Financial Metrics	**Actual**	**Budget**	**Actual**	**Budget**
Utility ROE[1]	13.0%	11.5%	10.2%	9.6%
Electric Margins	$143	$142	$1,601	$1,638
Gas Margins	$20	$20	$159	$156
Capital Expenditures ($ millions)	**Actual**	**Budget**	**Actual**	**Budget**
New Generation	$44	$20	$343	$310
ECR	104	51	606	655
Generation	26	6	135	117
Transmission	12	8	95	107
Electric Distribution	22	9	150	144
Gas Distribution	10	5	71	77
Customer Services	3	0	14	9
IT and Other	11	4	45	51
Total	$232	$103	$1,459	$1,470
O&M ($ millions)[2]	**Actual**	**Budget**	**Actual**	**Budget**
Operations	$38	$34	$439	$461
Administrative	$8	9	$85	$95
Finance	$2	2	$18	$19
Burdens & Other Charges	$10	13	$138	$146
Total	$58	$57	$680	$721
Head Count	**Actual**	**Budget**	**Actual**	**Budget**
Full-time Employees	3,399	3,435	3,399	3,435
Other Metrics	**Actual**	**PY**	**Actual**	**PY**
Environmental Events	0	4	14	14
NERC Possible Violations[3]	0	0	11	24

Variance Explanations

• The generation fleet's EAF and EFOR are unfavorable to budget due primarily to Mill Creek Unit 4 first reheater leaks and max steam flow issues, Mill Creek Unit 3 Turbine crossover expansion joint failure, Ghent Unit 4 cooling tower header failure, Trimble County Unit 2 low pressure turbine bearing failure and Cane Run Unit 4 generator rotor winding shorts. However, the units have run effectively when most needed as evidenced by the favorable YTD variance in Commercial Availability.

• Lower YTD margins due primarily to a shortfall of $58 million in electric energy revenues and demand charge revenues due to a mild summer, weak economic conditions (particularly the mining sector), as well as peak demand reductions and other changes in customer usage patterns. These shortfalls were partially offset by $15 million of net incremental recovery on rate mechanisms (FAC, DSM and ECR) and a combined $7 million of favorable margins from customer charges, gas deliveries and electric off system sales.

• Lower YTD O&M primarily due to $14 million of labor savings, $11 million of lower outside services, $7 million of lower materials, $5 million of lower uncollectible accounts, and $4 million of lower other nonlabor costs.

• Capital was $129m higher than budget MTD due primarily to increased spending on air compliance projects of $27 million, Ghent landfill of $27 million, Cane Run Unit 7 of $20 million and other timing variances from prior months that reversed in December.

• Capital was $11m lower than budget YTD due primarily to the portion of Trimble landfill delay not being offset by other spend variances.

[1] Excludes goodwill and other purchase accounting adjustments.
[2] Net of cost recovery mechanisms.
[3] The 11 NERC Possible Violation Issues for YTD Actual are minor and likely to be resolved through NERC's Find, Fix and Track ("FFT") process without financial penalty.

Major Developments

• LKE continued advancement of its construction program in December as it executed an engineering, procurement and construction contract for the coal combustion residual transport system at its Brown facility. The Company also filed a new permit application for the landfill at Trimble County and a notice to file for its certificate of public convenience and necessity for its second combined cycle gas plant, Green River 5, and a proposed solar facility at Brown. For 2013, LKE prudently deployed $1.46 billion of capital, 40 percent more than any year in Company history, with a large portion of the investments earning real-time returns through ECR and other rate mechanisms.

• As a result of the recent "polar vortex", LKE faced some of its coldest temperatures on record, leading to record-breaking energy usage across its service territories in the first part of January. The Company's electric and gas systems performed well and successfully managed the increased energy demand while setting the following records: LG&E electric winter peak and natural gas 24-hour usage, KU all-time electric peak and all-time daily energy usage, and combined LG&E and KU electric winter peak and all-time daily energy usage. This solid start to 2014 follows a strong Q4 2013 where improved margins and continued cost management allowed LKE to beat earnings' expectations.

• The Company will remain at the center of key energy and environmental policy debates as Kentucky lawmakers recently returned to Frankfort to begin the 2014 legislative session. In 2013, not only was there no significant state legislation that passed which adversely impacted LKE during 2013, but Company officials also provided testimony which was so compelling state representatives withdrew a bill which would have precluded the timely recovery of costs associated with natural gas used for electric generation.

Significant Future Events

• The Trimble County Fabric Filter EPC contract is currently under evaluation and is expected to be awarded in February.

Income Statement: Actual vs. Budget and Forecast (Month) — December 2013

($ Millions)

	MTD			
	Actual	Budget	Variance	Comments
Revenues:				
Electric Revenues	$ 238	$ 239	$ (1)	
Gas Revenues	49	50	(1)	
Total Revenues	287	288	(1)	
Cost of Sales:				
Fuel Electric Costs	81	81	(0)	
Gas Supply Expenses	29	29	1	
Purchased Power	5	5	(0)	
Other Electric Cost	8	11	3	
Total Cost of Sales	123	126	3	
Gross Margin:				
Electric Margin	143	142	1	
Gas Margin	20	20	(0)	
Total Gross Margin	163	162	1	
Operating Expenses:				
O&M	58	57	(1)	
Depreciation & Amortization	28	29	1	
Taxes, Other than Income	4	4	0	
Total Operating Expenses	90	90	0	
Equity in earnings	-	(0)	0	
Other income	(1)	(1)	(0)	
EBIT	72	71	1	
Interest Expense	8	14	6	Favorable financing costs due to $5 million of net debt amortization adjustments associated with remarketed pollution-control bonds and $1 million of interest rate favorability.
Income from Ongoing Operations before income taxes	64	57	7	
Income Tax Expense	25	21	(3)	
Net Income (loss) from ongoing operations	**39**	**35**	**4**	
Non Operating Income	0	-	0	
Discontinued Operations	0	(0)	0	
Net Income (loss)	$ 40	$ 35	$ 4	
KY Regulated Financing Costs	(2)	(2)	0	
KY Regulated Net Income	$ 37	$ 33	$ 4	
Earnings Per Share	$ 0.06	$ 0.05	$ 0.01	

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Income Statement: Actual vs. Budget (YTD) — December 2013

($ Millions)

	YTD			
	Actual	**Budget**	**Variance**	**Comments**
Revenues:				
Electric Revenues	$ 2,661	$ 2,753	$ (91)	Due to lower residential and commercial electric consumption volumes, lower demand charges and other customer/tariff mix changes partially offset by higher recoveries from fuel adjustment and demand side management rate mechanisms.
Gas Revenues	320	313	7	Due to increasing gas volumes resulting from colder than normal November and December weather.
Total Revenues	2,981	3,065	(84)	
Cost of Sales:				
Fuel Electric Costs	902	928	26	Decreased electric volumes and prices. Offset by unfavorable electric revenues above.
Gas Supply Expenses	161	157	(4)	
Purchased Power	59	67	9	Lower purchases than originally planned.
Other Electric Cost	100	119	20	Lower electric volumes.
Total Cost of Sales	1,221	1,271	50	
Gross Margin:				
Electric Margin	1,601	1,638	(37)	Primarily to $58 million from electric energy and demand charge revenues due to a mild summer, weak economic conditions (particularly the mining sector), as well as peak demand reductions and other changes in customer usage patterns. These shortfalls were partially offset by $15 million of net incremental recovery on rate mechanisms (FAC, DSM and ECR) and a combined $4 million of favorable margins from customer charges and electric off system sales.
Gas Margin	159	156	3	
Total Gross Margin	1,760	1,794	(34)	
Operating Expenses:				
O&M	680	721	41	Primarily due to $14 million of labor savings, $11 million of lower outside services, $7 million of lower materials, $5 million of lower uncollectible accounts, and $4 million of lower other nonlabor costs.
Depreciation & Amortization	329	338	9	Delayed capital spend in 2012 and revised in-service dates for capital projects in 2013.
Taxes, Other than Income	47	48	1	
Total Operating Expenses	1,057	1,107	51	
Equity in earnings	-	(1)	1	
Other income	(8)	(8)	0	
EBIT	695	677	18	
Interest Expense	145	154	9	Favorable financing costs due to $5 million of net debt amortization adjustments associated with remarketed pollution-control bonds and $4 million of interest rate favorability and lower than budgeted debt levels.
Income from Ongoing Operations before income taxes	550	524	26	
Income Tax Expense	205	196	(10)	Higher pre-tax income.
Net Income (loss) from ongoing operations	**345**	**328**	**17**	
Non Operating Income	1	-	1	
Discontinued Operations	2	(1)	3	
Net Income (loss)	$ 347	326	$ 21	
KY Regulated Financing Costs	(41)	(37)	(4)	
KY Regulated Net Income	$ 307	$ 289	$ 17	
Earnings Per Share	$ 0.48	$ 0.46	$ 0.02	

Electric Gross Margin — December 2013

($ Millions)

	MTD						YTD					
	Actual	**Budget**	**Unit Variance**	**Value @**	**Dollar Variance**	**Margin Variance**	**Actual**	**Budget**	**Unit Variance**	**Value @**	**Dollar Variance**	**Margin Variance**
Base Electric Margin:						$ 1						$ (56)
Energy Volumes (a)	2,872,091	2,914,279	(42,188)	$ -	$ 2		32,968,810	33,709,291	(740,481)	$ -	$ (20)	
Energy Prices (a)					1						(7)	
Customer Charges (Avg. Customers)	939,689	948,352	(8,663)		0		936,206	945,922	(9,716)		2	
Demand Charges (b)	37	39			(2)		468	499			(31)	
ECR:						$ 2						(1)
Average Rate Base	$ 1,091	$ 1,085	$ 6	10.43%	$ -		$ 722	$ 816	$ (94)	10.43%	$ (8.7)	
Cost of Capital	10.41%	10.43%	-0.02%	$ 1,091	$ -		10.31%	10.43%	-0.12%	$ 722	(0.8)	
Jurisdictional Factor	87.30%	87.48%	-0.17%	$ 1,091	$ -		88.84%	88.77%	0.07%	$ 722	0.1	
Other					$ 1.6						8.2	
DSM:						$ 0						4
Program Expense (Revenue Net of Expense)	$ -	$ 0.1			$ (0.1)		$ 0.5	$ 0.5			$ -	
Lost Sales	1.2	1.0			$ 0.2		16.1	12.2			3.9	
Incentive	0.1	0.1			$ -		1.2	1.0			0.2	
Balancing Adjustment	0.4	-			$ 0.4		0.3	-			0.3	
Net Fuel Recovery	$ (2.5)	$ (0.5)				$ (2)	$ 4	$ (7)				11
Purchase Power Demand	(2.9)	(2.6)				$ (0)	(29.5)	(30.3)				1
Transmission	1.6	0.9				$ 1	10.3	9.9				0
Other	(1.9)	(1.3)				$ (1)	(19.2)	(20.7)				2
Retail Margin Variance						$ 1						(39)
Off-System Margin Variance						$ 0						2
Electric Margin Variance						$ 1						$ (37)

(a) Non-Fuel Energy Analysis (net of base ECR revenue):

	MTD								
	Actual			Budget			Variance		
	Revenue $mil	**Volume (MWH)**	**Price ($/MWH)**	**Revenue $mil**	**Volume (MWH)**	**Price ($/MWH)**	**Revenue $mil**	**Volume $mil**	**Price $mil**
Residential	$ 54	1,113,900	$ 48.87	$ 49	1,017,827	$ 47.99	$ 6	$ 5	$ 1
Commercial	20	617,805	31.62	21	658,384	32.39	(2)	(1)	(1)
Industrial	7	755,291	9.31	7	832,592	8.84	(0)	(1)	0
Municipals	1	164,229	5.56	1	163,566	4.69	0	-	0
Other	5	220,866	24.27	6	241,910	23.37	(0)	(1)	0
Native Load Total	**$ 87**	**2,872,091**	**$ 30.39**	**$ 84**	**2,914,279**	**$ 28.81**	**$ 3**	**$ 2**	**$ 1**

(a) Non-Fuel Energy Analysis (net of base ECR revenue):

	YTD								
	Actual			Budget			Variance		
	Revenue $mil	**Volume (MWH)**	**Price ($/MWH)**	**Revenue $mil**	**Volume (MWH)**	**Price ($/MWH)**	**Revenue $mil**	**Volume $mil**	**Price $mil**
Residential	$ 524	10,761,493	$ 48.65	$ 529	10,911,638	$ 48.44	$ (5)	$ (7)	$ 2
Commercial	243	7,779,180	31.24	259	8,062,834	32.07	(16)	(9)	(6)
Industrial	86	9,733,611	8.80	87	9,890,568	8.84	(2)	(1)	(0)
Municipals	10	1,880,020	5.13	9	1,943,946	4.69	1	(0)	1
Other	63	2,814,506	22.19	67	2,900,305	23.19	(5)	(2)	(3)
Native Load Total	**$ 924**	**32,968,810**	**$ 28.04**	**$ 951**	**33,709,291**	**$ 28.21**	**$ (27)**	**$ (20)**	**$ (7)**

(b) Demand Analysis (net of base ECR revenue):	MTD			YTD		
$mil	**Act**	**Bud**	**Variance**	**Act**	**Bud**	**Variance**
Commercial	12	13	(1)	158	173	(15)
Industrial	16	17	(1)	194	211	(17)
Municipals	4	4	(0)	48	53	(4)
Other	5	5	0	67	62	5
Native Load Total	**37**	**39**	**(2)**	**468**	**499**	**(31)**

Weather Statistics	MTD			YTD		
	Act	**+/- Bud**		**Act**	**+/- Bud**	
Heating Degree Days - Louisville	840	24	3%	4,482	229	5%
Heating Degree Days - Lexington	831	(34)	-4%	4,650	111	2%
Cooling Degree Days - Louisville	0	(1)	-100%	1,446	(29)	-2%
Cooling Degree Days - Lexington	0	0	0%	1,244	54	5%

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Gas Gross Margin — December 2013

($ Millions)

	MTD				YTD			
	Actual	Budget	Subtotal	Margin Variance	Actual	Budget	Subtotal	Margin Variance
Gas Base Service Charge	**$ 5**	**$ 5**		**$ -**	**$ 63**	**$ 60**		**$ 2**
Gas Supply Costs								
Gas Supply Costs	(28)	(29)	$ 0		(161)	(148)	$ (14)	
GSC Revenue	29	28	1		162	148	14	
Net Gas Supply Costs				**1**				**$ 0**
Retail Gas (a)	**15**	**14**		**1**	**89**	**83**		**$ 6**
Wholesale Gas (a)	**-**	**-**		**-**	**-**	**-**		**$ -**
DSM	**0**	**(0)**		**1**	**1**	**0**		**$ 1**
GLT	**0**	**1**		**(1)**	**4**	**4**		**$ (0)**
WNA	**(2)**	**-**		**(2)**	**(4)**	**-**		**$ (4)**
Other Margin	**0**	**0**		**(0)**	**1**	**3**		**$ (2)**
Gas Margin Variance				**$ (0)**				**$ 3**

(a) Retail and wholesale gas sales - excludes GSC

	MTD								
	Actual			Budget			Variance		
	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume $mil	Price $mil
Residential	$ 10	3,627,524	$ 2.64	$ 10	3,849,705	$ 2.56	$ (0)	$ (1)	$ 0
Commercial	3	1,525,791	-	3	1,459,761	2.05	0	0	0
Industrial	0	210,134	1.73	0	102,552	1.88	0	0	-
Public Authority	1	287,307	2.08	1	270,959	2.00	0	-	-
Transportation	1	1,261,650	0.77	1	1,340,714	0.46	0	-	0
Ultimate Consumer	$ 15	6,912,406	$ 1.67	$ 14	7,023,691	$ 2.02	$ 1	$ (0)	$ 1

	YTD								
	Actual			Budget			Variance		
	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume $mil	Price $mil
Residential	$ 56	21,101,535	$ 2.64	$ 54	20,836,580	$ 2.59	$ 2	$ 1	$ 1
Commercial	17	9,197,588	-	19	8,995,194	2.05	(1)	0	(2)
Industrial	3	1,659,688	1.56	2	930,459	1.87	1	1	(1)
Public Authority	3	1,616,656	1.99	3	1,657,813	1.97	(0)	(0)	-
Transportation	10	11,988,840	0.84	5	11,412,866	0.44	5	0	5
Ultimate Consumer	$ 89	45,564,307	$ 1.57	$ 83	43,832,912	$ 1.88	$ 6	$ 3	$ 4

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O&M — December 2013

($ Millions)

	MTD			Variances						
	Actual	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 17	$ 16	$ (1)	$ -	$ (0)	$ (0)	$ (1)	$ (0)	$ -	$ 0
Project Engineering	$ 0	0	0	-	0	-	(0)	(0)	-	0
Transmission	$ 3	2	(1)	-	(0)	-	(1)	0	-	(0)
Energy Supply and Analysis	$ 1	1	(0)	-	(0)	-	0	0	-	0
Electric Distribution	$ 6	5	(1)	-	(0)	-	(1)	(0)	0	0
Gas Distribution	$ 3	3	(0)	-	(0)	-	0	(0)	(0)	(0)
Customer Services	$ 7	7	0	-	(0)	-	(0)	0	0	(0)
Chief Operations Officer	**38**	**34**	**(4)**	**-**	**(2)**	**(0)**	**(2)**	**(1)**	**0**	**0**
Information Technology	4	5	0	-	0	-	0	0	-	(0)
General Counsel	3	4	0	-	(0)	-	1	0	-	(0)
Human Resources	1	1	(0)	-	(0)	-	(0)	0	-	(0)
Supply Chain	0	0	(0)	-	(0)	-	(0)	(0)	-	0
Chief Administrative Officer	**8**	**9**	**0**	**-**	**(0)**	**-**	**1**	**0**	**-**	**(0)**
Chief Financial Officer	**2**	**2**	**(0)**	**-**	**(0)**	**-**	**(0)**	**0**	**-**	**0**
Corporate	**10**	**13**	**3**	**2**	**1**	**-**	**0**	**0**	**1**	**(1)**
O&M Total MTD	**$ 58**	**$ 57**	**$ (1)**	**$ 2**	**$ (1)**	**$ (0)**	**$ (1)**	**$ (0)**	**$ 1**	**$ (1)**

	YTD			Variances						
	Actual	Budget	Total Variance	Overhead	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 219	$ 227	$ 8	$ -	$ 5	$ 2	$ 0	$ 3	$ -	$ (2)
Project Engineering	1	1	0	-	0	-	(0)	(0)	-	0
Transmission	29	29	0	-	(1)	-	1	(0)	-	0
Energy Supply and Analysis	9	10	2	-	0	-	0	0	(0)	1
Electric Distribution	70	69	(1)	-	(2)	-	(3)	3	(0)	2
Gas Distribution	30	34	4	-	1	-	3	(0)	(0)	(0)
Customer Services	82	91	9	-	3	-	1	0	4	1
Chief Operations Officer	**439**	**461**	**22**	**-**	**6**	**2**	**3**	**6**	**4**	**2**
Information Technology	47	50	4	-	4	-	(1)	(0)	-	1
General Counsel	29	34	6	-	0	-	5	0	-	0
Human Resources	7	7	1	-	0	-	0	0	-	0
Supply Chain	3	3	0	-	0	-	0	0	-	0
Chief Administrative Officer	**85**	**95**	**10**	**-**	**4**	**-**	**5**	**0**	**-**	**2**
Chief Financial Officer	**18**	**19**	**1**	**-**	**0**	**-**	**(0)**	**0**	**-**	**1**
Corporate	**138**	**146**	**8**	**3**	**1**	**-**	**4**	**1**	**1**	**(3)**
O&M Total YTD	**$ 680**	**$ 721**	**$ 41**	**$ 3**	**$ 11**	**$ 2**	**$ 11**	**$ 7**	**$ 5**	**$ 2**

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Financing Activities — December 2013

($ Millions)

Balance Sheet	MTD Actual	MTD Budget	MTD Variance	YTD Actual	YTD Budget	YTD Variance
PCB						
Beg Bal	$ 931.7	$ 931.7	$ -	$ 932.0	$ 932.0	$ 0.0
End Bal	924.0	931.7	7.7	924.0	931.7	7.7
Ave Bal	**$ 927.8**	**$ 931.7**	**$ 3.8**	**$ 928.0**	**$ 931.8**	**$ 3.8**
Interest Exp	**$ (6.9)**	**$ 1.0**	**$ 8.0**	**$ 2.7**	**$ 13.6**	**$ 10.9**
Rate	**-0.01%**	**0.00%**	**0.01%**	**0.28%**	**1.44%**	**1.16%**
FMB/Sr Nts						
Beg Bal	$ 3,640.7	$ 3,694.3	$ 53.6	$ 3,142.8	$ 3,142.8	$ 0.0
End Bal	3,640.9	3,694.4	53.6	3,640.9	3,694.4	53.6
Ave Bal	**$ 3,640.8**	**$ 3,694.4**	**$ 53.6**	**$ 3,391.8**	**$ 3,235.3**	**$ (156.5)**
Interest Exp	**$ 11.5**	**$ 11.5**	**$ 0.0**	**$ 117.6**	**$ 118.6**	**$ 0.9**
Rate	**0.00%**	**0.00%**	**0.00%**	**3.42%**	**3.61%**	**0.19%**
Short-term Debt						
Beg Bal	$ 75.0	$ 196.1	$ 121.1	$ 149.7	$ 149.7	$ (0.0)
End Bal	245.0	176.3	(68.7)	245.0	176.3	(68.7)
Ave Bal	**$ 160.0**	**$ 186.2**	**$ 26.2**	**$ 197.3**	**$ 359.1**	**$ 161.8**
Interest Exp	**$ 0.0**	**$ 0.1**	**$ 0.1**	**$ 2,154.3**	**$ 2,362.4**	**$ 208.1**
Rate	**0.00%**	**0.00%**	**0.00%**	**1.08%**	**0.65%**	**-0.43%**
Total End Bal	**$ 4,809.8**	**$ 4,802.4**	**$ (7.4)**	**$ 4,809.8**	**$ 4,802.4**	**$ (7.4)**
Total Average Bal	**$ 4,728.6**	**$ 4,812.2**	**$ 83.6**	**$ 4,517.1**	**$ 4,526.3**	**$ 9.1**
Total Expense Excl I/C	**$ 8.2**	**$ 14.3**	**$ 6.0**	**$ 145.0**	**$ 153.8**	**$ 8.8**
Rate	**2.24%**	**3.82%**	**1.58%**	**3.17%**	**3.35%**	**0.19%**

Credit Facilities ($ Millions)	Committed Capacity	Borrowed	Letters of Credit Issued	Unused Capacity
LKE	$ 300	$ 75		$ 225
LG&E	500	20		480
KU	598	150	$ 198	250
TOTAL	$ 1,398	$ 245	$ 198	$ 955

Credit Metrics ($ Millions)	YTD Actual	YTD +/- Bud
FFO to Debt - LG&E	28.8%	+0.02
FFO to Debt - KU	24.3%	-0.02
Debt to EBITDA - LG&E (1)	3.14	-0.17
Debt to EBITDA - KU (1)	3.66	+0.00
Debt to Capitalization - LG&E (2)	46.7%	+0.01
Debt to Capitalization - KU (2)	47.9%	+0.01

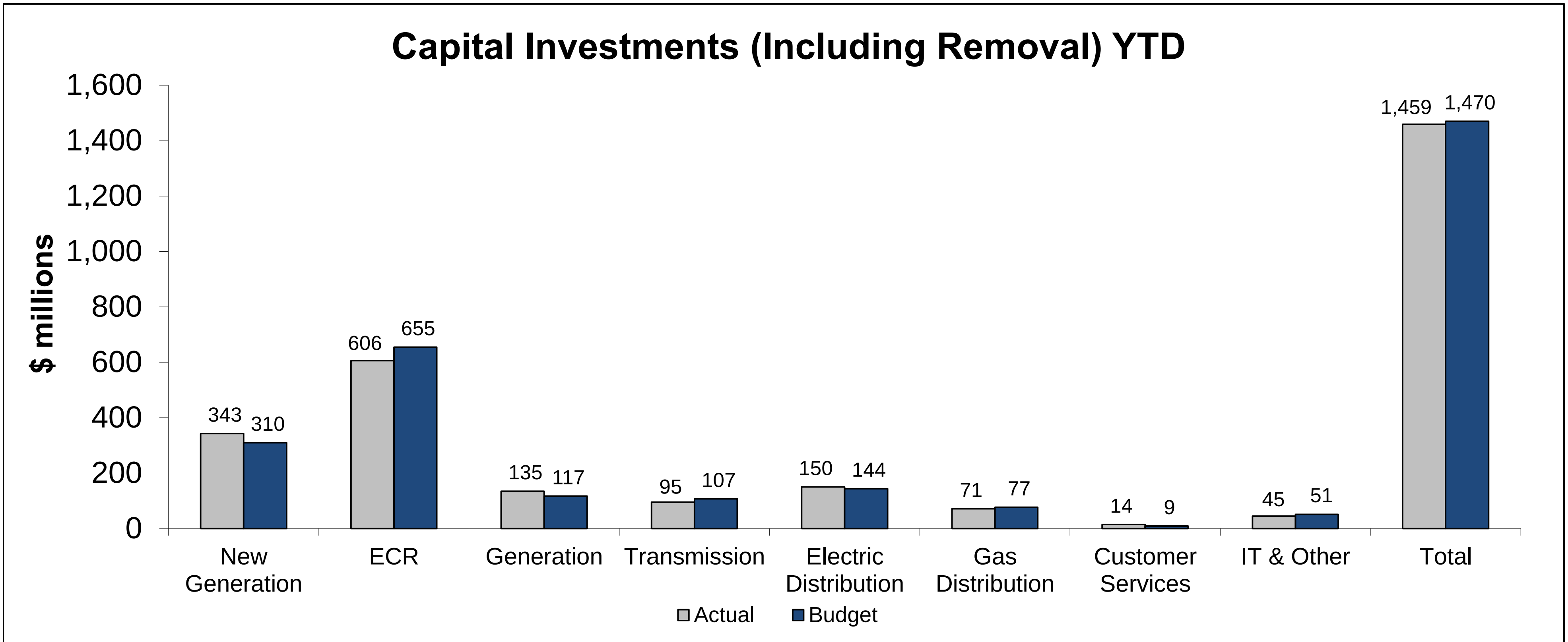
(1) Actuals represent a trailing 12 months

(2) Excludes purchase accounting adjustments and corresponding goodwill of $996m

Balance Sheet — December 2013

($ Millions)

	YTD	YTD Budget	Variance	Comments
Assets:				
Current Assets:				
Cash and Cash Equivalents	$ 35	$ 10	$ 25	See Cash Flow Statement explanations.
Accounts Receivable (Trade)	410	328	82	Due primarily to tariff rate variance in receivable logic and extended due date granted in rate case.
Inventory	278	260	19	Primarily an increase in fuel ($13m) and materials and supplies ($4m).
Deferred Income Taxes	159	13	146	Due to the reclassification of deferred taxes from non-current to current for expected 2014 use of our net operating loss carry forwards.
Prepayments and other current assets	108	60	47	Unbudgeted notes received from assoc company $70m offset by budget including ($14m) for forward hedging swaps entered into in Nov. 2012 compared to actuals of zero due to settlement in Sept., ($4m) for provision for bad debts above plan, and ($2m) AR to PPL in plan but no actuals.
Total Current Assets	990	671	319	
Property, Plant, and Equipment	9,544	9,449	95	Primarily due to ARO unplanned revaluation ($113m). AROs were revalued primarily due to updates in the estimated cash flows for ash ponds and CCR surface impoundments based on updated cost estimates. This was partially offset by CapEx YTD variance ($11m) (see capital chart for details).
Intangible Assets	221	220	0	
Other Property and Investments	1	1	1	
Regulatory Assets	502	612	(110)	Primarily Pension and Postretirement due to increases in the discount rate ($77m) and interest rate swaps ($23m).
Goodwill	997	997	-	
Other Long-term Assets	96	102	(5)	
Total Assets	**$ 12,350**	**$ 12,051**	**$ 299**	
Liabilities and Equity:				
Current Liabilities:				
Accounts Payable (Trade)	$ 349	$ 181	$ 168	Primarily differences in CapEx accrual ($22m) and an increase in retainage fees ($22m) and fuel volumes ($35m).
Accounts Payable - Affiliated Company	(0)	(0)	0	
Customer Deposits	50	48	1	
Derivative Liability	4	5	(1)	
Accrued Taxes	39	26	13	Timing of tax payments and accruals in actuals vs. budget.
Other Current Liabilities	136	128	8	
Total Current Liabilities	578	389	189	
Debt - Affiliated Company	-	-	-	
Debt	4,810	4,802	7	
Total Debt	4,810	4,802	7	
Deferred Tax Liabilities	965	727	238	See Deferred Income Taxes explanation above. Remaining difference due to an increase to current year NOL utilization ($153m). This was partially offset by a decrease in bonus depreciation ($63m).
Investment Tax Credit	135	133	1	
Accumulated Provision for Pension and Related Benefits	152	274	(122)	Due to an increase in the discount rate.
Asset Retirement Obligation	245	132	113	ARO unplanned revaluation due to updates in the estimated cash flows for ash ponds and CCR surface impoundments based on updated cost estimates.
Regulatory Liabilities	1,047	983	64	Primarily due to short-term derivative asset gain from forward hedges entered into in Nov. 2012 and settled in Sept. 2013 with PPL as counterparty partially offset by loss from hedges entered into in Sept. 2013 with PPL as counterparty ($70m); offset by an increase in cost of removal ($15m).
Derivative Liability	32	54	(21)	Forward hedges with PPL as counterparty entered into in Sept. 2013.
Other Liabilities	238	231	7	
Total Deferred Credits and Other Liabilities	2,814	2,533	281	
Equity	4,149	4,328	(178)	
Total Liabilities and Equity	**$ 12,350**	**$ 12,051**	**$ 299**	


Capital Investments (Including Removal) YTD
$ millions
1,600
1,400
1,200
1,000
800
600
400
200
0
343 310
606 655
135 117
95 107
150 144
71 77
14 9
45 51
1,459 1,470
New Generation
ECR
Generation
Transmission
Electric Distribution
Gas Distribution
Customer Services
IT & Other
Total
Actual
Budget

Cash Flow

December 2013

YTD	Actual	Budget	Variance	Comments
Net income	347	326	21	Favorable O&M partially offset by lower margins due to a mild summer, weak economic conditions (particularly the mining sector), as well as peak demand reductions and other changes in customer usage patterns. (See Income Statement).
Depreciation	355	356	-1	
Deferred tax expense	254	178	75	Primarily due to an increase to current year NOL utilization, partially offset by a decrease in bonus depreciation. (see Balance Sheet)
Other Balance Sheet Movements	8	8	0	
Funds From Operations	**965**	**869**	**96**	
Changes in accounts receivables	-117	-35	-82	Due primarily to tariff rate variance in receivable logic and extended due date granted in rate case.
Changes in inventories	-2	15	-18	Primarily an increase in fuel and materials and supplies.
Changes in accounts payable	65	-100	165	Primarily differences in CapEx accrual and an increase in retainage fees and fuel volumes.
Change in Working Capital	**-54**	**-119**	**65**	
Operating Cash flow	**911**	**750**	**161**	
Capex	-1,434	-1,576	142	Primarily due to ARO unplanned revaluation.
Other Investing	-59	0	-59	Net decrease in notes receivable from affiliates.
Loans to Affiliates	0	0	0	
Investing Cash flow	**-1,493**	**-1,576**	**83**	
Dividends	-254	-157	-97	Higher dividends and lower equity infusions due to lower than expected CapEx spend, the tax NOL settlement being higher than budgeted, and the cash received from swap settlements being higher than budgeted.
Equity Infusion	243	374	-131	
Net Borrowings	591	577	14	Due to refinancing a LKE revolving credit line with PPL and entering into a "community debt" credit line while borrowing against the whole amount.
Other	-6	0	-6	
Financing Cash flow	**574**	**793**	**-219**	
Net increase (decrease) in cash	**-8**	**-33**	**24**	

Performance Report

January 2014

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Kentucky Regulated Dashboard — January 2014

	Current Month		YTD		Full Year	
Safety	Actual	PY	Actual	PY	Forecast	PY
TCIR - Employees	1.59	2.92	1.59	2.92	1.59	1.29
Employee lost-time incidents	0	0	0	0	0	3
Reliability	Actual	Budget	Actual	Budget	Forecast	Budget
Generation Volumes	3,386	3,218	3,386	3,218	34,803	34,635
Utility EFOR	3.3%	5.9%	3.3%	5.9%	N/A	5.9%
Utility EAF	93.6%	92.3%	93.6%	92.3%	N/A	82.5%
Steam Fleet Commercial Availability	99.0%	91.5%	99.0%	91.5%	N/A	91.5%
Combined SAIFI	0.12	0.07	0.12	0.07	N/A	1.20
Combined SAIDI (minutes)	9.64	5.75	9.64	5.75	N/A	107.60
GwH Sales						
Residential	1,418	1,114	1,418	1,114	10,962	10,962
Commercial	743	667	743	667	7,952	7,952
Industrial	815	817	815	817	10,011	10,011
Municipals	194	170	194	170	1,969	1,969
Other	260	236	260	236	2,788	2,788
Off-System Sales	88	83	88	83	273	273
Total	3,517	3,088	3,517	3,088	33,954	33,954
Weather-Normalized Sales Growth			TTM			
Residential			-0.48%			
Commercial			-0.54%			
Industrial			1.51%			
Municipal			-1.02%			
Other			0.27%			
Total			0.12%			

	Current Month		YTD		Full Year	
Financial Metrics	Actual	Budget	Actual	Budget	Forecast	Budget
Utility ROE[(1)]	17.8%	12.7%	17.8%	12.7%	9.1%	8.7%
Electric Margins	$168	$145	$168	$145	$1,664	$1,664
Gas Margins	26	22	26	22	157	157
Capital Expenditures ($ millions)	Actual	Budget	Actual	Budget	Forecast	Budget
New Generation	$14	$21	$14	$21	$114	$126
ECR	36	34	36	34	618	603
Generation	2	6	2	6	119	122
Transmission	6	7	6	7	81	77
Electric Distribution	9	9	9	9	147	143
Gas Distribution	4	5	4	5	80	80
Customer Services	0	1	0	1	18	20
IT and Other	1	4	1	4	52	50
Total	$72	$87	$72	$87	$1,229	$1,221
O&M ($ millions)[(2)]	Actual	Budget	Actual	Budget	Forecast	Budget
Operations	$36	$33	$36	$33	$468	$468
Administrative	7	8	7	8	98	98
Finance	2	2	2	2	19	19
Burdens & Other Charges	11	12	11	12	150	150
Total	$55	$55	$55	$55	$735	$735
Head Count	Actual	Budget	Actual	Budget	Forecast	Budget
Full-time Employees	3,407	3,524	3,407	3,524	3,549	3,549
Other Metrics	Actual	PY	Actual	PY	Forecast	PY
Environmental Events	1	1	1	1	N/A	14
NERC Possible Violations	0	0	0	0	N/A	11

Variance Explanations

• Generation volumes and GWh sales were impacted by cold weather in January. Generation volumes were also impacted by excellent plant availability.

• Higher electric margins were primarily due to $19 million from retail volumes impacted by weather and $4 million from excess generation sold at market prices.

Major Developments

• LKE demonstrated another solid safety performance in 2013, earning multiple safety and wellness awards. LG&E and KU's recordable rate for the year of 1.29 falls below last year's rate of 1.35 and the National Safety Council utility average of 3.10. Contractor metrics for the year were also strong with a recordable rate of 1.26 compared to 1.39 in 2012.

• The month of January brought the "polar vortex" and several days of colder than normal temperatures, snow and ice accumulation to our Kentucky service territories. LG&E and KU's electric and gas systems performed extremely well during this period. Commercial availability for the generation fleet was 99%, with no outages during the coldest days of the month. In addition to shattering numerous peak and usage records, the following statistics were also established for the LG&E and KU service territories during January 2014:
- Third highest electricity delivery month in LG&E and KU's history, just behind August 2007 and August 2010
- Seven days in January 2014 are included in the top 10 all-time electricity delivery days
- Combined load exceeded the 6,000 MW level for 99 hours, whereas the 6,000 MW level had not been reached since February 2011

Major Developments (CONT'D)

• Moody's recently upgraded several ratings for LG&E and KU. Each company's issuer and senior unsecured ratings were upgraded to A3 from Baa1 and their senior secured ratings were upgraded to A1 from A2.

Significant Future Events

• The Trimble Country Fabric Filter Engineering, Procurement and Construction contract is currently under evaluation and is expected to be awarded during the first quarter.

(1) Excludes goodwill and other purchase accounting adjustments.
(2) Net of cost recovery mechanisms.

Income Statement: Actual vs. Budget and Forecast (Month/Year) — January 2014

($ Millions)

	MTD/YTD			
	Actual	Budget	Variance	Comments
Revenues:				
Electric Revenues	$ 290	$ 243	$ 47	Due to increasing electricty volumes resulting from colder than normal weather.
Gas Revenues	71	54	16	Due to increasing gas volumes resulting from colder than normal weather.
Total Revenues	360	297	63	
Cost of Sales:				
Fuel Electric Costs	108	84	(24)	Due to increasing electricty volumes resulting from colder than normal weather.
Gas Supply Expenses	44	32	(13)	Due to increasing gas volumes resulting from colder than normal weather.
Purchased Power	5	5	(0)	
Other Electric Cost	9	9	1	
Total Cost of Sales	166	130	(36)	
Gross Margin:				
Electric Margin	168	145	23	Higher margins primarily due to $19 million from retail electric volumes impacted by favorable weather and $4 million from excess generation sold at market prices.
Gas Margin	26	22	4	
Total Gross Margin	194	167	27	
Operating Expenses:				
O&M	55	55	(0)	
Depreciation & Amortization	28	28	0	
Taxes, Other than Income	4	4	(0)	
Total Operating Expenses	88	88	0	
Other income	(1)	(1)	0	
EBIT	106	78	28	
Interest Expense	14	14	0	
Income from Ongoing Operations before income taxes	92	63	28	
Income Tax Expense	34	24	(10)	Higher pre-tax income.
Net Income (loss) from ongoing operations	**$ 57**	**$ 39**	**$ 18**	
Non Operating Income	0	0	0	
Discontinued Operations	0	0	(0)	
Net Income (loss)	$ 57	$ 39	$ 18	
KY Regulated Financing Costs	(3)	(3)	(0)	
KY Regulated Net Income	$ 55	$ 37	$ 18	
Earnings Per Share	$ 0.08	$ 0.05	$ 0.03	

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7)(o)

Witness: K Blake

Electric Gross Margin — January 2014

($ Millions)

	MTD/YTD					
	Actual	**Budget**	**Unit Variance**	**Value @**	**Dollar Variance**	**Margin Variance**
Base Electric Margin:						$ 18
Energy Volumes (a)	3,429,237	3,004,617	424,620	$ -	$ 18	
Energy Prices (a)					(2)	
Customer Charges (Avg. Customers)	940,681	944,712	(4,031)		(0)	
Demand Charges (b)	39	37			2	
ECR:						$ (1)
Average Rate Base	$ 1,126	$ 1,113	$ 14	10.42%	$ 0.1	
Cost of Capital	10.21%	10.42%	-0.21%	$ 1,126	$ (0.2)	
Jurisdictional Factor	83.33%	86.22%	-2.89%	$ 1,126	$ (0.3)	
Other					$ (0.6)	
DSM:						$ -
Program Expense (Revenue Net of Expense)	$ -	$ -			$ -	
Lost Sales	1.2	1.9			$ (0.7)	
Incentive	0.1	0.1			$ -	
Balancing Adjustment	0.7	-			$ 0.7	
Net Fuel Recovery	$ (2.0)	$ (0.4)				$ (2)
Purchase Power Demand	(1.5)	(2.6)				$ 1
Transmission	1.5	1.1				$ 1
Other	(2.2)	(4.1)				$ 2
Retail Margin Variance						$ 19
Off-System Margin Variance						$ 4
Electric Margin Variance						$ 23

(a) Non-Fuel Energy Analysis
(net of base ECR revenue):

	MTD/YTD								
	Actual			Budget			Variance		
	Revenue $mil	Volume (MWH)	Price ($/MWH)	Revenue $mil	Volume (MWH)	Price ($/MWH)	Revenue $mil	Volume $mil	Price $mil
Residential	$ 68	1,418,207	$ 48.23	$ 54	1,113,850	$ 48.52	$14	$15	($0)
Commercial	24	743,113	31.60	22	667,295	33.00	$2	$3	($1)
Industrial	7	814,624	8.99	7	816,989	8.98	$0	$0	$0
Municipals	1	193,580	5.56	1	170,221	5.56	$0	$0	$0
Other	6	259,713	23.78	6	236,262	23.86	$1	$1	$0
Native Load Total	**$ 107**	**3,429,237**	**$ 31.05**	**$ 90**	**3,004,617**	**$ 29.95**	**$17**	**$18**	**($2)**

(b) Demand Analysis (net of base ECR revenue):

	MTD/YTD		
$mil	**Act**	**Bud**	**Variance**
Commercial	13	12	2
Industrial	16	16	(0)
Municipals	5	5	1
Other	5	5	0
Native Load Total	**39**	**37**	**2**

Gas Gross Margin — January 2014

($ Millions)

	MTD/YTD			
	Actual	Budget	Subtotal	Margin Variance
Gas Base Service Charge	**$ 5**	**$ 5**		**$ -**
Gas Supply Costs				
Gas Supply Costs	(44)	(32)	$ (12)	
GSC Revenue	44	31	13	
Net Gas Supply Costs				**$ 1**
Retail Gas (a)	**21**	**16**		**$ 5**
Wholesale Gas (a)	**(0)**	**-**		**$ (1)**
DSM	**0**	**0**		**$ 0**
GLT	**0**	**1**		**$ (0)**
WNA	**(1)**	**-**		**$ (1)**
Other Margin	**0**	**0**		**$ 0**
Gas Margin Variance				**$ 4**

(a) Retail and wholesale gas sales - excludes GSC

	MTD/YTD								
	Actual			Budget			Variance		
	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume (Mcf)	Price ($/Mcf)	Revenue $mil	Volume $mil	Price $mil
Residential	$ 14	5,217,377	$ 2.65	$ 11	4,193,319	$ 2.64	$3	$ 3	$ -
Commercial	5	2,275,240	2.11	4	1,760,566	2.09	$1	$ 1	$ -
Industrial	0	167,311	1.79	0	145,801	1.82	$0	$ -	$ -
Public Authority	1	384,789	2.08	1	314,549	2.03	$0	$ 0	$ 0
Transportation	1	1,528,085	0.72	0.60	1,449,373	0.43	$0	$ -	$ 1
Ultimate Consumer	$ 21	9,572,802	$ 2.17	$ 16	7,863,608	$ 2.07	$4	$ 4	$ 1

O&M — January 2014

($ Millions)

	MTD/YTD								
	Actual	**Budget**	**Total Variance**	**Labor**	**Outages**	**Outside Services**	**Materials**	**Uncollectible Accounts**	**Other**
Generation	$ 17	$ 15	$ (1)	$ 0	$ (0)	$ (1)	$ (0)		$ 0
Project Engineering	0	0	0	0		(0)	(0)		0
Transmission	2	2	(0)	(0)		(0)	0		(0)
Energy Supply and Analysis	1	1	(0)	0		(0)	0		(0)
Electric Distribution	6	6	0	(0)		0	(0)	(0)	0
Gas Distribution	3	3	(0)	(0)		0	(0)	(0)	(0)
Customer Services	8	7	(1)	0		(0)	(0)	(1)	0
Chief Operations Officer	**36**	**33**	**(2)**	**0**	**(0)**	**(1)**	**(1)**	**(1)**	**(0)**
Information Technology	4	5	1	0		0	(0)		(0)
General Counsel	2	2	0	0		0	0		0
Human Resources	1	1	0	0		0	0		0
Supply Chain	0	0	0	0		(0)	(0)		0
Chief Administrative Officer	**7**	**8**	**1**	**1**		**0**	**(0)**		**0**
Chief Financial Officer	**2**	**2**	**0**	**0**		**(0)**	**0**		**0**
Corporate	**11**	**12**	**1**	**0**		**0**	**0**		**1**
O&M Total MTD	**$ 55**	**$ 55**	**$ (0)**	**$ 1**	**$ (0)**	**$ 0**	**$ (1)**	**$ (1)**	**$ 1**

Financing Activities — January 2014

($ Millions)

Balance Sheet	MTD/YTD Actual	MTD/YTD Budget	MTD/YTD Variance
PCB			
Beg Bal	$ 924.0	$ 924.0	$ 0.0
End Bal	924.0	924.1	0.1
Ave Bal	**$ 924.0**	**$ 924.0**	**$ 0.1**
Interest Exp	**$ 0.8**	**$ 0.9**	**$ 0.2**
Rate	**0.96%**	**1.19%**	**0.23%**
FMB/Sr Nts			
Beg Bal	$ 3,640.9	$ 3,640.9	$ -
End Bal	3,641.0	3,641.0	(0.0)
Ave Bal	**$ 3,640.9**	**$ 3,640.9**	**$ (0.0)**
Interest Exp	**$ 11.5**	**$ 11.6**	**$ 0.1**
Rate	**3.67%**	**3.71%**	**0.05%**
Short-term Debt			
Beg Bal	$ 245.0	$ 245.0	$ -
End Bal	207.0	223.1	16.1
Ave Bal	**$ 226.0**	**$ 234.0**	**$ 8.1**
Interest Exp	**$ 0.2**	**$ 0.3**	**$ 0.2**
Rate	**0.92%**	**1.72%**	**0.80%**
Total End Bal	**$ 4,772.0**	**$ 4,788.2**	**$ 16.2**
Total Average Bal	**$ 4,790.9**	**$ 4,799.0**	**$ 8.1**
Total Expense Excl I/C	**$ 14.0**	**$ 14.3**	**$ 0.3**
Rate	**3.39%**	**3.46%**	**0.07%**

Credit Facilities ($ Millions)	Committed Capacity	Borrowed	Letters of Credit Issued	Unused Capacity
LKE	$ 300	$ 75		$ 225
LG&E	500	25		475
KU	598	107	$ 198	293
TOTAL	$ 1,398	$ 207	$ 198	$ 993

Credit Metrics ($ Millions)	YTD Actual	YTD +/- Bud
FFO to Debt - LG&E	34.8%	+0.02
FFO to Debt - KU	29.5%	-0.03
Debt to EBITDA - LG&E (1)	3.03	-0.64
Debt to EBITDA - KU (1)	3.49	-0.23
Debt to Capitalization - LG&E (2)	46.4%	+0.00
Debt to Capitalization - KU (2)	47.1%	-0.00

(1) Actuals represent a trailing 12 months

(2) Excludes purchase accounting adjustments and

Balance Sheet				January 2014
($ Millions)				
	1/31/2014	YTD Budget	Variance	Comments
Assets:				
Current Assets:				
Cash and Cash Equivalents	$ 22	$ 9	$ 13	Higher cash due to higher operational revenue.
Accounts Receivable (Trade)	486	431	55	Higher customer accounts receivable ($29m) and accrued utility revenue ($26m) due to colder than normal weather.
Inventory	243	249	(6)	
Deferred Income Taxes	159	159	(0)	
Prepayments and other current assets	96	106	(10)	Note receivable with PPL partially drawn back to pay for operational expenses for Servco ($16m).
Total Current Assets	1,006	955	51	
Property, Plant, and Equipment	9,590	9,602	(12)	
Intangible Assets	217	217	(0)	
Other Property and Investments	1	1	(0)	
Regulatory Assets	503	496	7	
Goodwill	997	997	0	
Other Long-term Assets	95	96	(1)	
Total Assets	**$ 12,409**	**$ 12,364**	**$ 45**	
Liabilities and Equity:				
Current Liabilities:				
Accounts Payable (Trade)	$ 368	$ 344	$ 24	Higher accounts payable due to higher than expected gas purchases ($16m) due to colder than normal weather.
Accounts Payable - Affiliated Company	0	0	0	
Customer Deposits	50	50	1	
Derivative Liability	4	4	0	
Accrued Taxes	77	62	14	Higher taxes due to increase in the forecasted pretax income due to colder than normal weather.
Other Current Liabilities	148	151	(3)	
Total Current Liabilities	647	610	37	
Debt - Affiliated Company	-	23	(23)	Budget had a short term debt issuance at LKE Other. An inter company receivable should have been used instead of issuing debt.
Debt [(1)]	4,772	4,765	6	
Total Debt	4,772	4,788	(16)	
Deferred Tax Liabilities	965	965	0	
Investment Tax Credit	134	134	(0)	
Accum Provision for Pension & Related Benefits	118	117	1	
Asset Retirement Obligation	249	245	4	
Regulatory Liabilities	1,042	1,044	(2)	
Derivative Liability	36	32	4	
Other Liabilities	238	238	(0)	
Total Deferred Credits and Other Liabilities	2,783	2,777	6	
Equity	4,207	4,188	18	
Total Liabilities and Equity	**$ 12,409**	**$ 12,364**	**$ 45**	

[(1)] Includes all ST and LT debt. See Financing Activities page for details.

Attachment to Filing Requirement
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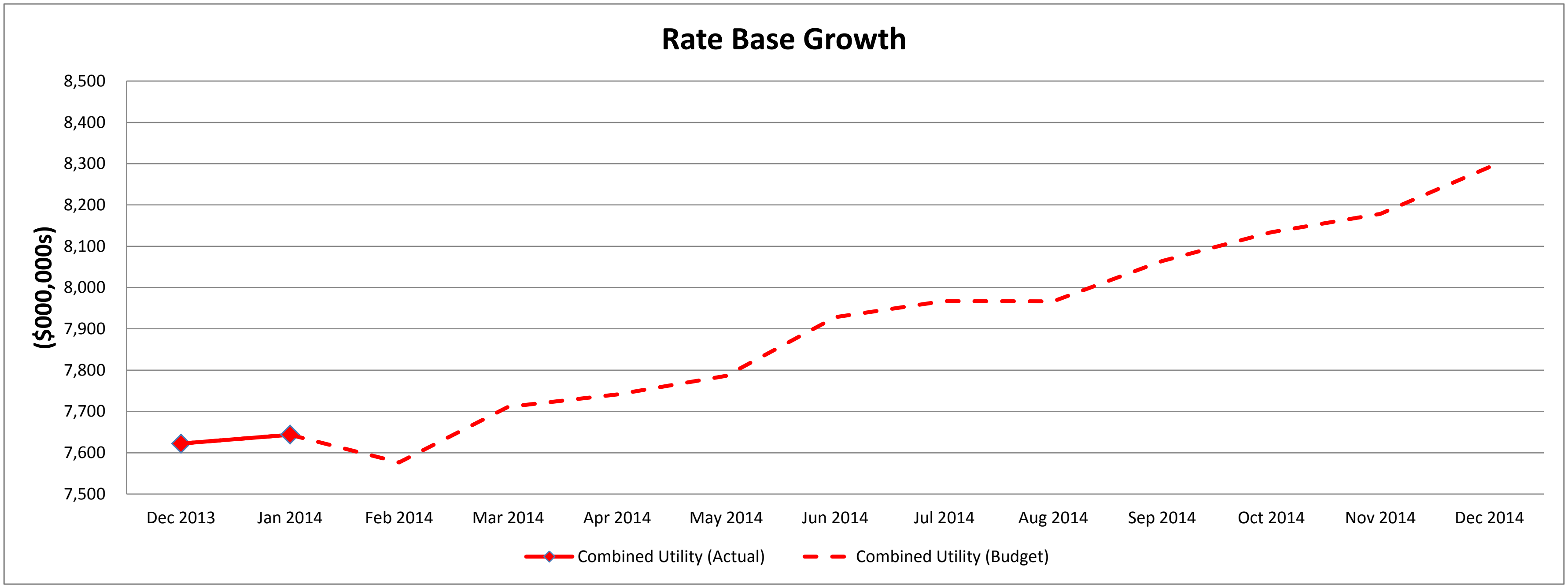

Rate Base Growth
($000,000s)
8,500
8,400
8,300
8,200
8,100
8,000
7,900
7,800
7,700
7,600
7,500
Dec 2013
Jan 2014
Feb 2014
Mar 2014
Apr 2014
May 2014
Jun 2014
Jul 2014
Aug 2014
Sep 2014
Oct 2014
Nov 2014
Dec 2014
Combined Utility (Actual)
Combined Utility (Budget)

Performance Report

February 2014

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Kentucky Regulated Dashboard — February 2014

	Current Month		YTD		Full Year	
Safety	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
TCIR - Employees	0.72	0.38	1.13	1.50	1.13	1.29
Employee lost-time incidents	0	0	0	0	0	3
Reliability	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Generation Volumes	2,990	2,794	6,376	6,012	34,999	34,635
Utility EFOR	2.3%	5.9%	2.8%	5.9%	N/A	5.9%
Utility EAF	86.8%	81.9%	90.4%	87.3%	N/A	82.5%
Steam Fleet Commercial Availability	97.3%	91.5%	98.1%	91.5%	N/A	91.5%
Combined SAIFI	0.05	0.07	0.17	0.13	N/A	1.20
Combined SAIDI (minutes)	5.62	6.13	15.26	11.88	N/A	107.60
GwH Sales						
Residential	1,067	999	2,486	2,113	10,962	10,962
Commercial	619	589	1,363	1,257	7,952	7,952
Industrial	747	720	1,561	1,537	10,011	10,011
Municipals	162	160	356	331	1,969	1,969
Other	226	205	486	441	2,788	2,788
Off-System Sales	77	23	165	107	273	273
Total	2,899	2,696	6,416	5,784	33,954	33,954
Weather-Normalized Sales Growth			**TTM**			
Residential			0.08%			
Commercial			-1.38%			
Industrial			1.55%			
Municipal			-1.09%			
Other			-0.45%			
Total			0.04%			

	Current Month		YTD		Full Year	
Financial Metrics	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Utility ROE[1]	11.9%	10.6%	14.8%	11.8%	9.0%	8.7%
Electric Margins	$145	$135	$313	$279	$1,689	$1,664
Gas Margins	17	20	43	42	157	157
Capital Expenditures ($ millions)	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
New Generation	$8	$9	$23	$31	$117	$126
ECR	$41	$51	$77	$84	$618	$603
Generation	$4	$11	$6	$16	$120	$122
Transmission	$7	$8	$12	$14	$82	$77
Electric Distribution	$9	$9	$18	$17	$150	$143
Gas Distribution	$4	$5	$8	$10	$81	$80
Customer Services	$1	$1	$1	$3	$18	$20
IT and Other	$3	$4	$5	$8	$41	$50
Total	$78	$98	$149	$184	$1,227	$1,221
O&M ($ millions)[2]	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Operations	$37	$34	$73	$67	$481	$468
Administrative	8	8	15	16	98	98
Finance	1	1	3	3	19	19
Burdens & Other Charges	12	13	22	24	144	150
Total	$58	$56	$113	$111	$742	$735
Head Count	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Full-time Employees	3,411	3,524	3,411	3,524	3,549	3,549
Other Metrics	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
Environmental Events	2	0	3	1	N/A	14
NERC Possible Violations	0	0	0	0	N/A	11

Variance Explanations

• Current month and YTD generation volumes and GWh sales were impacted by cold weather. Generation volumes were also impacted by excellent plant availability.

• Current month margins were higher, driven by favorable weather and system availability, including $6 million from retail electric and $2 million from excess generation sold at market prices. This was partially offset by $3 million from lower gas margins due to a weather normalization adjustment related to unseasonably cold weather.

• Year to date higher margins driven by favorable weather and system availability, including $24 million from retail electric, $6 million from excess generation sold at market prices and $1 million from natural gas volumes.

• Current month capital expenditures were $20 million lower, due primarily to milestone shifts on Ghent environmental air projects.

• YTD capital expenditures were $35 million lower, due primarily to timing of spending on Cane Run U7 (weather related) and milestone shifts on Ghent environmental air projects.

• O&M full year forecast $7 million higher, due primarily to weather related expenses, partially offset by lower labor related costs.

Major Developments

• Following LKE's record-setting energy use in January, the month of February was highlighted by the return of a mini "polar vortex" along with severe weather, including strong winds and ice and snow events. LKE's systems maintained excellent safety performance in meeting the challenges of the severe weather and high demand. New February peak load demand records for KU and the combined system were established at 4,456 MWs and 6,290 MWs. During these difficult conditions, LKE allocated $200,000 to community action groups and non-profit organizations within its service territories, and through its mutual assistance programs released hundreds of personnel to assist with winter restoration efforts in Pennsylvania, South Carolina and Virginia.

• LKE recently marked a significant milestone in its efforts to comply with environmental regulations as it signed its remaining large Engineering, Procurement and Construction (EPC) contract for the 2011 ECR Plan air compliance projects. The Trimble County U1 baghouse EPC contract was executed with AMEC, the company which also serves as the EPC contractor on the Brown U3 baghouse project.

Significant Future Events

• LKE's capital plan remains on schedule for the full year, with heavy construction at Brown, Cane Run, Ghent and Mill Creek. LKE is also seeking permits at various plants. LKE filed the revised landfill permit application for Trimble County in January and will file the associated Division of Water and Corp of Engineer permits in the coming weeks. LKE expects to receive the landfill permit for Brown during the summer. Regarding new generation, LKE will file the air construction permit application for the Green River Natural Gas Combustion Cycle (NGCC) with the Division of Air Quality in March, and will file the Site Assessment Reports to support the CPCN for the Green River NGCC and the Brown Solar Facility with the KPSC in April.

[1] Excludes goodwill and other purchase accounting adjustments.
[2] Net of cost recovery mechanisms.

Income Statement: Actual vs. Budget (Month) — February 2014

($ Millions)

	MTD			
	Actual	Budget	Variance	Comments
Revenues:				
Electric Revenues	$ 244	$ 225	$ 19	Due to increasing electricty volumes resulting from colder than normal weather.
Gas Revenues	57	47	9	Due to increasing gas volumes resulting from colder than normal weather.
Total Revenues	301	272	29	
Cost of Sales:				
Fuel Electric Costs	87	76	(11)	Due to increasing electricty volumes resulting from colder than normal weather.
Gas Supply Expenses	39	27	(12)	Due to increasing gas volumes resulting from colder than normal weather.
Purchased Power	4	5	1	
Other Electric Cost	8	9	1	
Total Cost of Sales	139	118	(21)	
Gross Margin:				
Electric Margin	145	135	10	Higher margins driven by favorable weather and system availability , including $6 million from retail electric and $2 million from excess generation sold at market prices.
Gas Margin	17	20	(3)	
Total Gross Margin	162	155	7	
Operating Expenses:				
O&M	58	56	(2)	
Depreciation & Amortization	28	28	0	
Taxes, Other than Income	4	4	(0)	
Total Operating Expenses	90	89	(2)	
Other income	(1)	(1)	0	
EBIT	71	65	6	
Interest Expense	14	14	0	
Income from Ongoing Operations before income taxes	57	51	6	
Income Tax Expense	21	19	(2)	
Net Income (loss) from ongoing operations	**$ 36**	**$ 32**	**$ 4**	
Non Operating Income	0	0	0	
Discontinued Operations	0	0	(0)	
Net Income (loss)	$ 36	$ 32	$ 4	
KY Regulated Financing Costs	(3)	(3)	(0)	
KY Regulated Net Income	$ 33	$ 29	$ 4	
Earnings Per Share	$ 0.05	$ 0.04	$ 0.01	

Income Statement: Actual vs. Budget (YTD) — February 2014

($ Millions)

	YTD			
	Actual	Budget	Variance	Comments
Revenues:				
Electric Revenues	$ 534	$ 468	$ 66	Due to increasing electricty volumes resulting from colder than normal weather.
Gas Revenues	127	102	26	Due to increasing gas volumes resulting from colder than normal weather.
Total Revenues	661	569	92	
Cost of Sales:				
Fuel Electric Costs	195	160	(34)	Due to increasing electricty volumes resulting from colder than normal weather.
Gas Supply Expenses	84	59	(25)	Due to increasing gas volumes resulting from colder than normal weather.
Purchased Power	10	10	1	
Other Electric Cost	17	18	1	
Total Cost of Sales	305	248	(57)	
Gross Margin:				
Electric Margin	313	279	34	Higher margins driven by favorable weather and system availability, including $24 million from retail electric, $6 million from excess generation sold at market prices
Gas Margin	43	42	1	
Total Gross Margin	356	321	35	
Operating Expenses:				
O&M	113	111	(2)	
Depreciation & Amortization	56	57	1	
Taxes, Other than Income	8	8	(0)	
Total Operating Expenses	178	177	(1)	
Other income	(2)	(2)	0	
EBIT	177	143	34	
Interest Expense	28	29	1	
Income from Ongoing Operations before income taxes	149	114	35	
Income Tax Expense	56	43	(13)	Higher pre-tax income.
Net Income (loss) from ongoing operations	**$ 93**	**$ 71**	**$ 22**	
Non Operating Income	0	-	0	
Discontinued Operations	0	0	(0)	
Net Income (loss)	$ 93	$ 71	$ 22	
KY Regulated Financing Costs	(5)	(5)	(0)	
KY Regulated Net Income	$ 88	$ 66	$ 22	
Earnings Per Share	$ 0.13	$ 0.10	$ 0.03	

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Witness: K Blake

Electric Gross Margin

February 2014

($ Millions)

	MTD						YTD					
	Actual	**Budget**	**Unit Variance**	**Value @**	**Dollar Variance**	**Margin Variance**	**Actual**	**Budget**	**Unit Variance**	**Value @**	**Dollar Variance**	**Margin Variance**
Base Electric Margin:						$ 6						$ 24
Energy Volumes (a)	2,822,112	2,672,629	149,483	$ -	$ 5		6,251,349	5,677,246	574,103	$ -	$ 23	
Energy Prices (a)					(1)						(2)	
Customer Charges (Avg. Customers)	941,096	944,714	(3,618)		(0)		940,889	944,713	(3,824)		(0)	
Demand Charges (b)	38	36			2		77	73			3	
ECR:						$ 0						$ (1)
Average Rate Base	$ 1,167	$ 1,162	$ 5	10.42%	$ -		$ 1,147	$ 1,137	$ 9	10.42%	$ 0.1	
Cost of Capital	10.21%	10.42%	-0.22%	$ 1,167	$ (0.2)		10.21%	10.42%	-0.21%	$ 1,147	(0.3)	
Jurisdictional Factor	85.93%	85.99%	-0.06%	$ 1,167	$ -		84.65%	86.10%	-1.45%	$ 1,147	(0.3)	
Other					$ 0.5						(0.1)	
DSM:						$ (0)						$ (0)
Program Expense (Revenue Net of Expense)	$ -	$ -			$ -		$ (0.1)	$ 0.1			$ (0.2)	
Lost Sales	1.2	1.9			$ (0.7)		2.4	3.7			(1.3)	
Incentive	0.1	0.1			$ -		0.1	0.1			-	
Balancing Adjustment	0.4	-			$ 0.4		1.1	-			1.1	
Net Fuel Recovery	$ (0.3)	$ (0.4)				$ 0	$ (2)	$ (1)				$ (2)
Purchase Power Demand	(2.1)	(2.4)				$ 0	(3.6)	(5.0)				$ 1
Transmission	1.4	0.9				$ 1	2.9	1.9				$ 1
Other	(1.1)	(3.4)				$ 2	(3.4)	(7.5)				$ 4
Retail Margin Variance						$ 9						$ 28
Off-System Margin Variance						$ 2						$ 6
Electric Margin Variance						$ 10						$ 34

(a) Non-Fuel Energy Analysis (net of base ECR revenue):

	MTD								
	Actual			Budget			Variance		
	Revenue $mil	**Volume (MWH)**	**Price ($/MWH)**	**Revenue $mil**	**Volume (MWH)**	**Price ($/MWH)**	**Revenue $mil**	**Volume $mil**	**Price $mil**
Residential	$ 52	1,067,426	$ 48.28	$ 48	998,920	$ 48.50	$3	$3	($0)
Commercial	20	619,421	32.45	20	589,230	33.16	$1	$1	($0)
Industrial	7	746,555	8.93	7	719,572	9.00	$0	$0	($0)
Municipals	1	162,377	5.56	1	160,350	5.56	$0	$0	$0
Other	5	226,332	23.76	5	204,557	24.29	$0	$1	($0)
Native Load Total	**$ 85**	**2,822,112**	**$ 29.97**	**$ 80**	**2,672,629**	**$ 30.05**	**$4**	**$5**	**($1)**

(a) Non-Fuel Energy Analysis (net of base ECR revenue):

	YTD								
	Actual			Budget			Variance		
	Revenue $mil	**Volume (MWH)**	**Price ($/MWH)**	**Revenue $mil**	**Volume (MWH)**	**Price ($/MWH)**	**Revenue $mil**	**Volume $mil**	**Price $mil**
Residential	$ 120	2,485,633	$ 48.25	$ 103	2,112,770	$ 48.51	$17	$18	($1)
Commercial	44	1,362,534	31.99	42	1,256,525	33.07	$2	$4	($2)
Industrial	14	1,561,179	8.96	14	1,536,561	8.99	$0	$0	$0
Municipals	2	355,958	5.56	2	330,571	5.56	$0	$0	$0
Other	12	486,044	23.77	11	440,819	24.06	$1	$1	($0)
Native Load Total	**$ 191**	**6,251,349**	**$ 30.56**	**$ 170**	**5,677,246**	**$ 30.00**	**$21**	**$23**	**($2)**

(b) Demand Analysis (net of base ECR revenue):

$mil	MTD Act	MTD Bud	MTD Variance	YTD Act	YTD Bud	YTD Variance
Commercial	13	12	1	26	23	3
Industrial	15	16	(0)	31	31	(0)
Municipals	5	4	0	10	9	1
Other	5	5	0	10	10	0
Native Load Total	**38**	**36**	**2**	**77**	**73**	**3**

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Gas Gross Margin — February 2014

($ Millions)

	MTD Actual	MTD Budget	MTD Subtotal	MTD Margin Variance	YTD Actual	YTD Budget	YTD Subtotal	YTD Margin Variance
Gas Base Service Charge	**$ 5**	**$ 5**		**$ -**	**$ 10**	**$ 10**		**$ -**
Gas Supply Costs								
Gas Supply Costs	(39)	(27)	$ (12)		(83)	(59)	$ (24)	
GSC Revenue	38	27	11		82	59	23	
Net Gas Supply Costs				**$ (1)**				**$ (1)**
Retail Gas (a)	**16**	**14**		**$ 2**	**37**	**31**		**$ 6**
Wholesale Gas (a)	**-**	**-**		**$ -**	**-**	**-**		**$ -**
DSM	**0**	**0**		**$ 0**	**0**	**0**		**$ 0**
GLT	**1**	**1**		**$ (0)**	**1**	**1**		**$ (0)**
WNA	**(4)**	**-**		**$ (4)**	**(5)**	**-**		**$ (5)**
Other Margin	**0**	**0**		**$ 0**	**1**	**0**		**$ 0**
Gas Margin Variance				**$ (3)**				**$ 1**

(a) Retail and wholesale gas sales - excludes GSC

MTD

	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 10	3,917,938	$ 2.64	$ 9	3,533,914	$ 2.64	$1	$ 1	$ -
Commercial	4	1,736,021	-	3	1,475,867	2.09	$1	$ 1	$ 0
Industrial	0	163,906	2.05	0	122,616	1.79	$0	$ 0	$ -
Public Authority	1	250,479	2.08	1	244,432	2.02	$0	$ -	$ -
Transportation	1	1,375,516	0.73	1.00	1,334,938	0.42	$0	$ -	$ 0
Ultimate Consumer	$ 16	7,443,860	$ 1.64	$ 14	6,711,767	$ 2.05	$2	$ 2	$ 0

YTD

	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 24	9,135,315	$ 2.64	$ 20	7,727,234	$ 2.64	$4	$ 4	$ -
Commercial	8	4,011,261	-	7	3,236,432	2.09	$2	$ 2	$ -
Industrial	1	331,217	2.03	1	268,417	1.81	$0	$ 0	$ 0
Public Authority	1	635,268	2.07	1	558,981	2.02	$0	$ 0	$ 0
Transportation	2	2,936,253	0.72	2	2,848,760	0.42	$0	$ -	$ 0
Ultimate Consumer	$ 37	17,049,314	$ 1.66	$ 31	14,639,824	$ 2.06	$6	$ 6	$ 1

O&M	**February 2014**

($ Millions)

	MTD								
	Actual	**Budget**	**Total Variance**	**Labor**	**Outages**	**Outside Services**	**Materials**	**Uncollectible Accounts**	**Other**
Generation	$ 17	$ 17	$ (0)	$ 0	$ 1	$ 0	$ (0)		$ (1)
Project Engineering	0	0	0	(0)		0	(0)		0
Transmission	2	2	(0)	(0)		(0)	0		(0)
Energy Supply and Analysis	1	1	(0)	(0)		0	0		(0)
Electric Distribution	8	6	(1)	(1)		(0)	(0)	(0)	(0)
Gas Distribution	3	2	(1)	(0)		(0)	(0)	(0)	(0)
Customer Services	6	6	(0)	(0)		(0)	0	(0)	0
Chief Operations Officer	**37**	**34**	**(3)**	**(1)**	**1**	**(1)**	**(0)**	**(0)**	**(2)**
Information Technology	4	4	(0)	0		(0)	(0)		(0)
General Counsel	2	3	0	0		0	0		0
Human Resources	1	1	0	(0)		0	0		0
Supply Chain	0	0	0	0		0	(0)		0
Chief Administrative Officer	**8**	**8**	**0**	**0**		**(0)**	**(0)**		**0**
Chief Financial Officer	**1**	**1**	**(0)**	**(0)**		**0**	**0**		**(0)**
Corporate	**12**	**13**	**1**	**2**		**0**	**0**		**(1)**
O&M Total MTD	**$ 58**	**$ 56**	**$ (2)**	**$ 1**	**$ 1**	**$ (1)**	**$ (0)**	**$ (0)**	**$ (3)**

	YTD								
	Actual	**Budget**	**Total Variance**	**Labor**	**Outages**	**Outside Services**	**Materials**	**Uncollectible Accounts**	**Other**
Generation	$ 33	$ 32	$ (2)	$ 0	$ 1	$ (1)	$ (1)		$ (1)
Project Engineering	0	0	0	0		(0)	(0)		0
Transmission	5	4	(0)	(0)		(0)	0		(0)
Energy Supply and Analysis	2	2	(0)	0		(0)	0		(0)
Electric Distribution	13	12	(1)	(1)		0	(0)	(0)	(0)
Gas Distribution	6	5	(1)	(0)		0	(0)	(0)	(1)
Customer Services	14	12	(1)	0		(0)	0	(1)	0
Chief Operations Officer	**73**	**67**	**(6)**	**(1)**	**1**	**(1)**	**(1)**	**(1)**	**(2)**
Information Technology	9	9	0	1		0	(0)		(0)
General Counsel	4	5	1	0		0	0		0
Human Resources	1	1	0	(0)		0	0		0
Supply Chain	1	1	0	0		0	(0)		0
Chief Administrative Officer	**15**	**16**	**1**	**1**		**0**	**(0)**		**0**
Chief Financial Officer	**3**	**3**	**0**	**0**		**0**	**0**		**0**
Corporate	**22**	**24**	**2**	**2**		**0**	**0**		**(1)**
O&M Total YTD	**$ 113**	**$ 111**	**$ (2)**	**$ 2**	**$ 1**	**$ (0)**	**$ (1)**	**$ (1)**	**$ (3)**

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Financing Activities — February 2014

($ Millions)

Balance Sheet	MTD Actual	MTD Budget	MTD Variance	YTD Actual	YTD Budget	YTD Variance
PCB						
Beg Bal	$ 924.0	$ 924.1	$ 0.1	$ 924.0	$ 924.0	$ 0.0
End Bal	924.0	924.2	0.3	924.0	924.2	0.3
Ave Bal	**$ 924.0**	**$ 924.2**	**$ 0.2**	**$ 924.0**	**$ 924.2**	**$ 0.2**
Interest Exp	**$ 0.8**	**$ 0.9**	**$ 0.2**	**$ 1.5**	**$ 1.9**	**$ 0.4**
Rate	**1.05%**	**1.32%**	**0.27%**	**1.00%**	**1.25%**	**0.25%**
FMB/Sr Nts						
Beg Bal	$ 3,641.0	$ 3,641.0	$ (0.0)	$ 3,640.9	$ 3,640.9	$ -
End Bal	3,641.2	3,641.1	(0.0)	3,641.2	3,641.1	(0.0)
Ave Bal	**$ 3,641.1**	**$ 3,641.1**	**$ (0.0)**	**$ 3,641.0**	**$ 3,641.1**	**$ 0.1**
Interest Exp	**$ 11.5**	**$ 11.6**	**$ 0.1**	**$ 23.0**	**$ 23.3**	**$ 0.3**
Rate	**4.06%**	**4.11%**	**0.05%**	**3.85%**	**3.90%**	**0.05%**
Short-term Debt						
Beg Bal	$ 207.0	$ 223.1	$ 16.1	$ 245.0	$ 245.0	$ -
End Bal	207.0	206.0	(1.0)	207.0	206.0	(1.0)
Ave Bal	**$ 207.0**	**$ 214.6**	**$ 7.6**	**$ 226.0**	**$ 214.6**	**$ (11.4)**
Interest Exp	**$ 0.1**	**$ 0.3**	**$ 0.3**	**$ 0.3**	**$ 0.7**	**$ 0.4**
Rate	**0.35%**	**2.09%**	**1.75%**	**0.90%**	**1.98%**	**1.07%**
Total End Bal	**$ 4,772.1**	**$ 4,771.4**	**$ (0.7)**	**$ 4,772.1**	**$ 4,771.4**	**$ (0.7)**
Total Average Bal	**$ 4,772.1**	**$ 4,779.8**	**$ 7.8**	**$ 4,791.0**	**$ 4,779.8**	**$ (11.2)**
Total Expense Excl I/C	**$ 13.9**	**$ 14.3**	**$ 0.4**	**$ 27.9**	**$ 28.6**	**$ 0.7**
Rate	**3.74%**	**3.85%**	**0.11%**	**3.55%**	**3.65%**	**0.10%**

Credit Facilities ($ Millions)	Committed Capacity	Borrowed	Letters of Credit Issued	Unused Capacity
LKE	$ 300	$ 75		$ 225
LG&E	500	15		485
KU	598	117	$ 198	283
TOTAL	$ 1,398	$ 207	$ 198	$ 993

Credit Metrics ($ Millions)	YTD Actual	YTD +/- Bud
FFO to Debt - LG&E	32.6%	+0.00
FFO to Debt - KU	28.3%	+0.00
Debt to EBITDA - LG&E (1)	3.00	-0.67
Debt to EBITDA - KU (1)	3.47	-0.25
Debt to Capitalization - LG&E (2)	46.4%	+0.00
Debt to Capitalization - KU (2)	47.3%	-0.00

(1) Actuals represent a trailing 12 months

(2) Excludes purchase accounting adjustments and corresponding goodwill of $996m

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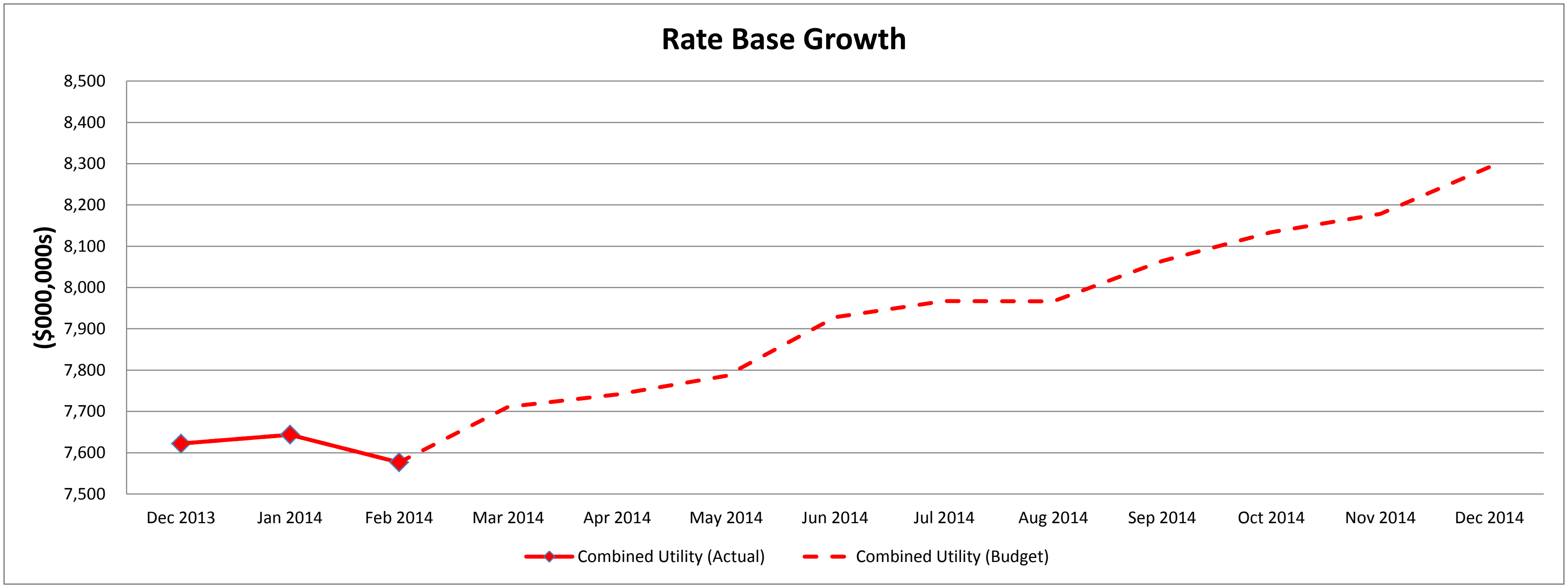
Balance Sheet — February 2014

($ Millions)

	2/28/2014	YTD Budget	Variance	Comments
Assets:				
Current Assets:				
Cash and Cash Equivalents	$ 39	$ 24	$ 15	Higher cash due to higher operational revenue.
Accounts Receivable (Trade)	471	412	59	Higher customer accounts receivable ($79m) due to colder than normal weather partially offset by negative accrued utility revenue ($17m).
Inventory	228	233	(6)	
Deferred Income Taxes	159	159	(0)	
Prepayments and other current assets	120	105	15	Higher accounts receivable ($28m) offset by note receivable ($17m).
Total Current Assets	1,017	933	84	
Property, Plant, and Equipment	9,640	9,672	(32)	
Intangible Assets	213	213	(0)	
Other Property and Investments	1	1	(0)	
Regulatory Assets	509	496	13	Higher GSC ($10m) and FAC ($3m).
Goodwill	997	997	0	
Other Long-term Assets	95	95	(1)	
Total Assets	**$ 12,471**	**$ 12,407**	**$ 64**	
Liabilities and Equity:				
Current Liabilities:				
Accounts Payable (Trade)	$ 340	$ 341	$ (1)	
Accounts Payable - Affiliated Company	104	0	104	Dividend payable ($104m) issued to PPL based on Q4 2013 net income.
Customer Deposits	51	50	1	
Derivative Liability	4	4	0	
Accrued Taxes	102	82	20	Higher taxes due to increase in the forecasted pretax income due to colder than normal weather.
Other Current Liabilities	175	165	10	
Total Current Liabilities	775	641	135	
Debt - Affiliated Company	-	23	(23)	Budget had a short term debt issuance at LKE Other. An inter company receivable should have been used instead of issuing debt.
Debt [(1)]	4,772	4,748	24	Higher than budgeted Commercial Paper ($24m).
Total Debt	4,772	4,771	1	
Deferred Tax Liabilities	965	965	1	
Investment Tax Credit	134	134	(0)	
Accum Provision for Pension & Related Benefits	119	118	1	
Asset Retirement Obligation	250	246	4	
Regulatory Liabilities	1,041	1,041	(0)	
Derivative Liability	36	32	4	
Other Liabilities	240	239	2	
Total Deferred Credits and Other Liabilities	2,786	2,775	11	
Equity	4,138	4,220	(82)	
Total Liabilities and Equity	**$ 12,471**	**$ 12,407**	**$ 64**	

[(1)] Includes all ST and LT debt. See Financing Activities page for details.


Rate Base Growth
($000,000s)
8,500
8,400
8,300
8,200
8,100
8,000
7,900
7,800
7,700
7,600
7,500
Dec 2013
Jan 2014
Feb 2014
Mar 2014
Apr 2014
May 2014
Jun 2014
Jul 2014
Aug 2014
Sep 2014
Oct 2014
Nov 2014
Dec 2014
Combined Utility (Actual)
Combined Utility (Budget)

Performance Report

March 2014

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Kentucky Regulated Dashboard — March 2014

	Current Month		YTD		Full Year	
Safety	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
TCIR - Employees	1.82	0.68	1.37	1.18	1.37	1.29
Employee lost-time incidents	0	0	0	0	0	3
Reliability	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Generation Volumes	2,859	2,673	9,449	8,686	35,518	34,780
Utility EFOR	2.3%	5.9%	2.7%	5.9%	N/A	5.9%
Utility EAF	72.7%	68.1%	84.3%	80.8%	N/A	82.5%
Steam Fleet Commercial Availability	98.7%	91.5%	98.3%	91.5%	N/A	91.5%
Combined SAIFI	0.06	0.08	0.23	0.21	N/A	1.20
Combined SAIDI (minutes)	4.43	7.76	19.69	19.64	N/A	107.60
GwH Sales						
Residential	934	919	3,420	3,032	11,349	10,962
Commercial	626	601	1,989	1,858	8,083	7,952
Industrial	809	763	2,370	2,300	10,082	10,011
Municipals	156	158	512	488	1,993	1,969
Other	230	213	716	654	2,850	2,788
Off-System Sales	53	1	218	108	345	273
Total	2,809	2,655	9,225	8,439	34,702	33,954
Weather-Normalized Sales Growth			**TTM**			
Residential			-1.20%			
Commercial			-1.49%			
Industrial			1.59%			
Municipal			-2.02%			
Other			-0.36%			
Total			-0.44%			

	Current Month		YTD		Full Year	
Financial Metrics	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Utility ROE[(1)]	8.4%	7.2%	12.7%	10.1%	9.1%	8.7%
Electric Margins	$135	$132	$448	$411	$1,689	$1,664
Gas Margins	16	16	59	58	157	157
Capital Expenditures ($ millions)	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
New Generation	$14	$16	$37	$47	$117	$126
ECR	$50	$54	$127	$138	$618	$603
Generation	$6	$6	$11	$23	$121	$121
Transmission	$7	$6	$20	$20	$85	$77
Electric Distribution	$8	$12	$26	$29	$148	$143
Gas Distribution	$5	$6	$12	$16	$81	$80
Customer Services	$1	$1	$2	$4	$18	$20
IT and Other	$3	$4	$8	$12	$45	$50
Total	$93	$105	$242	$289	$1,231	$1,221
O&M ($ millions)[(2)]	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Operations	$44	$46	$117	$114	$481	$468
Administrative	8	8	23	24	98	98
Finance	2	2	5	5	19	19
Burdens & Other Charges	16	13	38	38	144	150
Total	$69	$69	$183	$181	$742	$735
Head Count	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Full-time Employees	3,432	3,527	3,432	3,527	3,546	3,549
Other Metrics	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
Environmental Events	0	2	3	3	N/A	14
NERC Possible Violations	0	0	0	0	N/A	11

Variance Explanations

• YTD generation volumes and GWh sales were impacted by cold weather. Generation volumes were also impacted by excellent plant availability.

• YTD higher margins driven by favorable weather and system availability, including $26 million from retail electric sales, $7 million from off-system sales and $4 million from other margin components.

• YTD Capital expenditures were $47m lower than budget YTD due primarily to timing of spending on Cane Run Unit 7 and milestone shifts on Ghent environmental air projects, partially offset by higher than budgeted spending on Mill Creek environmental air projects due to delays in 2013.

• O&M full year forecast $7 million higher, due primarily to the impacts of the cold winter (bad debt expense, storms expense and plant maintenance), partially offset by lower pension and post-retirement benefit expenses.

Major Developments

• 2014 has been marked by historically cold weather and increased electricity consumption. The month of March maintained this winter-long trend with colder than normal temperatures and the establishment of a new March peak load of 4,092 MWs for the KU system.

• By letter dated March 17, 2014, the Sierra Club notified LG&E of its intent to sue LG&E using the citizen suit provisions under the Clean Water Act ("Notice"). In its Notice, the Sierra Club alleges that LG&E's Pollutant Discharge Elimination System Permit ("Permit") only allows "an occasional discharge" directly into the Ohio River from Outfall 002. The Sierra Club further alleges that LG&E has discharged from Outfall 002 directly into the Ohio River "on an almost daily basis." In response to the notice and consistent with LG&E's position, Bruce Scott, the Commissioner of the Kentucky Department for Environmental Protection, has publicly stated that LG&E's Permit does not contain a restriction on the frequency of discharge from Outfall 002 into the Ohio River and that LG&E is in compliance with its Permit. Notwithstanding the regulatory assurances that we are in compliance, we do expect the Sierra Club to initiate the lawsuit as a part of its nationwide campaign against fossil fuels.

Significant Future Events

• LKE's capital plan remains on schedule in 2014 with heavy construction at Brown, Cane Run, Ghent, and Mill Creek. LKE is also seeking permits at various plants. LKE filed the revised landfill permit application for Trimble County in January and will file the associated Division of Water and Corp of Engineer permits in the coming weeks. The landfill permit for Brown is expected during the summer. Regarding the Green River NGCC and the Brown Solar Facility, LKE is currently reviewing the Site Assessment Reports which will be filed with the KPSC in April. A formal hearing on the matter is scheduled to take place July 8 – July 10.

(1) Excludes goodwill and other purchase accounting adjustments.
(2) Net of cost recovery mechanisms.

Income Statement: Actual vs. Budget (Month) — March 2014

($ Millions)

	MTD			
	Actual	Budget	Variance	Comments
Revenues:				
Electric Revenues	$ 232	$ 223	$ 9	Due to increasing electricty volumes resulting from colder than normal weather.
Gas Revenues	42	35	7	Due to increasing gas volumes resulting from colder than normal weather.
Total Revenues	274	257	16	
Cost of Sales:				
Fuel Electric Costs	84	75	(9)	Due to increasing electricty volumes resulting from colder than normal weather.
Gas Supply Expenses	26	19	(7)	Due to increasing gas volumes resulting from colder than normal weather.
Purchased Power	5	7	2	
Other Electric Cost	7	8	1	
Total Cost of Sales	123	110	(13)	
Gross Margin:				
Electric Margin	135	132	3	
Gas Margin	16	16	0	
Total Gross Margin	151	148	3	
Operating Expenses:				
O&M	69	69	(0)	
Depreciation & Amortization	28	28	0	
Taxes, Other than Income	4	4	(0)	
Total Operating Expenses	102	102	0	
Other income	(1)	(1)	0	
EBIT	49	45	4	
Interest Expense	14	14	1	
Income from Ongoing Operations before income taxes	35	31	4	
Income Tax Expense	13	11	(2)	
Net Income (loss) from ongoing operations	**$ 22**	**$ 19**	**$ 2**	
Non Operating Income	0	0	0	
Discontinued Operations	(0)	0	(0)	
Net Income (loss)	$ 22	$ 19	$ 2	
KY Regulated Financing Costs	(3)	(3)	(0)	
KY Regulated Net Income	$ 19	$ 17	$ 2	
Earnings Per Share	$ 0.03	$ 0.02	$ 0.00	

Note: Schedules may not sum due to rounding.

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7)(o)

Witness: K Blake

Income Statement: Actual vs. Budget (YTD) — March 2014

($ Millions)

	YTD			
	Actual	Budget	Variance	Comments
Revenues:				
Electric Revenues	$ 766	$ 691	$ 75	Due to increasing electricty volumes resulting from colder than normal weather.
Gas Revenues	169	136	32	Due to increasing gas volumes resulting from colder than normal weather.
Total Revenues	935	827	108	
Cost of Sales:				
Fuel Electric Costs	279	235	(44)	Due to increasing electricty volumes resulting from colder than normal weather.
Gas Supply Expenses	110	78	(32)	Due to increasing gas volumes resulting from colder than normal weather.
Purchased Power	15	18	3	
Other Electric Cost	24	27	3	
Total Cost of Sales	427	358	(70)	
Gross Margin:				
Electric Margin	448	411	37	Higher margins driven by favorable weather and system availability, including $26 million from retail electric energy and demand charge revenues, $7 million from excess generation sold at market prices and $4 million from other margin components.
Gas Margin	59	58	1	
Total Gross Margin	507	469	38	
Operating Expenses:				
O&M	183	181	(2)	
Depreciation & Amortization	84	85	1	
Taxes, Other than Income	13	13	(0)	
Total Operating Expenses	280	279	(1)	
Other income	(2)	(3)	1	
EBIT	225	188	38	
Interest Expense	42	43	1	
Income from Ongoing Operations before income taxes	184	145	39	
Income Tax Expense	69	55	(14)	Higher pre-tax income.
Net Income (loss) from ongoing operations	**$ 115**	**$ 90**	**$ 24**	
Non Operating Income	0	-	0	
Discontinued Operations	(0)	0	(0)	
Net Income (loss)	$ 115	$ 90	$ 25	
KY Regulated Financing Costs	(8)	(8)	(0)	
KY Regulated Net Income	$ 107	$ 82	$ 25	
Earnings Per Share	$ 0.16	$ 0.12	$ 0.04	

Note: Schedules may not sum due to rounding.

Income Statement: Forecast vs. Budget — March 2014

($ Millions)

	Full Year			
	Q1 Forecast	**Budget**	**Variance**	**Comments**
Revenues:				
Electric Revenues	$ 2,877	$ 2,815	$ 62	Due to increasing electricty volumes resulting from colder than normal weather.
Gas Revenues	351	318	32	Due to increasing gas volumes resulting from colder than normal weather.
Total Revenues	3,227	3,134	94	
Cost of Sales:				
Fuel Electric Costs	996	953	(43)	Due to increasing electricty volumes resulting from colder than normal weather.
Gas Supply Expenses	193	162	(32)	Due to increasing gas volumes resulting from colder than normal weather.
Purchased Power	69	72	3	
Other Electric Cost	124	127	3	
Total Cost of Sales	1,381	1,313	(68)	
Gross Margin:				
Electric Margin	1,689	1,664	25	Higher margins driven by favorable weather and system availability.
Gas Margin	158	157	1	
Total Gross Margin	1,846	1,820	26	
Operating Expenses:				
O&M	742	735	(7)	Due primarily to weather related expenses, partially offset by lower labor related costs.
Depreciation & Amortization	343	344	1	
Taxes, Other than Income	51	51	0	
Total Operating Expenses	1,135	1,130	(6)	
Other income	(6)	(7)	0	
EBIT	705	684	21	
Interest Expense	171	172	1	
Income from Ongoing Operations before income taxes	533	511	22	
Income Tax Expense	200	192	(8)	
Net Income (loss) from ongoing operations	**$ 333**	**$ 319**	**14**	
Non Operating Income	0	-	0	
Discontinued Operations	0	0	(0)	
Net Income (loss)	$ 334	$ 320	$ 14	
KY Regulated Financing Costs	(31)	(31)	-	
KY Regulated Net Income	$ 302	$ 288	$ 14	
Earnings Per Share	$ 0.45	$ 0.43	$ 0.02	

Note: Schedules may not sum due to rounding.

Electric Gross Margin — March 2014

($ Millions)

	MTD						YTD					
	Actual	Budget	Unit Variance	Value @	Dollar Variance	Margin Variance	Actual	Budget	Unit Variance	Value @	Dollar Variance	Margin Variance
Base Electric Margin:						$ 2						$ 26
Energy Volumes (a)	2,755,887	2,653,839	102,048	$ -	$ 2		9,007,235	8,331,084	676,151	$ -	$ 25	
Energy Prices (a)					(1)						(3)	
Customer Charges (Avg. Customers)	939,361	944,719	(5,358)		(0)		940,379	944,715	(4,335)		(0)	
Demand Charges (b)	37	36			0		113	110			4	
ECR:						$ (1)						$ (1)
Average Rate Base	$ 1,216	$ 1,215	$ 1	10.37%	$ -		$ 1,170	$ 1,163	$ 7	10.40%	$ 0.1	
Cost of Capital	10.21%	10.37%	-0.16%	$ 1,216	$ (0.1)		10.21%	10.40%	-0.19%	$ 1,170	(0.5)	
Jurisdictional Factor	86.12%	86.95%	-0.83%	$ 1,216	$ (0.1)		85.16%	86.40%	-1.24%	$ 1,170	(0.4)	
Other					$ (0.3)						(0.4)	
DSM:						$ (1)						$ (2)
Program Expense (Revenue Net of Expense)	$ -	$ -			$ -		$ (0.1)	$ 0.1			$ (0.2)	
Lost Sales	1.5	1.9			$ (0.4)		3.8	5.6			(1.8)	
Incentive	0.1	0.1			$ -		0.2	0.2			-	
Balancing Adjustment	(0.8)	-			$ (0.8)		0.3	-			0.3	
Net Fuel Recovery	$ (1.0)	$ (0.4)				$ (1)	$ (3)	$ (1)				$ (2)
Purchase Power Demand	(2.3)	(2.6)				$ 0	(5.9)	(7.6)				$ 2
Transmission	0.9	0.6				$ 0	3.8	2.6				$ 1
Other	(0.8)	(2.5)				$ 2	(4.2)	(10.0)				$ 6
Retail Margin Variance						$ 2						$ 29
Off-System Margin Variance						$ 2						$ 7
Electric Margin Variance						$ 3						$ 37

(a) Non-Fuel Energy Analysis
(net of base ECR revenue):

	MTD								
	Actual			Budget			Variance		
	Revenue $mil	Volume (MWH)	Price ($/MWH)	Revenue $mil	Volume (MWH)	Price ($/MWH)	Revenue $mil	Volume $mil	Price $mil
Residential	$ 45	934,022	$ 48.43	$ 45	919,368	$ 48.59	$1	$1	($0)
Commercial	20	626,375	31.51	20	601,113	32.86	($0)	$1	($1)
Industrial	7	809,027	8.95	7	763,013	8.97	$0	$0	$0
Municipals	1	156,287	5.56	1	157,532	5.56	$0	$0	$0
Other	6	230,176	24.63	5	212,813	23.99	$1	$0	$0
Native Load Total	**$ 79**	**2,755,887**	**$ 28.58**	**$ 77**	**2,653,839**	**$ 29.11**	**$1**	**$2**	**($1)**

(a) Non-Fuel Energy Analysis
(net of base ECR revenue):

	YTD								
	Actual			Budget			Variance		
	Revenue $mil	Volume (MWH)	Price ($/MWH)	Revenue $mil	Volume (MWH)	Price ($/MWH)	Revenue $mil	Volume $mil	Price $mil
Residential	$ 165	3,419,656	$ 48.30	$ 147	3,032,138	$ 48.54	$18	$19	($1)
Commercial	63	1,988,909	31.84	61	1,857,638	33.00	$2	$4	($2)
Industrial	21	2,370,205	8.96	21	2,299,574	8.98	$1	$1	($0)
Municipals	3	512,244	5.56	3	488,103	5.56	$0	$0	$0
Other	17	716,221	24.05	16	653,632	24.04	$2	$2	$0
Native Load Total	**$ 270**	**9,007,235**	**$ 29.95**	**$ 248**	**8,331,084**	**$ 29.71**	**$22**	**$25**	**($3)**

(b) Demand Analysis (net of base ECR revenue):

	MTD			YTD		
$mil	Act	Bud	Variance	Act	Bud	Variance
Commercial	12	11	1	38	35	3
Industrial	15	16	(1)	46	47	(1)
Municipals	4	4	-	14	13	1
Other	5	5	0	16	15	1
Native Load Total	**37**	**36**	**0**	**113**	**110**	**4**

Gas Gross Margin — March 2014

($ Millions)

	MTD Actual	MTD Budget	MTD Subtotal	MTD Margin Variance	YTD Actual	YTD Budget	YTD Subtotal	YTD Margin Variance
Gas Base Service Charge	**$ 5**	**$ 5**		**$ -**	**$ 15**	**$ 15**		**$ 0**
Gas Supply Costs								
Gas Supply Costs	(26)	(19)	$ (7)		(109)	(78)	$ (31)	
GSC Revenue	26	19	7		108	78	30	
Net Gas Supply Costs				**$ (0)**				**$ (1)**
Retail Gas (a)	**12**	**10**		**$ 2**	**49**	**41**		**$ 8**
Wholesale Gas (a)	**-**	**-**		**$ -**	**-**	**-**		**$ -**
DSM	**(0)**	**0**		**$ (0)**	**0**	**0**		**$ 0**
GLT	**1**	**1**		**$ (0)**	**1**	**2**		**$ (0)**
WNA	**(2)**	**-**		**$ (2)**	**(6)**	**-**		**$ (6)**
Other Margin	**0**	**0**		**$ 0**	**1**	**0**		**$ 0**
Gas Margin Variance				**$ 0**				**$ 1**

(a) Retail and wholesale gas sales - excludes GSC

MTD

	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 8	2,872,103	$ 2.65	$ 6	2,382,018	$ 2.64	$1	$ 1	$ -
Commercial	3	1,265,813	2.05	2	1,004,319	2.09	$1	$ 1	$ -
Industrial	0	123,039	1.63	0	100,761	1.98	$0	$ -	$ -
Public Authority	0	212,260	1.88	0	177,798	2.25	$0	$ 0	$ (0)
Transportation	1	1,282,203	0.86	0.90	1,220,509	0.74	$0	$ (0)	$ 0
Ultimate Consumer	$ 12	5,755,418	$ 2.07	$ 10	4,885,405	$ 2.03	$2	$ 2	$ 0

YTD

	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 32	12,007,418	$ 2.64	$ 27	7,727,234	$ 2.64	$5	$ 5	$ -
Commercial	11	5,277,074	2.08	9	3,236,432	2.09	$2	$ 2	$ -
Industrial	1	454,256	1.98	1	268,417	1.81	$0	$ 0	$ -
Public Authority	2	847,528	2.01	2	558,981	2.02	$0	$ 0	$ -
Transportation	3	4,218,456	0.81	3	2,848,760	0.42	$0	$ (0)	$ 1
Ultimate Consumer	$ 49	22,804,732	$ 2.14	$ 41	14,639,824	$ 2.06	$8	$ 7	$ 1

O&M									March 2014
($ Millions)									

	MTD								
	Actual	Budget	Total Variance	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 24	$ 28	$ 4	$ 0	$ 5	$ 0	$ (0)		$ (0)
Project Engineering	0	0	(0)	0		(0)	(0)		0
Transmission	2	2	0	0		(0)	(0)		0
Energy Supply and Analysis	1	1	0	0		0	0		0
Electric Distribution	8	6	(2)	0		(2)	0	0	(0)
Gas Distribution	3	2	(0)	(0)		(0)	0	(0)	(0)
Safety and Security	0	0	(0)	(0)		(0)	(0)	0	(0)
Customer Services	7	6	(0)	0		(0)	0	(0)	(0)
Chief Operations Officer	**44**	**46**	**2**	**0**	**5**	**(3)**	**(0)**	**(0)**	**(0)**
Information Technology	4	5	0	0		0	(0)		0
General Counsel	3	3	(0)	0		(0)	0		(0)
Human Resources	1	1	0	(0)		(0)	(0)		0
Supply Chain	0	0	0	0		(0)	0		0
Chief Administrative Officer	**8**	**8**	**0**	**0**		**(0)**	**(0)**		**0**
Chief Financial Officer	**2**	**2**	**(0)**	**0**		**0**	**0**		**(0)**
Corporate	**16**	**13**	**(2)**	**(0)**		**0**	**0**		**(3)**
O&M Total MTD	**$ 69**	**$ 69**	**$ (0)**	**$ 1**	**$ 5**	**$ (3)**	**$ (0)**	**$ (0)**	**$ (3)**

	YTD								
	Actual	Budget	Total Variance	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 57	$ 60	$ 3	$ (1)	$ 5	$ (1)	$ (0)		$ 0
Project Engineering	0	0	0	0		(0)	(0)		0
Transmission	7	7	(0)	(0)		(0)	0		(0)
Energy Supply and Analysis	2	2	0	0		0	0		0
Electric Distribution	21	18	(3)	(1)		(2)	(0)	(0)	(0)
Gas Distribution	8	7	(1)	(0)		0	(0)	(0)	(1)
Safety and Security	1	0	(0)	(0)		(0)	0	0	(0)
Customer Services	20	19	(2)	0		(0)	0	(2)	0
Chief Operations Officer	**117**	**114**	**(4)**	**(3)**	**5**	**(4)**	**(0)**	**(2)**	**(1)**
Information Technology	13	14	1	1		0	(0)		(0)
General Counsel	7	8	0	0		(0)	0		0
Human Resources	2	2	0	(0)		0	0		0
Supply Chain	1	1	0	0		(0)	(0)		0
Chief Administrative Officer	**23**	**24**	**1**	**1**		**(0)**	**(0)**		**0**
Chief Financial Officer	**5**	**5**	**0**	**0**		**0**	**0**		**(0)**
Corporate	**38**	**38**	**(0)**	**2**		**1**	**0**		**(3)**
O&M Total YTD	**$ 183**	**$ 181**	**$ (2)**	**$ 1**	**$ 5**	**$ (3)**	**$ 0**	**$ (2)**	**$ (4)**

	Full Year								
	Forecast	Budget	Total Variance	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 246	$ 245	$ (0)	$ 3	$ (0)	$ (3)	$ 1		$ (1)
Project Engineering	1	1	0	(0)		(0)	(0)		0
Transmission	29	29	(1)	(0)		(0)	(0)		(0)
Energy Supply and Analysis	9	9	0	0		0	0		0
Electric Distribution	74	72	(1)	2		(3)	0	0	(0)
Gas Distribution	32	32	(0)	(0)		(0)	0	0	(0)
Safety and Security	3	0	(3)	(3)		(0)	(0)	0	0
Customer Services	87	79	(8)	(0)		(3)	0	(4)	(0)
Chief Operations Officer	**481**	**468**	**(13)**	**2**	**(0)**	**(10)**	**1**	**(4)**	**(2)**
Information Technology	55	55	0	1		(0)	(0)		(0)
General Counsel	32	32	0	0		0	0		0
Human Resources	8	8	0	0		0	0		0
Supply Chain	4	4	0	0		0	0		0
Chief Administrative Officer	**98**	**98**	**0**	**1**		**0**	**(0)**		**(0)**
Chief Financial Officer	**19**	**19**	**0**	**0**		**0**	**0**		**(0)**
Corporate	**144**	**150**	**6**	**7**		**(0)**	**(0)**	**0**	**(1)**
O&M Total Full Year	**$ 742**	**$ 735**	**$ (7)**	**$ 9**	**$ (0)**	**$ (10)**	**$ 1**	**$ (4)**	**$ (3)**

Note: Schedules may not sum due to rounding.

Financing Activities — March 2014

($ Millions)

Balance Sheet	MTD Actual	MTD Budget	MTD Variance	YTD Actual	YTD Budget	YTD Variance	Full Year Forecast	Full Year Budget	Full Year Variance
PCB									
Beg Bal	$ 924.0	$ 924.2	$ 0.3	$ 924.0	$ 924.0	$ 0.0	$ 924.0	$ 924.0	$ -
End Bal	924.0	924.4	0.4	924.0	924.4	0.4	926.0	924.9	(1.1)
Ave Bal	**$ 924.0**	**$ 924.3**	**$ 0.3**	**$ 924.0**	**$ 924.2**	**$ 0.3**	**$ 924.7**	**$ 924.6**	**$ (0.2)**
Interest Exp	**$ 0.8**	**$ 0.9**	**$ 0.2**	**$ 2.3**	**$ 2.8**	**$ 0.6**	**$ 10.8**	**$ 11.3**	**$ 0.6**
Rate	**0.95%**	**1.19%**	**0.23%**	**0.99%**	**1.23%**	**0.24%**	**1.17%**	**1.23%**	**0.06%**
FMB/Sr Nts									
Beg Bal	$ 3,641.2	$ 3,641.1	$ (0.0)	$ 3,640.9	$ 3,640.9	$ -	$ 3,640.9	$ 3,640.9	$ -
End Bal	3,641.3	3,641.3	(0.0)	3,641.3	3,641.3	(0.0)	3,642.6	3,642.5	(0.0)
Ave Bal	**$ 3,641.2**	**$ 3,641.2**	**$ (0.0)**	**$ 3,641.1**	**$ 3,641.1**	**$ 0.1**	**$ 3,641.8**	**$ 3,641.8**	**$ (0.0)**
Interest Exp	**$ 11.5**	**$ 11.6**	**$ 0.1**	**$ 34.5**	**$ 34.9**	**$ 0.4**	**$ 140.9**	**$ 141.4**	**$ 0.4**
Rate	**3.67%**	**3.71%**	**0.05%**	**3.79%**	**3.84%**	**0.05%**	**3.87%**	**3.88%**	**0.01%**
Short-term Debt									
Beg Bal	$ 207.0	$ 206.0	$ (1.0)	$ 245.0	$ 245.0	$ -	$ 245.0	$ 245.0	$ -
End Bal	200.0	265.8	65.9	200.0	265.8	65.9	543.4	527.8	(15.6)
Ave Bal	**$ 203.5**	**$ 235.9**	**$ 32.5**	**$ 222.5**	**$ 231.7**	**$ 9.2**	**$ 368.1**	**$ 356.8**	**$ (11.3)**
Interest Exp	**$ 0.1**	**$ 0.4**	**$ 0.3**	**$ 0.5**	**$ 1.1**	**$ 0.6**	**$ 3.4**	**$ 3.6**	**$ 0.2**
Rate	**0.33%**	**1.82%**	**1.49%**	**0.90%**	**1.84%**	**0.94%**	**0.91%**	**1.00%**	**0.09%**
Total End Bal	**$ 4,765.3**	**$ 4,831.5**	**$ 66.2**	**$ 4,765.3**	**$ 4,831.5**	**$ 66.2**	**$ 5,112.0**	**$ 5,095.3**	**$ (16.7)**
Total Average Bal	**$ 4,768.7**	**$ 4,801.5**	**$ 32.7**	**$ 4,787.5**	**$ 4,797.0**	**$ 9.5**	**$ 4,934.7**	**$ 4,923.2**	**$ (11.5)**
Total Expense Excl I/C	**$ 13.8**	**$ 14.3**	**$ 0.5**	**$ 41.7**	**$ 42.9**	**$ 1.2**	**$ 171.2**	**$ 172.4**	**$ 1.2**
Rate	**3.37%**	**3.47%**	**0.10%**	**3.48%**	**3.58%**	**0.10%**	**3.47%**	**3.50%**	**0.03%**

Credit Facilities ($ Millions)	Committed Capacity	Borrowed	Letters of Credit Issued	Unused Capacity
LKE	$ 300	$ 75		$ 225
LG&E	500	15		485
KU	598	110	$ 198	290
TOTAL	$ 1,398	$ 200	$ 198	$ 1,000

Credit Metrics ($ Millions)	YTD Actual	YTD +/- Bud	Full Year Forecast	Full Year +/- Bud
FFO to Debt - LG&E	30.5%	+0.01	21.6%	-0.01
FFO to Debt - KU	27.5%	+0.02	22.7%	-0.01
Debt to EBITDA - LG&E (1)	3.03	-0.64	3.59	-0.07
Debt to EBITDA - KU (1)	3.47	-0.26	3.67	-0.05
Debt to Capitalization - LG&E (2)	46.2%	+0.01	47.0%	-0.00
Debt to Capitalization - KU (2)	46.6%	-0.01	47.0%	-0.00

(1) Actuals represent a trailing 12 months

(2) Excludes purchase accounting adjustments and corresponding goodwill of $996m

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Balance Sheet — March 2014

($ Millions)

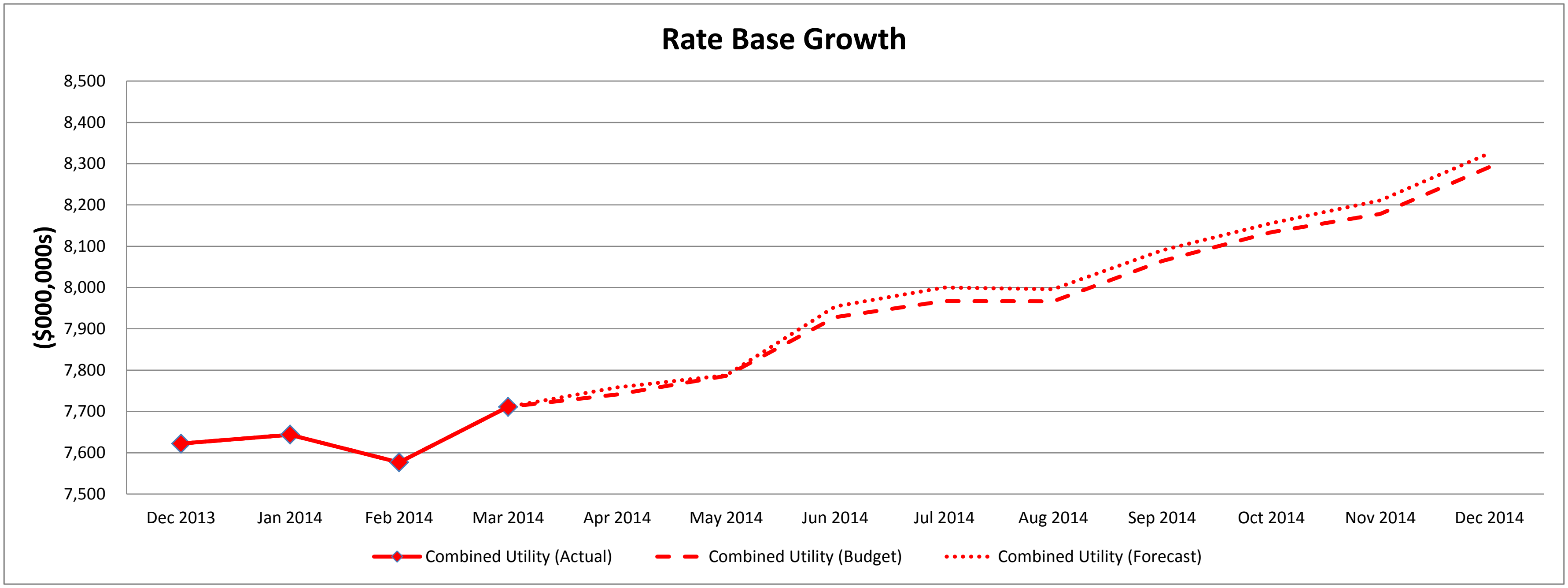
	3/31/2014	YTD Budget	Variance	Comments
Assets:				
Current Assets:				
Cash and Cash Equivalents	$ 30	$ 30	$ 1	
Accounts Receivable (Trade)	414	416	(3)	
Inventory	225	226	(1)	
Deferred Income Taxes	139	159	(20)	Deferred Income Taxes reclassified from asset to liability Deferred Tax Liabilities.
Prepayments and other current assets	52	103	(51)	Lower notes receivable from affiliate ($66m).
Total Current Assets	860	934	(74)	
Property, Plant, and Equipment	9,704	9,748	(44)	Lower CWIP ($147m) partially offset by higher completed construction electric ($73m) and electric plant in service ($24m)
Intangible Assets	209	209	(0)	
Other Property and Investments	1	1	(0)	
Regulatory Assets	506	497	8	
Goodwill	997	997	0	
Other Long-term Assets	95	95	(0)	
Total Assets	**$ 12,371**	**$ 12,482**	**$ (111)**	
Liabilities and Equity:				
Current Liabilities:				
Accounts Payable (Trade)	$ 344	$ 338	$ 6	
Accounts Payable - Affiliated Company	0	0	0	
Customer Deposits	50	50	1	
Derivative Liability	4	4	0	
Accrued Taxes	25	17	8	
Other Current Liabilities	146	152	(6)	
Total Current Liabilities	569	560	10	
Debt - Affiliated Company	-	41	(41)	Budget had a short term debt issuance at LKE Other. An inter company receivable should have been used instead of issuing debt.
Debt [(1)]	4,765	4,791	(26)	Lower issuance of Commercial Paper ($26m) due to lower pension payments and lower capex payments at utilities.
Total Debt	4,765	4,831	(66)	
Deferred Tax Liabilities	1,021	1,041	(20)	Deferred Tax Liabilities reclassified from liability to asset as Deferred Income Taxes.
Investment Tax Credit	134	134	(0)	
Accum Provision for Pension & Related Benefits	119	119	1	
Asset Retirement Obligation	251	246	5	
Regulatory Liabilities	1,036	1,037	(1)	
Derivative Liability	36	32	3	
Other Liabilities	240	236	4	
Total Deferred Credits and Other Liabilities	2,837	2,845	(8)	
Equity	4,200	4,245	(46)	
Total Liabilities and Equity	**$ 12,371**	**$ 12,482**	**$ (111)**	

(1) Includes all ST and LT debt. See Financing Activities page for details.
Note: Schedules may not sum due to rounding.

Cash Flow

March 2014

YTD	Actual	Budget	Variance	Comments
Net Income	115	90	24	Mostly due to higher electric and gas volumes resulting from colder than normal weather. See income statement for more details.
Depreciation	92	89	3	
Deferred Income Taxes	74	75	(0)	
Other Balance Sheet Movements	(15)	(10)	(5)	
Funds From Operations	**265**	**243**	**22**	
Changes in accounts receivables	(4)	(7)	3	
Changes in inventories	53	52	1	
Change in Accounts Payable	(5)	(32)	27	Higher accounts payable due to higher than expected gas purchases due to colder than normal weather.
Change in Working Capital	**44**	**13**	**30**	
Operating Cash flow	**309**	**257**	**52**	
Capex	(272)	(289)	17	CapEx lower due to timing of spending on Cane Run Unit 7 and milestone shifts on Ghent environmental air projects.
Other Investing	68	0	68	LKE cash from tax settlements with PPL.
Loans to Affiliates	0	0	0	
Investing Cash flow	**(205)**	**(289)**	**84**	
Dividends	(104)	(61)	(43)	Higher due to liquidity of LKE cash related to PPL tax settlements.
Equity Infusion	40	67	(27)	Budgeted KU and LGE capital distribution but only made distribution to KU.
Net Borrowings	(45)	21	(66)	Lower issuance of CP due to lower pension payments and lower capex payments at utilities.
Other	0	0	0	
Financing Cash flow	**(109)**	**28**	**(137)**	
Net increase (decrease) in cash	**(5)**	**(5)**	**(0)**	



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Witness: K Blake

Combined KU and LG&E ROE (TTM) March 2014

KU and LG&E Combined

Reconciliation of Allowed Return to

3/31/14 Trailing Twelve Months Regulatory Return and

Book ROE from Ongoing Operations

Allowed Return [1]		10.32%	
Adjustments (net of tax):			
Change in capitalization - non ECR	-1.06%		Growth in non-ECR capitalization (rate base) between rate cases does not earn a return
Change in ROE from average mechanism rate base grc	0.00%		Mechanisms have a real-time return
Change in weighted cost of debt	-0.12%		Additional borrowings offset by favorable rates
Change in margins	1.89%		Primarily new rates since last rate cases
Change in allowed expenses	-0.58%		Inflationary increases
		0.14%	
Actual Regulated ROE		10.45%	
Adjustments (net of tax):			
Impact of non-recoverable purchase accounting	-2.00%		
Impact of 'below the line' items not recoverable through rates	-0.09%		
		-2.09%	
Actual Book ROE from Ongoing Operations		8.36%	

[1] Based on the most recent base rate filings with test years ending 3/31/12 KPSC, 12/31/12 FERC, 12/31/12 VA.

Performance Report

April 2014

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Kentucky Regulated Dashboard — April 2014

	Current Month		YTD		Full Year	
Safety	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
TCIR - Employees	1.11	1.23	1.30	1.19	1.30	1.29
Employee lost-time incidents	0	0	2	0	2	3
Reliability	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Generation Volumes	2,334	2,390	11,783	11,075	35,487	34,780
Utility EFOR	8.1%	5.9%	3.7%	5.9%	N/A	5.9%
Utility EAF	55.4%	59.5%	77.2%	75.5%	N/A	82.5%
Steam Fleet Commercial Availability	92.0%	91.5%	96.7%	91.5%	N/A	91.5%
Combined SAIFI	0.06	0.11	0.28	0.31	N/A	1.20
Combined SAIDI (minutes)	6.04	9.94	25.74	29.58	N/A	107.60
GwH Sales						
Residential	596	718	4,016	3,750	11,349	10,962
Commercial	571	569	2,560	2,427	8,083	7,952
Industrial	818	755	3,188	3,055	10,082	10,011
Municipals	128	146	640	634	1,993	1,969
Other	209	205	925	859	2,850	2,788
Off-System Sales	1	0	219	108	345	273
Total	2,323	2,392	11,548	10,831	34,702	33,954
Weather-Normalized Sales Growth			**TTM**			
Residential			-1.17%			
Commercial			-1.35%			
Industrial			1.46%			
Municipal			-2.59%			
Other			-0.65%			
Total			-0.49%			

	Current Month		YTD		Full Year	
Financial Metrics	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Utility ROE(1)	3.4%	4.5%	10.3%	8.7%	9.1%	8.7%
Electric Margins	$118	$121	$566	$532	$1,689	$1,664
Gas Margins	11	11	70	69	157	157
Capital Expenditures ($ millions)	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
New Generation	$10	$12	$47	$59	$117	$126
ECR	$64	$48	$190	$186	$618	$603
Generation	$10	$6	$22	$29	$115	$121
Transmission	$9	$8	$28	$28	$85	$77
Electric Distribution	$10	$13	$36	$42	$148	$143
Gas Distribution	$5	$6	$17	$22	$83	$80
Customer Services	$1	$2	$4	$6	$18	$20
IT and Other	$3	$4	$11	$17	$45	$50
Total	$112	$99	$354	$388	$1,228	$1,221
O&M ($ millions)(2)	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Operations	$50	$44	$167	$158	$481	$468
Administrative	8	8	31	32	98	98
Finance	1	2	6	7	19	19
Burdens & Other Charges	11	12	49	50	144	150
Total	$70	$66	$253	$247	$742	$735
Head Count	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Full-time Employees	3,440	3,544	3,440	3,544	3,546	3,549
Other Metrics	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
Environmental Events	3	0	6	3	N/A	14
NERC Possible Violations	0	3	0	3	N/A	11

Variance Explanations

- MTD EFOR below budget due to first reheater pluggage at Cane Run 4 and a lost feed from the switchyard at Cane Run 6. MTD EAF was affected by Cane Run 6 scrubber repairs and a boiler ashpit cleaning.
- YTD generation volumes and GWh sales were impacted by cold weather. Generation volumes were also impacted by excellent plant availability.
- YTD higher margins driven by unusually cold weather and system availability, including $21 million from retail electric energy and demand charge revenues, $8 million from excess generation sold at market prices and $6 million from higher gas margins, higher transmission revenue and other retail mechanisms.
- MTD capital was $13 million higher than budget MTD due primarily to spending on Mill Creek environmental air projects due to delays in 2013.
- YTD capital was $34 million lower than budget due primarily to timing of spending on Cane Run Unit 7 and milestone shifts on Ghent environmental air projects, partially offset by higher than budgeted spending on Mill Creek environmental air projects due to delays in 2013.
- YTD higher O&M primarily due to $7 million of higher storm expenses and $2 million higher uncollectible accounts, partially offset by $3 million of labor savings.
- O&M full year forecast $7 million higher, due primarily to the impacts of the cold winter (bad debt expense, storms expense and plant maintenance), partially offset by labor savings.

Major Developments

- The KPSC issued an Order granting LG&E and KU's motion to hold the Green River 5 CPCN proceeding in abeyance for up to 90 days. LG&E and KU are currently assessing the potential impact of recent events on its future capacity needs, including the receipt of five-year termination notices from certain KU municipal wholesale customers totaling approximately 300 megawatts. LG&E and KU continue to meet with the respective municipals.
- LG&E and KU filed its Integrated Resource Plan which is required by the KPSC every three years. Key findings presented in the filing include: using DSM programs to reduce peak demand by 500 MWs by the end of 2018, the retirements of three coal-fired plants (Cane Run, Green River, and Tyrone), and the continuation of a 16 percent target reserve margin.

Significant Future Events

- The KPSC cancelled a July 8 hearing associated with the Green River 5 CPCN and scheduled an informal conference for August 7.

(1) Excludes goodwill and other purchase accounting adjustments.
(2) Net of cost recovery mechanisms.

Income Statement: Actual vs. Budget and Forecast (Month) — April 2014

($ Millions)

	MTD				MTD			
	Actual	Budget	Variance	Comments	Actual	Q1 Forecast	Variance	Comments
Revenues:								
Electric Revenues	$ 204	$ 204	$ (0)		$ 204	$ 204	$ (0)	
Gas Revenues	22	20	2		22	20	1	
Total Revenues	225	224	1		225	224	1	
Cost of Sales:								
Fuel Electric Costs	72	68	(4)		72	68	(4)	
Gas Supply Expenses	11	9	(1)		11	9	(1)	
Purchased Power	6	7	1		6	7	1	
Other Electric Cost	8	8	0		8	8	0	
Total Cost of Sales	96	92	(4)		96	92	(4)	
Gross Margin:								
Electric Margin	118	121	(3)		118	121	(3)	
Gas Margin	11	11	0		11	11	0	
Total Gross Margin	129	132	(3)		129	132	(3)	
Operating Expenses:								
O&M	70	66	(4)		70	69	(0)	
Depreciation & Amortization	28	29	0		28	29	0	
Taxes, Other than Income	4	4	0		4	4	0	
Total Operating Expenses	102	99	(3)		102	102	(0)	
Other income	(2)	(1)	(0)		(2)	(2)	(0)	
EBIT	26	32	(6)		26	29	(3)	
Interest Expense	14	14	0		14	14	0	
Income from Ongoing Operations before income taxes	12	18	(6)		12	14	(2)	
Income Tax Expense	4	6	2		4	5	1	
Net Income (loss) from ongoing operations	**$ 7**	**$ 11**	**$ (4)**		**$ 8**	**$ 9**	**$ (2)**	
Non Operating Income	0	0	0		0	0	0	
Discontinued Operations	0	0	(0)		0	0	(0)	
Net Income (loss)	$ 7	$ 11	$ (4)		$ 7	$ 9	$ (2)	
KY Regulated Financing Costs	(3)	(3)	(0)		(3)	(3)	(0)	
KY Regulated Net Income	$ 5	$ 9	$ (4)		$ 5	$ 7	$ (2)	
Earnings Per Share	$ 0.01	$ 0.01	$ (0.01)		$ 0.01	$ 0.01	$ (0.01)	

Note: Schedules may not sum due to rounding.

Attachment to Filing Requirement
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Witness: K Blake

Income Statement: Actual vs. Budget (YTD) and Forecast vs. Budget (Full Year) | **April 2014**

($ Millions)

	YTD				Full Year			
	Actual	Budget	Variance	Comments	FY Forecast	Budget	Variance	Comments
Revenues:								
Electric Revenues	$ 970	$ 894	$ 75	Due to increasing electricty volumes resulting from colder than normal weather.	$ 2,876	$ 2,815	$ 60	Due to increasing electricty volumes resulting from colder than normal weather.
Gas Revenues	190	156	34	Due to increasing gas volumes resulting from colder than normal weather.	351	318	33	Due to increasing gas volumes resulting from colder than normal weather.
Total Revenues	1,160	1,051	109		3,227	3,134	93	
Cost of Sales:								
Fuel Electric Costs	351	303	(48)	Due to increasing electricty volumes resulting from colder than normal weather.	1,000	953	(47)	Due to increasing electricty volumes resulting from colder than normal weather.
Gas Supply Expenses	120	87	(33)	Due to increasing gas volumes resulting from colder than normal weather.	194	162	(33)	Due to increasing gas volumes resulting from colder than normal weather.
Purchased Power	20	25	4		68	72	4	
Other Electric Cost	32	35	3		123	127	4	
Total Cost of Sales	523	449	(74)		1,385	1,313	(72)	
Gross Margin:								
Electric Margin	566	532	34	Higher margins driven by favorable weather and system availability.	1,689	1,664	25	Higher margins driven by favorable weather and system availability.
Gas Margin	70	69	1		157	157	(0)	
Total Gross Margin	636	601	35		1,846	1,820	25	
Operating Expenses:								
O&M	253	247	(6)	Due primarily to weather related expenses, partially offset by lower labor related costs.	742	735	(7)	Due primarily to weather related expenses, partially offset by lower labor related costs.
Depreciation & Amortization	113	114	1		342	344	1	
Taxes, Other than Income	17	17	0		51	51	0	
Total Operating Expenses	382	378	(5)		1,136	1,130	(6)	
Other income	(4)	(4)	0		(6)	(7)	1	
EBIT	250	220	31		704	684	20	
Interest Expense	56	57	2		171	172	2	
Income from Ongoing Operations before income taxes	195	163	32		533	511	22	
Income Tax Expense	73	61	(12)	Higher pre-tax income.	200	192	(7)	Higher pre-tax income.
Net Income (loss) from ongoing operations	**$ 121**	**$ 101**	**$ 20**		**$ 333**	**$ 319**	**13**	
Non Operating Income	0	-	0		0	-	0	
Discontinued Operations	(0)	0	(0)		0	0	(0)	
Net Income (loss)	$ 122	$ 102	$ 20		$ 333	$ 320	$ 13	
KY Regulated Financing Costs	(10)	(10)	(0)		(31)	(31)	0	
KY Regulated Net Income	$ 111	$ 91	$ 20		$ 302	$ 288	$ 14	
Earnings Per Share	$ 0.17	$ 0.14	$ 0.03		$ 0.45	$ 0.43	$ 0.02	

Note: Schedules may not sum due to rounding.

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Witness: K Blake

Electric Gross Margin — April 2014

($ Millions)

	MTD Actual	MTD Budget	MTD Unit Variance	MTD Value @	MTD Dollar Variance	MTD Margin Variance	YTD Actual	YTD Budget	YTD Unit Variance	YTD Value @	YTD Dollar Variance	YTD Margin Variance
Base Electric Margin:						$ (4)						$ 21
Energy Volumes (a)	2,322,216	2,392,476	(70,259)	$ -	$ (5)		11,329,452	10,723,560	605,892	$ -	$ 20	
Energy Prices (a)					(1)						(4)	
Customer Charges (Avg. Customers)	938,790	946,628	(7,838)		1		939,982	945,193	(5,211)		0	
Demand Charges (b)	38	36			1		151	146			5	
ECR:						$ 0						$ (1)
Average Rate Base	$ 1,277	$ 1,249	$ 28	10.37%	$ 0.2		$ 1,197	$ 1,185	$ 12	10.39%	$ 0.4	
Cost of Capital	10.22%	10.37%	-0.15%	$ 1,277	$ (0.1)		10.21%	10.39%	-0.18%	$ 1,197	(0.6)	
Jurisdictional Factor	87.64%	88.31%	-0.67%	$ 1,277	$ (0.1)		85.82%	86.90%	-1.08%	$ 1,197	(0.4)	
Other					$ 0.3						(0.1)	
DSM:						$ (1)						$ (3)
Program Expense (Revenue Net of Expense)	$ -	$ -			$ -		$ (0.1)	$ 0.1			$ (0.2)	
Lost Sales	1.5	1.9			$ (0.4)		5.4	7.4			(2.0)	
Incentive	0.1	0.1			$ -		0.3	0.3			-	
Balancing Adjustment	(0.5)	-			$ (0.5)		(0.3)	-			(0.3)	
Net Fuel Recovery	$ -	$ (0.4)				$ 0	$ (3)	$ (2)				$ (2)
Purchase Power Demand	(2.5)	(2.5)				$ -	(8.4)	(10.1)				$ 2
Transmission	0.1	0.5				$ (0)	3.9	3.0				$ 1
Other	(0.6)	(2.1)				$ 2	(4.8)	(12.1)				$ 7
Retail Margin Variance						$ (3)						$ 26
Off-System Margin Variance						$ -						$ 8
Electric Margin Variance						$ (3)						$ 34

(a) Non-Fuel Energy Analysis
(net of base ECR revenue):

MTD	Actual Revenue $mil	Actual Volume (MWH)	Actual Price ($/MWH)	Budget Revenue $mil	Budget Volume (MWH)	Budget Price ($/MWH)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 29	595,774	$ 48.91	$ 35	718,299	$ 48.82	($6)	($6)	$0
Commercial	17	570,886	30.43	18	568,963	31.90	($1)	$0	($1)
Industrial	7	818,068	8.94	7	754,972	8.92	$1	$1	$0
Municipals	1	128,374	5.56	1	145,556	5.56	($0)	($0)	$0
Other	5	209,114	23.82	5	204,685	23.61	$0	$0	$0
Native Load Total	**$ 60**	**2,322,216**	**$ 25.63**	**$ 66**	**2,392,476**	**$ 27.42**	**($6)**	**($5)**	**($1)**

(a) Non-Fuel Energy Analysis
(net of base ECR revenue):

YTD	Actual Revenue $mil	Actual Volume (MWH)	Actual Price ($/MWH)	Budget Revenue $mil	Budget Volume (MWH)	Budget Price ($/MWH)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 194	4,015,430	$ 48.39	$ 182	3,750,436	$ 48.59	$12	$13	($1)
Commercial	81	2,559,795	31.52	80	2,426,601	32.75	$1	$4	($3)
Industrial	29	3,188,273	8.95	27	3,054,547	8.97	$1	$1	$0
Municipals	4	640,618	5.56	4	633,659	5.56	$0	$0	$0
Other	22	925,335	23.99	21	858,317	23.93	$2	$2	$0
Native Load Total	**$ 329**	**11,329,452**	**$ 29.07**	**$ 313**	**10,723,560**	**$ 29.20**	**$16**	**$20**	**($4)**

(b) Demand Analysis (net of base ECR revenue):

$mil	MTD Act	MTD Bud	MTD Variance	YTD Act	YTD Bud	YTD Variance
Commercial	13	11	2	51	46	5
Industrial	16	16	(0)	62	63	(1)
Municipals	3	4	(1)	17	17	0
Other	5	5	0	21	20	1
Native Load Total	**38**	**36**	**1**	**151**	**146**	**5**

Gas Gross Margin — April 2014

($ Millions)

	MTD Actual	MTD Budget	MTD Subtotal	MTD Margin Variance	YTD Actual	YTD Budget	YTD Subtotal	YTD Margin Variance
Gas Base Service Charge	**$ 5**	**$ 5**		**$ -**	**$ 20**	**$ 20**		**$ 0**
Gas Supply Costs								
Gas Supply Costs	(11)	(9)	$ (2)		(119)	(87)	$ (32)	
GSC Revenue	10	9	1		118	87	31	
Net Gas Supply Costs				**$ (0)**				**$ (1)**
Retail Gas (a)	**5**	**5**		**$ (0)**	**54**	**46**		**$ 8**
Wholesale Gas (a)	**-**	**-**		**$ -**	**-**	**-**		**$ -**
DSM	**-**	**0**		**$ (0)**	**0**	**0**		**$ -**
GLT	**1**	**1**		**$ (0)**	**2**	**3**		**$ (1)**
WNA	**1**	**-**		**$ 1**	**(6)**	**-**		**$ (6)**
Other Margin	**0**	**0**		**$ 0**	**1**	**1**		**$ 0**
Gas Margin Variance				**$ 0**				**$ 1**

(a) Retail and wholesale gas sales - excludes GSC

MTD

	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 3	1,022,242	$ 2.64	$ 3	1,074,826	$ 2.64	($0)	$ (0)	$ -
Commercial	1	534,608	1.92	1	483,985	2.08	$0	$ 0	$ (0)
Industrial	0	73,744	1.80	0	70,385	1.80	$0	$ -	$ -
Public Authority	0	79,793	1.80	0	102,056	2.01	($0)	$ -	$ -
Transportation	1	1,577,341	0.60	0.80	901,612	0.89	$0	$ 1	$ (1)
Ultimate Consumer	$ 5	3,287,728	$ 1.50	$ 5	2,632,865	$ 1.89	($0)	$ 1	$ (1)

YTD

	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 34	13,029,660	$ 2.64	$ 30	11,184,078	$ 2.64	$5	$ 5	$ -
Commercial	12	5,811,682	2.06	10	4,724,736	2.08	$2	$ 2	$ (0)
Industrial	1	528,000	1.97	1	439,563	1.80	$0	$ 0	$ 0
Public Authority	2	926,793	2.02	2	838,836	2.02	$0	$ 0	$ -
Transportation	4	5,795,797	0.75	4	4,970,881	0.76	$1	$ 1	$ (0)
Ultimate Consumer	$ 54	26,091,932	$ 2.06	$ 46	22,158,093	$ 2.06	$8	$ 8	$ (0)

O&M — April 2014

($ Millions)

	MTD								
	Actual	Budget	Total Variance	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 29	$ 26	$ (3)	$ 1	$ (3)	$ (1)	$ (0)		$ (0)
Project Engineering	0	0	0	0		(0)	(0)		0
Transmission	2	2	0	(0)		0	0		(0)
Energy Supply and Analysis	1	1	0	(0)		0	(0)		0
Electric Distribution	8	6	(2)	0		(2)	(0)	(0)	(0)
Gas Distribution	3	3	0	0		0	0	(0)	(0)
Safety and Security	0	0	(0)	(0)		(0)	0	0	(0)
Customer Services	7	6	(1)	(0)		(0)	0	(0)	(0)
Chief Operations Officer	**50**	**44**	**(5)**	**1**	**(3)**	**(3)**	**(0)**	**(0)**	**(1)**
Information Technology	4	4	0	0		0	(0)		(0)
General Counsel	2	2	0	0		0	0		(0)
Human Resources	1	1	0	0		(0)	0		0
Supply Chain	0	0	0	0		0	(0)		0
Chief Administrative Officer	**8**	**8**	**0**	**0**		**0**	**(0)**		**(0)**
Chief Financial Officer	**1**	**2**	**0**	**0**		**0**	**0**		**0**
Corporate	**11**	**12**	**1**	**0**		**1**	**0**		**0**
O&M Total MTD	**$ 70**	**$ 66**	**$ (4)**	**$ 2**	**$ (3)**	**$ (2)**	**$ 0**	**$ (0)**	**$ (1)**

	YTD								
	Actual	Budget	Total Variance	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 86	$ 86	$ 0	$ 2	$ 3	$ (2)	$ (1)		$ (1)
Project Engineering	0	0	0	0		(0)	(0)		0
Transmission	9	9	0	(0)		0	0		(0)
Energy Supply and Analysis	3	3	0	0		0	0		0
Electric Distribution	29	24	(5)	(0)		(4)	(0)	(0)	(0)
Gas Distribution	11	10	(1)	(0)		0	(0)	(0)	(1)
Safety and Security	1	0	(1)	(1)		(0)	0	0	(0)
Customer Services	28	25	(3)	0		(1)	0	(2)	(0)
Chief Operations Officer	**167**	**158**	**(9)**	**1**	**3**	**(7)**	**(1)**	**(2)**	**(2)**
Information Technology	17	18	1	1		0	(0)		(0)
General Counsel	10	10	0	0		0	0		(0)
Human Resources	2	3	0	(0)		(0)	0		0
Supply Chain	1	1	0	0		(0)	(0)		0
Chief Administrative Officer	**31**	**32**	**2**	**1**		**0**	**(0)**		**0**
Chief Financial Officer	**6**	**7**	**0**	**0**		**0**	**0**		**0**
Corporate	**49**	**50**	**1**	**2**		**1**	**1**		**(3)**
O&M Total YTD	**$ 253**	**$ 247**	**$ (6)**	**$ 5**	**$ 3**	**$ (6)**	**$ (1)**	**$ (2)**	**$ (5)**

	Full Year								
	Forecast	Budget	Total Variance	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 246	$ 245	$ (0)	$ 3	$ (0)	$ (3)	$ 1		$ (1)
Project Engineering	1	1	0	(0)		(0)	(0)		0
Transmission	29	29	(1)	(0)		(0)	(0)		(0)
Energy Supply and Analysis	9	9	0	0		0	0		0
Electric Distribution	74	72	(1)	2		(3)	0	0	(0)
Gas Distribution	32	32	(0)	(0)		(0)	0	0	(0)
Safety and Security	3	0	(3)	(3)		(0)	(0)	0	0
Customer Services	87	79	(8)	(0)		(3)	0	(4)	(0)
Chief Operations Officer	**481**	**468**	**(13)**	**2**	**(0)**	**(10)**	**1**	**(4)**	**(2)**
Information Technology	55	55	0	1		(0)	(0)		(0)
General Counsel	32	32	0	0		0	0		0
Human Resources	8	8	0	0		0	0		0
Supply Chain	4	4	0	0		0	0		0
Chief Administrative Officer	**98**	**98**	**0**	**1**		**0**	**(0)**		**(0)**
Chief Financial Officer	**19**	**19**	**0**	**0**		**0**	**0**		**(0)**
Corporate	**144**	**150**	**6**	**7**		**(0)**	**(0)**	**0**	**(1)**
O&M Total Full Year	**$ 742**	**$ 735**	**$ (7)**	**$ 9**	**$ (0)**	**$ (10)**	**$ 1**	**$ (4)**	**$ (3)**

Note: Schedules may not sum due to rounding.

Financing Activities — April 2014

($ Millions)

Balance Sheet	MTD Actual	MTD Budget	MTD Variance	YTD Actual	YTD Budget	YTD Variance	Full Year Forecast	Full Year Budget	Full Year Variance
PCB									
Beg Bal	$ 924.0	$ 924.4	$ 0.4	$ 924.0	$ 924.0	$ 0.0	$ 924.0	$ 924.0	$ -
End Bal	924.0	924.4	0.4	924.0	924.4	0.4	926.0	924.9	(1.1)
Ave Bal	**$ 924.0**	**$ 924.4**	**$ 0.4**	**$ 924.0**	**$ 924.3**	**$ 0.3**	**$ 924.7**	**$ 924.6**	**$ (0.2)**
Interest Exp	**$ 0.8**	**$ 0.9**	**$ 0.2**	**$ 3.0**	**$ 3.8**	**$ 0.7**	**$ 10.8**	**$ 11.3**	**$ 0.6**
Rate	**1.00%**	**1.23%**	**0.23%**	**0.99%**	**1.23%**	**0.24%**	**1.17%**	**1.23%**	**0.06%**
FMB/Sr Nts									
Beg Bal	$ 3,641.3	$ 3,641.3	$ (0.0)	$ 3,640.9	$ 3,640.9	$ -	$ 3,640.9	$ 3,640.9	$ -
End Bal	3,641.5	3,641.4	(0.0)	3,641.5	3,641.4	(0.0)	3,642.6	3,642.5	(0.0)
Ave Bal	**$ 3,641.4**	**$ 3,641.4**	**$ (0.0)**	**$ 3,641.2**	**$ 3,641.2**	**$ 0.1**	**$ 3,641.8**	**$ 3,641.8**	**$ (0.0)**
Interest Exp	**$ 11.5**	**$ 11.6**	**$ 0.1**	**$ 46.0**	**$ 46.6**	**$ 0.6**	**$ 140.9**	**$ 141.4**	**$ 0.4**
Rate	**3.79%**	**3.84%**	**0.05%**	**3.79%**	**3.84%**	**0.05%**	**3.87%**	**3.88%**	**0.01%**
Short-term Debt									
Beg Bal	$ 200.0	$ 265.8	$ 65.9	$ 245.0	$ 245.0	$ -	$ 245.0	$ 245.0	$ -
End Bal	177.0	247.9	70.9	177.0	247.9	70.9	543.4	527.8	(15.6)
Ave Bal	**$ 188.5**	**$ 256.9**	**$ 68.4**	**$ 211.0**	**$ 235.7**	**$ 24.7**	**$ 368.1**	**$ 356.8**	**$ (11.3)**
Interest Exp	**$ 0.1**	**$ 0.4**	**$ 0.3**	**$ 0.7**	**$ 1.4**	**$ 0.8**	**$ 3.4**	**$ 3.6**	**$ 0.2**
Rate	**0.35%**	**1.74%**	**1.40%**	**0.94%**	**1.83%**	**0.90%**	**0.91%**	**1.00%**	**0.09%**
Total End Bal	**$ 4,742.4**	**$ 4,813.7**	**$ 71.2**	**$ 4,742.4**	**$ 4,813.7**	**$ 71.2**	**$ 5,112.0**	**$ 5,095.3**	**$ (16.7)**
Total Average Bal	**$ 4,753.8**	**$ 4,822.6**	**$ 68.7**	**$ 4,776.1**	**$ 4,801.2**	**$ 25.1**	**$ 4,934.7**	**$ 4,923.2**	**$ (11.5)**
Total Expense Excl I/C	**$ 13.9**	**$ 14.3**	**$ 0.4**	**$ 55.6**	**$ 57.3**	**$ 1.7**	**$ 171.2**	**$ 172.4**	**$ 1.2**
Rate	**3.51%**	**3.57%**	**0.06%**	**3.49%**	**3.58%**	**0.09%**	**3.47%**	**3.50%**	**0.03%**

Credit Facilities ($ Millions)	Committed Capacity	Borrowed	Letters of Credit Issued	Unused Capacity
LKE	$ 300	$ 75		$ 225
LG&E	500	20		480
KU	598	82	$ 198	318
TOTAL	$ 1,398	$ 177	$ 198	$ 1,023

Credit Metrics ($ Millions)	YTD Actual	YTD +/- Bud	Full Year Forecast	Full Year +/- Bud
FFO to Debt - LG&E	29.3%	+0.00	21.6%	-0.01
FFO to Debt - KU	26.8%	+0.01	22.7%	-0.01
Debt to EBITDA - LG&E [(1)]	3.03	-0.64	3.59	-0.07
Debt to EBITDA - KU [(1)]	3.47	-0.26	3.67	-0.05
Debt to Capitalization - LG&E [(2)]	46.9%	+0.02	47.0%	-0.00
Debt to Capitalization - KU [(2)]	46.8%	-0.01	47.0%	-0.00

(1) Actuals represent a trailing 12 months

(2) Excludes purchase accounting adjustments and corresponding goodwill of $996m

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7)(o)
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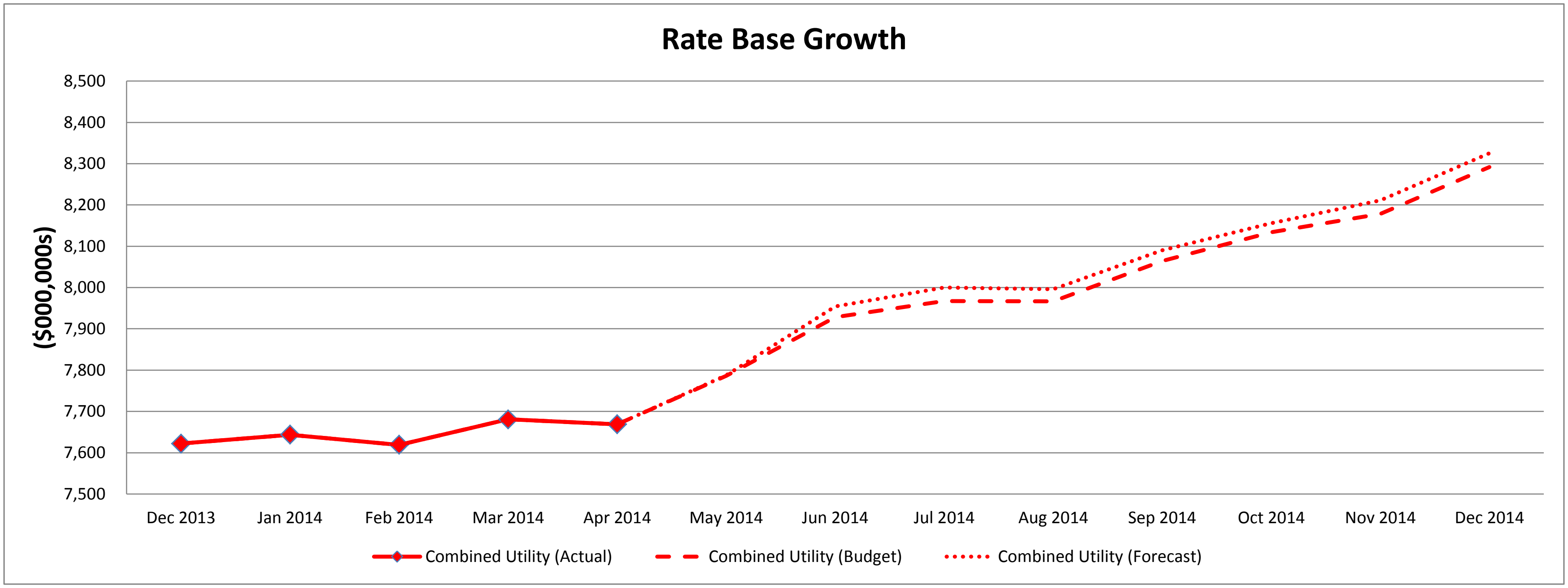
Witness: K Blake

Balance Sheet — April 2014

($ Millions)

	4/30/2014	YTD Budget	Variance	Comments
Assets:				
Current Assets:				
Cash and Cash Equivalents	$ 17	$ 9	$ 8	
Accounts Receivable (Trade)	364	389	(24)	Lower unbilled utility revenue ($51m) off set by higher customer accounts receivable ($30m).
Inventory	237	235	3	
Deferred Income Taxes	139	159	(20)	Deferred Income Taxes reclassified from asset to liability Deferred Tax Liabilities.
Prepayments and other current assets	71	115	(45)	Lower notes receivable from affiliate ($37m).
Total Current Assets	828	907	(78)	
Property, Plant, and Equipment	9,786	9,819	(33)	Lower Electric Plant In Service ($86m) and CWIP ($25m) partially offet by higher completed construction electric ($68m).
Intangible Assets	205	205	(0)	
Other Property and Investments	1	1	(0)	
Regulatory Assets	511	496	15	Higher GSC revenue ($14m).
Goodwill	997	997	0	
Other Long-term Assets	95	95	0	
Total Assets	**$ 12,422**	**$ 12,520**	**$ (97)**	
Liabilities and Equity:				
Current Liabilities:				
Accounts Payable (Trade)	$ 368	$ 335	$ 34	Primarily due to higher fuel volumes.
Accounts Payable - Affiliated Company	0	0	0	
Customer Deposits	50	50	1	
Derivative Liability	4	4	0	
Accrued Taxes	45	56	(11)	Higher pre-tax income.
Other Current Liabilities	175	161	14	Mostly due to $17m in payments on the last business day of the month out the A/P account which didn't have time to be funded from the Funding Account, creating negative cash in the A/P account and a liability in the credit cash adjustment account.
Total Current Liabilities	643	605	38	
Debt - Affiliated Company	-	7	(7)	
Debt [(1)]	4,742	4,807	(64)	Lower issuance of Commercial Paper ($64m) due to lower pension and capex payments.
Total Debt	4,742	4,814	(71)	
Deferred Tax Liabilities	1,019	1,041	(22)	Deferred Tax Liabilities reclassified from liability to asset as Deferred Income Taxes.
Investment Tax Credit	133	133	(0)	
Accum Provision for Pension & Related Benefits	120	119	1	
Asset Retirement Obligation	252	247	5	
Regulatory Liabilities	1,029	1,034	(5)	
Derivative Liability	37	32	5	
Other Liabilities	240	237	3	
Total Deferred Credits and Other Liabilities	2,830	2,844	(14)	
Equity	4,207	4,257	(50)	
Total Liabilities and Equity	**$ 12,422**	**$ 12,520**	**$ (97)**	

[(1)] Includes all ST and LT debt. See Financing Activities page for details.
Note: Schedules may not sum due to rounding.


Rate Base Growth
($000,000s)
8,500
8,400
8,300
8,200
8,100
8,000
7,900
7,800
7,700
7,600
7,500
Dec 2013
Jan 2014
Feb 2014
Mar 2014
Apr 2014
May 2014
Jun 2014
Jul 2014
Aug 2014
Sep 2014
Oct 2014
Nov 2014
Dec 2014
Combined Utility (Actual)
Combined Utility (Budget)
Combined Utility (Forecast)

Performance Report

May 2014

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Kentucky Regulated Dashboard — May 2014

	Current Month		YTD		Full Year	
Safety	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
TCIR - Employees	0.55	0.57	1.11	1.03	1.11	1.29
Employee lost-time incidents	0	0	2	0	2	3
Reliability	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Generation Volumes	2,732	2,691	14,515	13,767	35,558	34,780
Utility EFOR	4.0%	5.9%	3.8%	5.9%	N/A	5.9%
Utility EAF	77.9%	83.3%	77.2%	77.1%	N/A	82.5%
Steam Fleet Commercial Availability	86.8%	91.5%	94.8%	91.5%	N/A	91.5%
Combined SAIFI	0.13	0.12	0.41	0.43	N/A	1.20
Combined SAIDI (minutes)	11.75	10.54	37.48	40.11	N/A	107.60
GwH Sales						
Residential	748	674	4,763	4,424	11,349	10,962
Commercial	634	642	3,194	3,069	8,083	7,952
Industrial	858	877	4,046	3,931	10,082	10,011
Municipals	146	151	787	784	1,993	1,969
Other	232	235	1,157	1,093	2,850	2,788
Off-System Sales	44	65	263	174	345	273
Total	2,662	2,644	14,211	13,475	34,702	33,954
Weather-Normalized Sales Growth			**TTM**			
Residential			-1.72%			
Commercial			-1.27%			
Industrial			1.58%			
Municipal			-1.45%			
Other			-0.10%			
Total			-0.50%			

	Current Month		YTD		Full Year	
Financial Metrics	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Utility ROE[(1)]	8.3%	6.3%	9.9%	8.2%	9.1%	8.7%
Electric Margins	$134	$127	$701	$659	$1,689	$1,664
Gas Margins	9	9	79	78	157	157
Capital Expenditures ($ millions)	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
New Generation	$12	$13	$59	$72	$119	$126
ECR	$66	$62	$256	$248	$622	$603
Generation	$6	$7	$27	$36	$115	$121
Transmission	$7	$6	$35	$34	$84	$77
Electric Distribution	$11	$13	$48	$55	$149	$143
Gas Distribution	$7	$8	$24	$30	$82	$80
Customer Services	$2	$2	$5	$8	$18	$20
IT and Other	$2	$4	$13	$21	$40	$50
Total	$113	$115	$467	$503	$1,229	$1,221
O&M ($ millions)[(2)]	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Operations	$38	$37	$205	$195	$481	$468
Administrative	8	8	$38	40	98	98
Finance	2	2	$8	8	19	19
Burdens & Other Charges	8	12	$57	63	144	150
Total	$56	$60	$308	$306	$742	$735
Head Count	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Full-time Employees	3,450	3,547	3,450	3,547	3,546	3,549
Other Metrics	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
Environmental Events	0	0	6	3	N/A	14
NERC Possible Violations	1	0	1	3	N/A	11

Variance Explanations

• YTD generation volumes and GWh sales were impacted by favorable weather. Generation volumes were also impacted by excellent plant availability.

• MTD higher margins mostly driven by warmer weather, including $5 million from retail electric energy and demand charge revenues.

• YTD higher margins driven by favorable weather and system availability, including $26 million from retail electric energy and demand charge revenues, $9 million from excess generation sold at market prices and $8 million from higher gas margins, higher transmission revenue and other retail mechanisms.

• YTD capital was $36m lower than budget YTD due primarily to timing of spending on Cane Run Unit 7, the Ohio Falls rehabilitation project, circuit hardening and gas service risers, as well as milestone shifts on Ghent environmental air projects; partially offset by higher than budgeted spending on Mill Creek environmental air projects due to delays in 2013.

• MTD lower O&M due to $4 million of labor and benefit savings.

• YTD higher O&M primarily due to $8 million of higher storm expenses and $2 million of higher uncollectible accounts, partially offset by $7 million of labor and benefit savings.

• O&M full year forecast $7 million higher, due primarily to the impacts of the cold winter (bad debt expense, storms expense and plant maintenance), partially offset by labor savings.

Major Developments

• LKE was recently honored with multiple awards from external organizations covering a variety of disciplines. LKE's health and safety initiatives continue to flourish as LKE earned the Louisville Mayor's Healthy Hometown Award and five safety awards including two prestigious Kentucky Governor's Safety and Health Awards for Project Engineering and E.W. Brown. In addition to LKE's health and safety achievements, LKE has also been recognized for its efforts in support of employee commitment, supplier diversity and information technology. LKE's Strategic Business Integration program was one of two utilities worldwide who received an "Excellence in Practice" citation from the Association for Talent Development. LKE also garnered the 2014 EEI Supplier Diversity Excellence Award for working with 140 diverse businesses in 2013 with a total spend of approximately $133 million. Lastly, LKE was named a recipient of the 2014 CIO 100 by CIO magazine, for the deployment of a one-of-a-kind iPad application allowing the Aerial Patrol group to capture transmission data easily without having to manually download data into a computer.

• KU achieved a major milestone as the first fabric filter constructed at Ghent on Unit 3 was successfully placed in service and operating at full load.

• As previously referenced in the March report, the Sierra Club, along with the nonprofit environmental law organization Earthjustice, pursued its intent to sue LG&E and formally filed a federal lawsuit alleging violation of the Clean Water Act at LG&E's Mill Creek plant.

• Metro Council passed a natural gas franchise ordinance authorizing Louisville Metro Government to bid a gas franchise agreement for sixteen months and with a franchise fee of 2 percent of gross receipts. The 2 percent franchise fee will generate $3.8 million and will be utilized to improve public safety. The franchise fees represent pass-through charges and are shown as a separate line item on the bill including the name of the city assessing the charge.

Significant Future Events

• An informal conference related to the Green River 5 CPCN is scheduled for August 7.

(1) Excludes goodwill and other purchase accounting adjustments.
(2) Net of cost recovery mechanisms.

Income Statement: Actual vs. Budget and Forecast (Month) — May 2014

($ Millions)

	MTD Actual	MTD Budget	MTD Variance	Comments	MTD Actual	MTD Q1 Forecast	MTD Variance	Comments
Revenues:								
Electric Revenues	$ 224	$ 214	$ 10	Due to increasing electricty volumes resulting from warmer than normal weather.	$ 224	$ 212	$ 12	Due to increasing electricty volumes resulting from warmer than normal weather.
Gas Revenues	16	15	0		16	15	0	
Total Revenues	240	229	11		240	227	12	
Cost of Sales:								
Fuel Electric Costs	78	72	(6)	Due to increasing electricty volumes resulting from warmer than normal weather.	78	71	(7)	Due to increasing electricty volumes resulting from warmer than normal weather.
Gas Supply Expenses	7	6	(1)		7	6	(1)	
Purchased Power	4	5	1		4	5	1	
Other Electric Cost	8	10	2		8	10	2	
Total Cost of Sales	97	93	(3)		97	92	(5)	
Gross Margin:								
Electric Margin	134	127	7	Higher margins driven by favorable weather and system availability.	134	126	8	Higher margins driven by favorable weather and system availability.
Gas Margin	9	9	(0)		9	9	(0)	
Total Gross Margin	143	136	7		143	135	8	
Operating Expenses:								
O&M	56	60	4		56	60	4	
Depreciation & Amortization	28	29	0		28	29	0	
Taxes, Other than Income	4	4	0		4	4	0	
Total Operating Expenses	88	92	4		88	93	5	
Other income	(0)	(0)	0		(0)	(0)	0	
EBIT	54	43	12		54	42	12	
Interest Expense	14	14	0		14	14	0	
Income from Ongoing Operations before income taxes	40	28	12		40	28	13	
Income Tax Expense	15	10	(5)	Higher due to higher pre-tax income.	15	10	(5)	Higher due to higher pre-tax income.
Net Income (loss) from ongoing operations	**$ 25**	**$ 18**	**$ 7**		**$ 25**	**18**	**$ 8**	
Non Operating Income	0	0	0		0	0	0	
Discontinued Operations	0	0	(0)		0	0	(0)	
Net Income (loss)	$ 25	$ 18	$ 7		$ 25	$ 18	$ 8	
KY Regulated Financing Costs	(3)	(3)	(0)		(3)	(3)	(0)	
KY Regulated Net Income	$ 23	$ 15	$ 7		$ 23	$ 15	$ 8	
Earnings Per Share	$ 0.03	$ 0.02	$ 0.01		$ 0.03	$ 0.02	$ 0.01	

Note: Schedules may not sum due to rounding.

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Witness: K Blake

Income Statement: Actual vs. Budget (YTD) and Forecast vs. Budget (Full Year) May 2014

($ Millions)

	YTD				Full Year			
	Actual	Budget	Variance	Comments	FY Forecast	Budget	Variance	Comments
Revenues:								
Electric Revenues	$ 1,194	$ 1,108	$ 86	Due to increasing electricty volumes resulting from favorable weather.	$ 2,883	$ 2,815	$ 67	Due to increasing electricty volumes resulting from favorable weather.
Gas Revenues	206	172	34	Due to increasing gas volumes resulting from colder than normal weather.	352	318	34	Due to increasing gas volumes resulting from colder than normal weather.
Total Revenues	1,400	1,280	120		3,235	3,134	101	
Cost of Sales:								
Fuel Electric Costs	429	375	(54)	Due to increasing electricty volumes resulting from favorable weather.	1,007	953	(54)	Due to increasing electricty volumes resulting from favorable weather.
Gas Supply Expenses	127	93	(34)	Due to increasing gas volumes resulting from colder than normal weather.	195	162	(33)	Due to increasing gas volumes resulting from colder than normal weather.
Purchased Power	24	30	5		67	72	5	
Other Electric Cost	40	45	5		121	127	6	
Total Cost of Sales	620	543	(77)		1,389	1,313	(76)	
Gross Margin:								
Electric Margin	701	659	42	Higher margins driven by favorable weather and system availability.	1,689	1,664	25	Higher margins driven by favorable weather and system availability.
Gas Margin	79	78	1		157	157	(0)	
Total Gross Margin	780	737	43		1,846	1,820	25	
Operating Expenses:								
O&M	308	306	(2)		742	735	(7)	Due primarily to weather related expenses, partially offset by lower labor related costs.
Depreciation & Amortization	141	142	2		342	344	1	
Taxes, Other than Income	21	21	0		51	51	0	
Total Operating Expenses	470	470	(0)		1,135	1,130	(6)	
Other income	(4)	(4)	0		(7)	(7)	(0)	
EBIT	305	263	42		704	684	20	
Interest Expense	70	72	2		171	172	2	
Income from Ongoing Operations before income taxes	236	191	45		533	511	22	
Income Tax Expense	89	72	(17)	Higher pre-tax income.	200	192	(7)	Higher pre-tax income.
Net Income (loss) from ongoing operations	**$ 147**	**$ 120**	**$ 28**		**$ 333**	**$ 319**	**13**	
Non Operating Income	0	-	0		-	-	-	
Discontinued Operations	(0)	0	(0)		-	0	(0)	
Net Income (loss)	$ 147	$ 120	$ 28		$ 333	$ 320	$ 13	
KY Regulated Financing Costs	(13)	(13)	(0)		(31)	(31)	0	
KY Regulated Net Income	$ 134	$ 107	$ 28		$ 302	$ 288	$ 13	
Earnings Per Share	$ 0.20	$ 0.16	$ 0.04		$ 0.45	$ 0.43	$ 0.02	

Note: Schedules may not sum due to rounding.

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Electric Gross Margin — May 2014

($ Millions)

	MTD Actual	MTD Budget	MTD Unit Variance	MTD Value @	MTD Dollar Variance	MTD Margin Variance	YTD Actual	YTD Budget	YTD Unit Variance	YTD Value @	YTD Dollar Variance	YTD Margin Variance
Base Electric Margin:						$ 4						$ 26
Energy Volumes (a)	2,618,020	2,578,293	39,726	$ -	$ 3		13,947,472	13,301,853	645,618	$ -	$ 23	
Energy Prices (a)					(0)						(4)	
Customer Charges (Avg. Customers)	938,525	946,640	(8,115)		(0)		939,691	945,482	(5,792)		-	
Demand Charges (b)	41	39			2		192	185			7	
ECR:						$ (0)						$ (1)
Average Rate Base	$ 1,342	$ 1,307	$ 35	10.37%	$ 0.3		$ 1,226	$ 1,209	$ 17	10.39%	$ 0.6	
Cost of Capital	10.21%	10.37%	-0.16%	$ 1,342	$ (0.2)		10.21%	10.39%	-0.18%	$ 1,226	(0.8)	
Jurisdictional Factor	87.32%	87.27%	0.04%	$ 1,342	$ -		86.15%	86.98%	-0.83%	$ 1,226	(0.4)	
Other					$ (0.2)						(0.3)	
DSM:						$ (0)						$ (3)
Program Expense (Revenue Net of Expense)	$ -	$ -			$ -		$ (0.2)	$ 0.2			$ (0.4)	
Lost Sales	1.7	1.9			$ (0.2)		7.1	9.3			(2.2)	
Incentive	0.1	0.1			$ -		0.4	0.3			0.1	
Balancing Adjustment	-	-			$ -		(0.3)	-			(0.3)	
Net Fuel Recovery	$ 0.5	$ (0.3)				$ 1	$ (3)	$ (2)				$ (1)
Purchase Power Demand	(2.3)	(2.6)				$ 0	(10.7)	(12.8)				$ 2
Transmission	1.0	1.0				$ -	4.9	4.0				$ 1
Other	(1.3)	(3.0)				$ 2	(6.1)	(15.1)				$ 9
Retail Margin Variance						$ 7						$ 33
Off-System Margin Variance						$ 0						$ 9
Electric Margin Variance						$ 7						$ 42

(a) Non-Fuel Energy Analysis (net of base ECR revenue): MTD

	Actual Revenue $mil	Actual Volume (MWH)	Actual Price ($/MWH)	Budget Revenue $mil	Budget Volume (MWH)	Budget Price ($/MWH)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 37	747,842	$ 49.31	$ 33	673,629	$ 49.28	$4	$4	$0
Commercial	19	633,884	30.32	20	642,411	31.14	($1)	($0)	($1)
Industrial	8	857,712	8.93	8	876,885	8.86	($0)	($0)	$0
Municipals	1	146,496	7.17	1	150,737	5.56	$0	$0	$0
Other	5	232,085	22.62	5	234,632	22.96	($0)	($0)	($0)
Native Load Total	**$ 70**	**2,618,020**	**$ 26.76**	**$ 67**	**2,578,293**	**$ 26.06**	**$3**	**$3**	**($0)**

(a) Non-Fuel Energy Analysis (net of base ECR revenue): YTD

	Actual Revenue $mil	Actual Volume (MWH)	Actual Price ($/MWH)	Budget Revenue $mil	Budget Volume (MWH)	Budget Price ($/MWH)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 231	4,763,272	$ 48.54	$ 215	4,424,065	$ 48.70	$16	$17	($1)
Commercial	100	3,193,680	31.28	100	3,069,012	32.41	$0	$4	($4)
Industrial	36	4,045,985	8.95	35	3,931,432	8.94	$1	$1	$0
Municipals	5	787,114	5.86	4	784,396	5.56	$0	$0	$0
Other	28	1,157,420	23.72	26	1,092,949	23.72	$2	$2	$0
Native Load Total	**$ 399**	**13,947,472**	**$ 28.63**	**$ 380**	**13,301,853**	**$ 28.59**	**$19**	**$23**	**($4)**

(b) Demand Analysis (net of base ECR revenue):

$mil	MTD Act	MTD Bud	MTD Variance	YTD Act	YTD Bud	YTD Variance
Commercial	14	13	1	65	59	6
Industrial	17	17	0	79	80	(1)
Municipals	4	4	(0)	21	21	0
Other	6	6	1	27	26	2
Native Load Total	**41**	**39**	**2**	**192**	**185**	**7**

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Gas Gross Margin — May 2014

($ Millions)

	MTD Actual	MTD Budget	MTD Subtotal	MTD Margin Variance	YTD Actual	YTD Budget	YTD Subtotal	YTD Margin Variance
Gas Base Service Charge	**$ 5**	**$ 5**		**$ -**	**$ 25**	**$ 25**		**$ 0**
Gas Supply Costs								
Gas Supply Costs	(7)	(6)	$ (1)		(126)	(93)	$ (33)	
GSC Revenue	6	6	0		124	93	32	
Net Gas Supply Costs				**$ (0)**				**$ (1)**
Retail Gas (a)	**3**	**3**		**$ (0)**	**57**	**49**		**$ 8**
Wholesale Gas (a)	**-**	**-**		**$ -**	**-**	**-**		**$ -**
DSM	**0**	**0**		**$ -**	**0**	**0**		**$ -**
GLT	**1**	**1**		**$ 0**	**3**	**3**		**$ (0)**
WNA	**-**	**-**		**$ -**	**(6)**	**-**		**$ (6)**
Other Margin	**0**	**0**		**$ -**	**1**	**1**		**$ 0**
Gas Margin Variance				**$ (0)**				**$ 1**

(a) Retail and wholesale gas sales - excludes GSC

MTD

	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 2	610,128	$ 2.64	$ 2	607,297	$ 2.64	$0	$ -	$ -
Commercial	1	276,030	1.86	1	364,309	2.08	($0)	$ (0)	$ (0)
Industrial	0	83,656	1.53	0	63,660	1.77	$0	$ -	$ -
Public Authority	-	25,392	1.86	0	57,198	1.97	($0)	$ (0)	$ -
Transportation	1	901,161	0.93	0.80	984,440	0.78	$0	$ (0)	$ 0
Ultimate Consumer	$ 3	1,896,367	$ 1.66	$ 3	2,076,905	$ 1.62	($0)	$ (0)	$ 0

YTD

	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 36	13,639,788	$ 2.64	$ 31	11,791,375	$ 2.64	$5	$ 5	$ -
Commercial	13	6,087,712	2.05	11	5,089,046	2.08	$2	$ 2	$ (0)
Industrial	1	611,656	1.91	1	503,224	1.80	$0	$ 0	$ 0
Public Authority	2	952,185	2.01	2	896,034	2.02	$0	$ 0	$ -
Transportation	5	6,696,958	0.77	5	5,955,320	0.77	$1	$ 1	$ -
Ultimate Consumer	$ 57	27,988,299	$ 2.03	$ 49	24,234,998	$ 2.02	$8	$ 8	$ (0)

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($ Millions)

	MTD								
	Actual	Budget	Total Variance	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 19	$ 19	$ (1)	$ 0	$ (1)	$ (0)	$ 0		$ (0)
Project Engineering	0	0	0	0		(0)	(0)		0
Transmission	2	2	0	0		0	0		0
Energy Supply and Analysis	1	1	0	(0)		0	0		0
Electric Distribution	7	6	(1)	(0)		(1)	0	(0)	0
Gas Distribution	2	3	0	0		0	(0)	(0)	0
Safety and Security	0	0	(0)	(0)		(0)	0	0	(0)
Customer Services	6	7	0	0		(0)	0	0	0
Chief Operations Officer	**38**	**37**	**(1)**	**0**	**(1)**	**(1)**	**0**	**0**	**0**
Information Technology	4	5	0	0		0	0		(0)
General Counsel	3	3	(0)	0		(0)	0		0
Human Resources	1	1	0	0		0	0		0
Supply Chain	0	0	0	0		0	(0)		0
Chief Administrative Officer	**8**	**8**	**0**	**0**		**(0)**	**0**		**(0)**
Chief Financial Officer	**2**	**2**	**(0)**	**0**		**(0)**	**0**		**(0)**
Corporate	**8**	**12**	**5**	**4**		**0**	**0**		**(0)**
O&M Total MTD	**$ 56**	**$ 60**	**$ 4**	**$ 5**	**$ (1)**	**$ (0)**	**$ 1**	**$ 0**	**$ (1)**

	YTD								
	Actual	Budget	Total Variance	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 105	$ 105	$ (1)	$ 2	$ 2	$ (3)	$ (1)		$ (1)
Project Engineering	0	0	0	0		(0)	(0)		0
Transmission	11	12	0	(0)		0	0		(0)
Energy Supply and Analysis	4	4	0	0		0	0		0
Electric Distribution	36	30	(6)	(1)		(5)	(0)	(0)	(0)
Gas Distribution	13	13	(0)	(0)		0	(0)	(0)	(0)
Safety and Security	1	0	(1)	(1)		(0)	0	0	(0)
Customer Services	34	31	(3)	0		(1)	0	(2)	(0)
Chief Operations Officer	**205**	**195**	**(10)**	**1**	**2**	**(8)**	**(1)**	**(2)**	**(2)**
Information Technology	22	23	1	1		0	(0)		(0)
General Counsel	12	13	0	0		(0)	0		(0)
Human Resources	3	3	0	0		0	0		0
Supply Chain	1	2	0	0		(0)	(0)		0
Chief Administrative Officer	**38**	**40**	**2**	**2**		**0**	**(0)**		**(0)**
Chief Financial Officer	**8**	**8**	**0**	**0**		**(0)**	**0**		**0**
Corporate	**57**	**63**	**5**	**6**		**2**	**1**		**(4)**
O&M Total YTD	**$ 308**	**$ 306**	**$ (2)**	**$ 9**	**$ 2**	**$ (6)**	**$ 0**	**$ (2)**	**$ (6)**

	Full Year								
	Forecast	Budget	Total Variance	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 246	$ 245	$ (0)	$ 3	$ (0)	$ (3)	$ 1		$ (1)
Project Engineering	1	1	0	(0)		(0)	(0)		0
Transmission	29	29	(1)	(0)		(0)	(0)		(0)
Energy Supply and Analysis	9	9	0	0		0	0		0
Electric Distribution	74	72	(1)	2		(3)	0	0	(0)
Gas Distribution	32	32	(0)	(0)		(0)	0	0	(0)
Safety and Security	3	0	(3)	(3)		(0)	(0)	0	0
Customer Services	87	79	(8)	(0)		(3)	0	(4)	(0)
Chief Operations Officer	**481**	**468**	**(13)**	**2**	**(0)**	**(10)**	**1**	**(4)**	**(2)**
Information Technology	55	55	0	1		(0)	(0)		(0)
General Counsel	32	32	0	0		0	0		0
Human Resources	8	8	0	0		0	0		0
Supply Chain	4	4	0	0		0	0		0
Chief Administrative Officer	**98**	**98**	**0**	**1**		**0**	**(0)**		**(0)**
Chief Financial Officer	**19**	**19**	**0**	**0**		**0**	**0**		**(0)**
Corporate	**144**	**150**	**6**	**7**		**(0)**	**(0)**	**0**	**(1)**
O&M Total Full Year	**$ 742**	**$ 735**	**$ (7)**	**$ 9**	**$ (0)**	**$ (10)**	**$ 1**	**$ (4)**	**$ (3)**

Note: Schedules may not sum due to rounding.

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Financing Activities

May 2014

($ Millions)

Balance Sheet	MTD Actual	MTD Budget	MTD Variance	YTD Actual	YTD Budget	YTD Variance	Full Year Forecast	Full Year Budget	Full Year Variance
PCB									
Beg Bal	$ 924.0	$ 924.4	$ 0.4	$ 924.0	$ 924.0	$ 0.0	$ 924.0	$ 924.0	$ -
End Bal	924.0	924.5	0.5	924.0	924.5	0.5	926.0	924.9	(1.1)
Ave Bal	**$ 924.0**	**$ 924.4**	**$ 0.5**	**$ 924.0**	**$ 924.3**	**$ 0.3**	**$ 924.7**	**$ 924.6**	**$ (0.2)**
Interest Exp	**$ 0.8**	**$ 0.9**	**$ 0.2**	**$ 3.8**	**$ 4.7**	**$ 0.9**	**$ 10.8**	**$ 11.3**	**$ 0.6**
Rate	**0.98%**	**1.19%**	**0.21%**	**0.99%**	**1.22%**	**0.23%**	**1.17%**	**1.23%**	**0.06%**
FMB/Sr Nts									
Beg Bal	$ 3,641.5	$ 3,641.4	$ (0.0)	$ 3,640.9	$ 3,640.9	$ -	$ 3,640.9	$ 3,640.9	$ -
End Bal	3,641.6	3,641.6	(0.1)	3,641.6	3,641.6	(0.1)	3,642.6	3,642.5	(0.0)
Ave Bal	**$ 3,641.5**	**$ 3,641.5**	**$ (0.0)**	**$ 3,641.2**	**$ 3,641.3**	**$ 0.0**	**$ 3,641.8**	**$ 3,641.8**	**$ (0.0)**
Interest Exp	**$ 11.5**	**$ 11.6**	**$ 0.1**	**$ 57.5**	**$ 58.2**	**$ 0.7**	**$ 140.9**	**$ 141.4**	**$ 0.4**
Rate	**3.67%**	**3.71%**	**0.05%**	**3.76%**	**3.81%**	**0.05%**	**3.87%**	**3.88%**	**0.01%**
Short-term Debt									
Beg Bal	$ 177.0	$ 247.9	$ 70.9	$ 245.0	$ 245.0	$ -	$ 245.0	$ 245.0	$ -
End Bal	250.0	351.4	101.4	250.0	351.4	101.4	543.4	527.8	(15.6)
Ave Bal	**$ 213.5**	**$ 299.6**	**$ 86.1**	**$ 247.5**	**$ 258.9**	**$ 11.4**	**$ 368.1**	**$ 356.8**	**$ (11.3)**
Interest Exp	**$ 0.1**	**$ 0.4**	**$ 0.3**	**$ 0.8**	**$ 1.8**	**$ 1.0**	**$ 3.4**	**$ 3.6**	**$ 0.2**
Rate	**0.35%**	**1.49%**	**1.14%**	**0.80%**	**1.68%**	**0.88%**	**0.91%**	**1.00%**	**0.09%**
Total End Bal	**$ 4,815.6**	**$ 4,917.5**	**$ 101.9**	**$ 4,815.6**	**$ 4,917.5**	**$ 101.9**	**$ 5,112.0**	**$ 5,095.3**	**$ (16.7)**
Total Average Bal	**$ 4,779.0**	**$ 4,865.6**	**$ 86.6**	**$ 4,812.7**	**$ 4,824.5**	**$ 11.8**	**$ 4,934.7**	**$ 4,923.2**	**$ (11.5)**
Total Expense Excl I/C	**$ 13.9**	**$ 14.3**	**$ 0.4**	**$ 69.5**	**$ 71.6**	**$ 2.1**	**$ 171.2**	**$ 172.4**	**$ 1.2**
Rate	**3.39%**	**3.42%**	**0.04%**	**3.44%**	**3.54%**	**0.09%**	**3.47%**	**3.50%**	**0.03%**

Credit Facilities ($ Millions)	Committed Capacity	Borrowed	Letters of Credit Issued	Unused Capacity
LKE	$ 300	$ 75		$ 225
LG&E	500	50		450
KU	598	125	$ 198	275
TOTAL	$ 1,398	$ 250	$ 198	$ 950

Credit Metrics ($ Millions)	YTD Actual	YTD +/- Bud	Full Year Forecast	Full Year +/- Bud
FFO to Debt - LG&E	29.6%	+0.02	21.6%	-0.01
FFO to Debt - KU	27.5%	+0.03	22.7%	-0.01
Debt to EBITDA - LG&E [(1)]	3.04	-0.63	3.59	-0.07
Debt to EBITDA - KU [(1)]	3.50	-0.22	3.67	-0.05
Debt to Capitalization - LG&E [(2)]	47.1%	+0.01	47.0%	-0.00
Debt to Capitalization - KU [(2)]	47.1%	-0.01	47.0%	-0.00

(1) Actuals represent a trailing 12 months

(2) Excludes purchase accounting adjustments and corresponding goodwill of $996m

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Balance Sheet

May 2014

($ Millions)

	5/31/2014	YTD Budget	Variance	Comments
Assets:				
Current Assets:				
Cash and Cash Equivalents	$ 9	$ 9	$ (0)	
Accounts Receivable (Trade)	369	396	(27)	Lower unbilled utility revenue ($34m) off set by higher customer accounts receivable ($10m).
Inventory	239	235	5	
Deferred Income Taxes	139	159	(20)	Deferred Income Taxes reclassified from asset to liability Deferred Tax Liabilities.
Prepayments and other current assets	47	114	(66)	Lower notes receivable from affiliate ($67m).
Total Current Assets	803	912	(109)	
Property, Plant, and Equipment	9,868	9,904	(36)	Lower Electric Plant In Service ($90m) and CWIP ($19m) partially offet by higher completed construction electric ($62m).
Intangible Assets	201	201	(0)	
Other Property and Investments	1	1	(0)	
Regulatory Assets	508	490	18	Higher GSC revenue ($14m).
Goodwill	997	997	0	
Other Long-term Assets	95	94	1	
Total Assets	**$ 12,473**	**$ 12,599**	**$ (126)**	
Liabilities and Equity:				
Current Liabilities:				
Accounts Payable (Trade)	$ 350	$ 332	$ 18	Primarily due to higher fuel volumes.
Accounts Payable - Affiliated Company	117	0	117	Dividend payable ($117m) issued to PPL based on Q1 2014 net income.
Customer Deposits	50	50	0	
Derivative Liability	4	4	1	
Accrued Taxes	64	71	(7)	
Other Current Liabilities	130	109	21	Mostly due to $31m in payments on the last business day of the month out the A/P account which didn't have time to be funded from the Funding Account, creating negative cash in the A/P account and a liability in the credit cash adjustment account.
Total Current Liabilities	716	566	150	
Debt - Affiliated Company	-	20	(20)	Budget had a short term debt issuance at LKE Other. An inter company receivable should have been used instead of issuing debt.
Debt [(1)]	4,816	4,897	(82)	Lower issuance of Commercial Paper ($82m) due to lower pension and capex payments.
Total Debt	4,816	4,917	(102)	
Deferred Tax Liabilities	1,019	1,041	(21)	Deferred Tax Liabilities reclassified from liability to asset as Deferred Income Taxes.
Investment Tax Credit	133	133	(0)	
Accum Provision for Pension & Related Benefits	118	120	(2)	
Asset Retirement Obligation	253	247	5	
Regulatory Liabilities	1,025	1,030	(5)	
Derivative Liability	39	32	7	
Other Liabilities	239	237	2	
Total Deferred Credits and Other Liabilities	2,826	2,841	(14)	
Equity	4,115	4,275	(160)	
Total Liabilities and Equity	**$ 12,473**	**$ 12,599**	**$ (126)**	

[(1)] Includes all ST and LT debt. See Financing Activities page for details.
Note: Schedules may not sum due to rounding.

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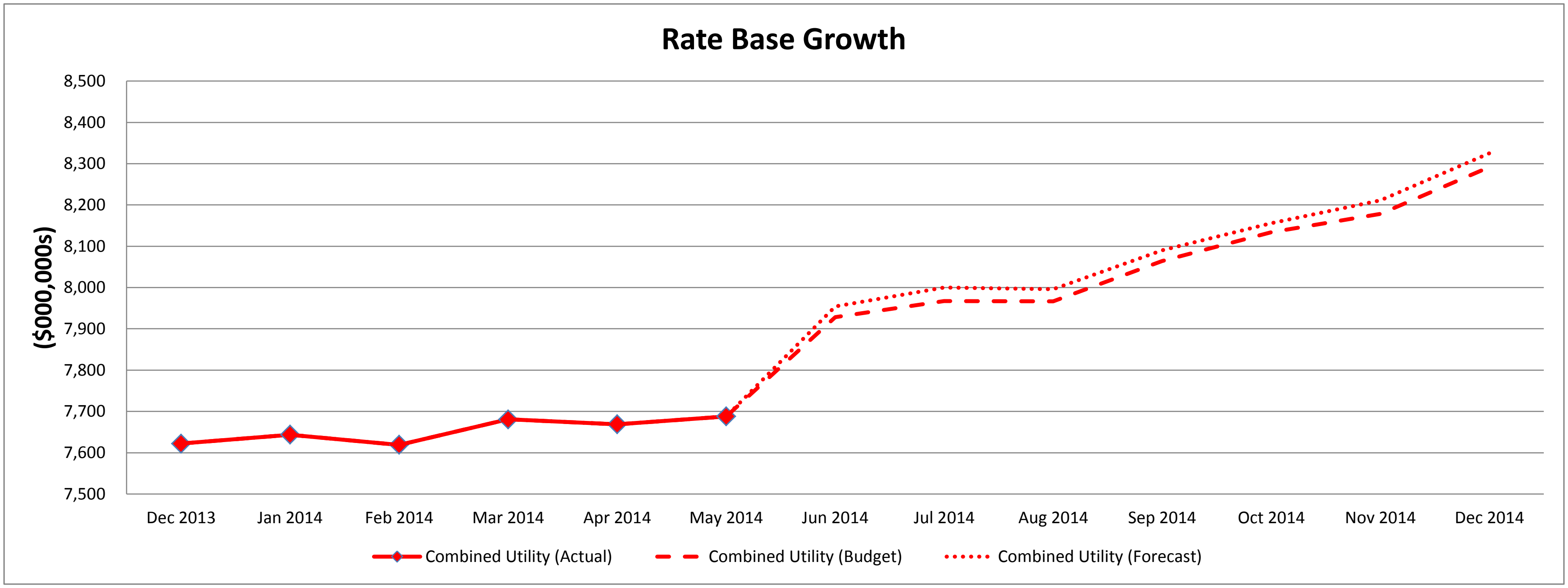
Rate Base Growth
($000,000s)
8,500
8,400
8,300
8,200
8,100
8,000
7,900
7,800
7,700
7,600
7,500
Dec 2013
Jan 2014
Feb 2014
Mar 2014
Apr 2014
May 2014
Jun 2014
Jul 2014
Aug 2014
Sep 2014
Oct 2014
Nov 2014
Dec 2014
Combined Utility (Actual)
Combined Utility (Budget)
Combined Utility (Forecast)

Performance Report

June 2014

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Kentucky Regulated Dashboard — June 2014

Safety	Current Month Actual	Current Month PY	YTD Actual	YTD PY	Full Year Forecast	Full Year PY
TCIR - Employees	0.00	3.28	0.94	1.38	0.94	1.29
Employee lost-time incidents	0	1	4	1	4	3

Reliability	Actual	Budget	Actual	Budget	Forecast	Budget
Generation Volumes	3,055	3,083	17,570	16,850	35,530	34,780
Utility EFOR	5.8%	5.9%	4.2%	5.9%	N/A	5.9%
Utility EAF	90.7%	92.3%	79.5%	79.6%	N/A	82.5%
Steam Fleet Commercial Availability	93.0%	91.5%	94.5%	91.5%	N/A	91.5%
Combined SAIFI	0.10	0.17	0.51	0.60	N/A	1.20
Combined SAIDI (minutes)	9.86	14.76	47.34	54.87	N/A	107.60
GwH Sales						
Residential	939	935	5,702	5,359	11,329	10,962
Commercial	693	729	3,887	3,798	8,000	7,952
Industrial	867	897	4,913	4,829	9,946	10,011
Municipals	166	172	953	957	1,915	1,969
Other	254	250	1,411	1,343	2,832	2,788
Off-System Sales	46	22	309	195	386	273
Total	2,965	3,006	17,176	16,481	34,408	33,954
Weather-Normalized Sales Growth			TTM			
Residential			-0.63%			
Commercial			0.33%			
Industrial			1.26%			
Municipal			-0.81%			
Other			0.44%			
Total			0.23%			

Financial Metrics	Current Month Actual	Current Month Budget	YTD Actual	YTD Budget	Full Year Forecast	Full Year Budget
Utility ROE[(1)]	10.8%	9.9%	10.0%	8.4%	9.1%	8.7%
Electric Margins	$147	$146	$848	$805	$1,680	$1,664
Gas Margins	8	8	88	87	158	157

Capital Expenditures ($ millions)	Actual	Budget	Actual	Budget	Forecast	Budget
New Generation	($0)	$9	$59	$81	$118	$126
ECR	$54	$55	$309	$302	$703	$603
Generation	$4	$6	$32	$41	$116	$121
Transmission	$5	$4	$41	$38	$85	$77
Electric Distribution	$12	$13	$59	$68	$147	$143
Gas Distribution	$7	$8	$32	$38	$79	$80
Customer Services	$3	$2	$8	$10	$18	$20
IT and Other	$2	$4	$14	$25	$40	$50
Total	$86	$100	$553	$603	$1,306	$1,221

O&M ($ millions)[(2)]	Actual	Budget	Actual	Budget	Forecast	Budget
Operations	$35	$37	$241	$232	$483	$468
Administrative	9	8	$47	49	98	98
Finance	2	2	$9	10	19	19
Burdens & Other Charges	9	13	$66	75	133	150
Total	$55	$59	$364	$366	$733	$735

Head Count	Actual	Budget	Actual	Budget	Forecast	Budget
Full-time Employees	3,459	3,559	3,459	3,559	3,502	3,549

Other Metrics	Actual	PY	Actual	PY	Forecast	PY
Environmental Events	2	0	8	3	N/A	14
NERC Possible Violations	2	4	3	7	N/A	11

Variance Explanations

- YTD generation volumes and GWh sales were impacted by favorable weather. Generation volumes were also impacted by favorable plant availability.
- MTD and YTD capital spend lower due primarily to timing of spending on Cane Run Unit 7 and other projects.
- Full year higher capital due primarily to increased costs related to Ghent environmental air projects (Units 3 and 4 economizer work) and Mill Creek environmental air projects (Units 1, 2 and 4 fabric filters and wet flue gas desulfurization units) with some non-environmental spend offsets due to cost reductions.
- YTD higher margins driven principally by retail electric energy and demand revenues supported by favorable weather as well as $8 million from excess generation driven by favorable plant availability and higher market prices and $6 million from lower margin expenses driven by lower ammonia and limestone costs.
- MTD lower O&M primarily due to $3 million of labor and benefit savings and $1 million due to timing of maintenance.

Major Developments

- LKE reached an extraordinary safety accomplishment on June 30, as it completed 30 straight days with zero injuries. The feat demonstrates LKE's commitment to excellent safety performance during the current execution of the largest construction program in our history.
- LKE continues to gain industry recognition as it was recently honored for new customer service and communication initiatives. IVR Doctors and Market Strategies International acknowledged LKE's interactive voice response (IVR) system as the best among combined utilities with the "Gold Stethoscope" award. LKE has added new options to the IVR, allowing customers to automatically enroll in energy efficiency programs and apply for rebates. LKE also earned 14 awards in various categories in the 2014 Better Communications Competition held during the Utility Communicators International conference. LKE surpassed its own record and all other utilities for the most awards and received the prestigious "Communicator of the Year" Award. LKE highlighted its Energy Education initiative which assists the public in better understanding its actions concerning various industry topics.
- The nine terminating municipal customers rejected KU's last settlement position and stated that they would not be rescinding their termination notice. KU is continuing its evaluation of the decision on its future resource plans, including the Green River 5 CPCN.

Significant Future Events

- An informal conference related to the Green River 5 CPCN is scheduled for August 12.

(1) Excludes goodwill and other purchase accounting adjustments.
(2) Net of cost recovery mechanisms.

Income Statement: Actual vs. Budget and Forecast (Month) — June 2014

($ Millions)

	MTD Actual	MTD Budget	MTD Variance	Comments	MTD Actual	MTD Q1 Forecast	MTD Variance	Comments
Revenues:								
Electric Revenues	$ 246	$ 250	$ (4)		$ 246	$ 250	$ (4)	
Gas Revenues	14	12	1		14	12	1	
Total Revenues	259	262	(3)		259	262	(3)	
Cost of Sales:								
Fuel Electric Costs	83	84	1		83	84	1	
Gas Supply Expenses	5	4	(1)		5	4	(1)	
Purchased Power	4	5	1		4	5	1	
Other Electric Cost	11	14	3		11	14	3	
Total Cost of Sales	103	107	4		103	107	4	
Gross Margin:								
Electric Margin	147	146	1		147	146	1	
Gas Margin	8	8	0		8	8	0	
Total Gross Margin	155	154	1		155	155	1	
Operating Expenses:								
O&M	55	59	4	Due to labor and benefit savings ($3m) and timing of maintenance ($1m).	55	60	5	Due to labor and benefit savings ($3m) and timing of maintenance ($1m).
Depreciation & Amortization	28	29	0		28	29	0	
Taxes, Other than Income	4	4	0		4	4	0	
Total Operating Expenses	88	92	4		88	93	5	
Other income	(0)	(0)	(0)		(0)	(0)	(0)	
EBIT	67	62	5		67	61	6	
Interest Expense	14	14	1		14	14	0	
Income from Ongoing Operations before income taxes	54	48	6		54	47	7	
Income Tax Expense	21	18	(3)		21	17	(4)	
Net Income (loss) from ongoing operations	**$ 33**	**$ 30**	**$ 3**		**$ 33**	**29**	**$ 4**	
Non Operating Income	0	0	0		0	0	0	
Discontinued Operations	(0)	0	(0)		(0)	0	(0)	
Net Income (loss)	$ 33	$ 30	$ 3		$ 33	$ 29	$ 4	
KY Regulated Financing Costs	(3)	(3)	(0)		(3)	(3)	(0)	
KY Regulated Net Income	$ 30	$ 27	$ 3		$ 30	$ 27	$ 4	
Earnings Per Share	$ 0.05	$ 0.04	$ 0.01		$ 0.05	$ 0.04	$ 0.01	

Note: Schedules may not sum due to rounding.

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Income Statement: Actual vs. Budget (YTD) — June 2014

($ Millions)

	YTD Actual	YTD Budget	YTD Variance	Comments
Revenues:				
Electric Revenues	$ 1,439	$ 1,358	$ 81	Due to higher electricity volumes resulting from favorable weather.
Gas Revenues	220	184	36	Due to higher gas volumes resulting from colder than normal weather.
Total Revenues	1,659	1,542	117	
Cost of Sales:				
Fuel Electric Costs	512	459	(53)	Due to higher electricity volumes resulting from favorable weather.
Gas Supply Expenses	132	97	(35)	Due to higher gas volumes resulting from colder than normal weather.
Purchased Power	29	35	6	Due to lower purchases than planned.
Other Electric Cost	51	59	8	Due primarily to lower plant system consumables costs.
Total Cost of Sales	724	650	(73)	
Gross Margin:				
Electric Margin	848	805	43	Higher margins driven by favorable weather and system availability.
Gas Margin	88	87	1	
Total Gross Margin	936	892	44	
Operating Expenses:				
O&M	364	366	2	
Depreciation & Amortization	169	171	2	
Taxes, Other than Income	25	25	0	
Total Operating Expenses	558	562	4	
Other income	(5)	(5)	0	
EBIT	373	325	48	
Interest Expense	83	86	3	
Income from Ongoing Operations before income taxes	289	239	50	
Income Tax Expense	110	90	(20)	Higher pre-tax income.
Net Income (loss) from ongoing operations	**$ 180**	**$ 149**	**$ 30**	
Non Operating Income	0	-	0	
Discontinued Operations	(0)	0	(0)	
Net Income (loss)	$ 180	$ 150	$ 30	
KY Regulated Financing Costs	(16)	(16)	(0)	
KY Regulated Net Income	$ 164	$ 134	$ 30	
Earnings Per Share	$ 0.25	$ 0.20	$ 0.05	

Note: Schedules may not sum due to rounding.

Income Statement: Forecast vs. Prior Forecast & Budget								
($ Millions)								**June 2014**
	Full Year				**Full Year**			
	Q2 Forecast	**Q1 Forecast**	**Variance**	**Comments**	**Q2 Forecast**	**Budget**	**Variance**	**Comments**
Revenues:								
Electric Revenues	$ 2,873	$ 2,877	$ (4)		$ 2,873	$ 2,815	$ 58	Due to higher electricity volumes resulting from favorable weather.
Gas Revenues	355	351	4		355	318	36	Due to higher gas volumes resulting from colder than normal weather.
Total Revenues	3,228	3,227	0		3,228	3,134	94	
Cost of Sales:								
Fuel Electric Costs	1,011	996	(15)	Due to higher electricity volumes resulting from favorable weather.	1,011	953	(58)	Due to higher electricity volumes resulting from favorable weather.
Gas Supply Expenses	197	193	(4)	Due to higher electricity volumes resulting from favorable weather.	197	162	(36)	Due to higher gas volumes resulting from colder than normal weather.
Purchased Power	66	69	3		66	72	6	Due to lower purchases than planned.
Other Electric Cost	117	124	7	Due primarily to lower plant system consumables costs.	117	127	10	Due primarily to lower plant system consumables costs.
Total Cost of Sales	1,390	1,381	(9)		1,390	1,313	(77)	
Gross Margin:								
Electric Margin	1,680	1,689	(9)	Due to higher cost of sales (see above).	1,680	1,664	16	Due to higher revenues offset by higher cost of sales (see above).
Gas Margin	158	158	0		158	157	1	
Total Gross Margin	1,837	1,846	(9)		1,837	1,820	17	
Operating Expenses:								
O&M	733	742	9	Due primarily to lower pension and medical related expenses.	733	735	2	
Depreciation & Amortization	342	343	1		342	344	2	
Taxes, Other than Income	51	51	(0)		51	51	(0)	
Total Operating Expenses	1,126	1,135	9		1,126	1,130	3	
Other income	(7)	(6)	(0)		(7)	(7)	0	
EBIT	704	705	(0)		704	684	20	
Interest Expense	170	171	1		170	172	3	
Income from Ongoing Operations before income taxes	534	533	1		534	511	23	
Income Tax Expense	202	200	(2)	Higher pre-tax income.	202	192	(9)	
Net Income (loss) from ongoing operations	**$ 333**	**$ 333**	**$ (1)**		**$ 333**	**$ 319**	**$ 13**	
Non Operating Income	0	-	0		0	-	0	
Discontinued Operations	0	0	(0)		0	0	(0)	
Net Income (loss)	$ 333	$ 334	$ (1)		$ 333	$ 320	$ 14	
KY Regulated Financing Costs	(31)	(31)	0		(31)	(31)	0	
KY Regulated Net Income	$ 302	$ 302	$ (0)		$ 302	$ 288	$ 14	
Earnings Per Share	$ 0.45	$ 0.45	$ 0.00		$ 0.45	$ 0.43	$ 0.02	

Note: Schedules may not sum due to rounding.

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Witness: K Blake

Electric Gross Margin — June 2014

($ Millions)

	MTD Actual	MTD Budget	MTD Unit Variance	MTD Value @	MTD Dollar Variance	MTD Margin Variance	YTD Actual	YTD Budget	YTD Unit Variance	YTD Value @	YTD Dollar Variance	YTD Margin Variance
Base Electric Margin:						$ (4)						$ 22
Energy Volumes (a)	2,918,792	2,983,975	(65,183)	$ -	$ (1)		16,866,264	16,285,829	580,435	$ -	$ 22	
Energy Prices (a)					(2)						(6)	
Customer Charges (Avg. Customers)	938,154	946,652	(8,498)		(0)		939,435	945,677	(6,243)		(0)	
Demand Charges (b)	43	43			0		235	228			7	
ECR:						$ 0						$ (1)
Average Rate Base	$ 1,401	$ 1,318	$ 83	10.37%	$ 0.6		$ 1,255	$ 1,227	$ 28	10.38%	$ 1.2	
Cost of Capital	10.11%	10.37%	-0.26%	$ 1,401	$ (0.3)		10.19%	10.38%	-0.19%	$ 1,255	(1.0)	
Jurisdictional Factor	90.26%	89.83%	0.43%	$ 1,401	$ 0.1		86.91%	87.49%	-0.58%	$ 1,255	(0.4)	
Other					$ (0.1)						(0.4)	
DSM:						$ 1						$ (2)
Program Expense (Revenue Net of Expense)	$ -	$ -			$ -		$ (0.2)	$ 0.2			$ (0.4)	
Lost Sales	3.1	1.9			$ 1.2		10.2	11.2			(1.0)	
Incentive	0.2	0.2			$ -		0.6	0.6			-	
Balancing Adjustment	-	-			$ -		(0.3)	-			(0.3)	
Net Fuel Recovery	$ (0.7)	$ (0.3)				$ (0)	$ (4)	$ (2)				$ (1)
Purchase Power Demand	(2.0)	(2.5)				$ 1	(12.6)	(15.3)				$ 3
Transmission	1.0	1.2				$ (0)	5.9	5.2				$ 1
Other	(1.5)	(3.8)				$ 2	(7.5)	(18.9)				$ 11
Retail Margin Variance						$ 0						$ 34
Off-System Margin Variance						$ 0						$ 8
Electric Margin Variance						$ 1						$ 43

(a) Non-Fuel Energy Analysis (net of base ECR revenue): MTD

	Actual Revenue $mil	Actual Volume (MWH)	Actual Price ($/MWH)	Budget Revenue $mil	Budget Volume (MWH)	Budget Price ($/MWH)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 46	939,055	$ 49.25	$ 46	934,713	$ 49.13	$0	$0	$0
Commercial	21	692,554	30.12	23	729,103	31.88	($2)	($1)	($1)
Industrial	8	867,049	9.03	8	897,469	9.01	($0)	($0)	$0
Municipals	1	166,345	2.87	1	172,227	5.57	($1)	$0	($0)
Other	5	253,790	20.52	6	250,463	23.05	($1)	$0	($1)
Native Load Total	**$ 81**	**2,918,792**	**$ 27.62**	**$ 84**	**2,983,975**	**$ 28.15**	**($3)**	**($1)**	**($2)**

(a) Non-Fuel Energy Analysis (net of base ECR revenue): YTD

	Actual Revenue $mil	Actual Volume (MWH)	Actual Price ($/MWH)	Budget Revenue $mil	Budget Volume (MWH)	Budget Price ($/MWH)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 277	5,702,328	$ 48.65	$ 261	5,358,778	$ 48.77	$16	$17	($1)
Commercial	121	3,886,234	31.08	123	3,798,115	32.31	($2)	$3	($5)
Industrial	44	4,913,034	8.96	43	4,828,901	8.96	$1	$1	$0
Municipals	5	953,459	5.34	5	956,623	5.56	($0)	$0	($0)
Other	33	1,411,209	23.14	32	1,343,412	23.60	$1	$2	($1)
Native Load Total	**$ 480**	**16,866,264**	**$ 28.46**	**$ 464**	**16,285,829**	**$ 28.51**	**$16**	**$22**	**($6)**

(b) Demand Analysis (net of base ECR revenue):

$mil	MTD Act	MTD Bud	MTD Variance	YTD Act	YTD Bud	YTD Variance
Commercial	15	14	1	80	73	7
Industrial	17	18	(1)	96	98	(2)
Municipals	5	5	(0)	25	25	0
Other	7	6	0	34	32	2
Native Load Total	**43**	**43**	**0**	**235**	**228**	**7**

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Witness: K Blake

Gas Gross Margin — June 2014

($ Millions)

	MTD Actual	MTD Budget	MTD Subtotal	MTD Margin Variance	YTD Actual	YTD Budget	YTD Subtotal	YTD Margin Variance
Gas Base Service Charge	**$ 5**	**$ 5**		**$ -**	**$ 30**	**$ 30**		**$ 0**
Gas Supply Costs								
Gas Supply Costs	(5)	(3)	$ (2)		(131)	(96)	$ (35)	
GSC Revenue	5	3	2		130	96	34	
Net Gas Supply Costs				**$ 0**				**$ (1)**
Retail Gas (a)	**3**	**3**		**$ 0**	**59**	**52**		**$ 8**
Wholesale Gas (a)	**-**	**-**		**$ -**	**-**	**-**		**$ -**
DSM	**-**	**0**		**$ (0)**	**0**	**0**		**$ (0)**
GLT	**0**	**1**		**$ (0)**	**3**	**4**		**$ (1)**
WNA	**-**	**-**		**$ -**	**(6)**	**-**		**$ (6)**
Other Margin	**0**	**0**		**$ -**	**1**	**1**		**$ 0**
Gas Margin Variance				**$ (0)**				**$ 1**

(a) Retail and wholesale gas sales - excludes GSC

MTD

	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 1	417,454	$ 2.64	$ 1	418,942	$ 2.64	$0	$ -	$ -
Commercial	1	262,919	1.94	1	249,652	2.08	$0	$ -	$ -
Industrial	0	103,092	1.27	0	48,453	1.66	$0	$ 0	$ -
Public Authority	0	45,222	1.58	0	31,242	1.86	$0	$ -	$ -
Transportation	1	886,006	0.92	0.70	783,625	0.92	$0	$ 0	$ -
Ultimate Consumer	$ 3	1,714,693	$ 1.53	$ 3	1,531,914	$ 1.62	$0	$ 0	$ (0)

YTD

	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 37	14,057,242	$ 2.64	$ 32	12,210,317	$ 2.64	$5	$ 5	$ -
Commercial	13	6,350,631	2.05	11	5,338,698	2.08	$2	$ 2	$ (0)
Industrial	1	714,748	1.81	1	551,676	1.78	$0	$ 0	$ -
Public Authority	2	997,407	1.99	2	927,276	2.01	$0	$ 0	$ -
Transportation	6	7,582,964	0.79	5	6,738,945	0.79	$1	$ 1	$ -
Ultimate Consumer	$ 59	29,702,992	$ 2.00	$ 52	25,766,912	$ 2.00	$8	$ 8	$ (0)

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7)(o)

Witness: K Blake

O&M — June 2014

($ Millions)

	MTD								
	Actual	Budget	Total Variance	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 17	$ 18	$ 1	$ 0	$ (1)	$ 1	$ 1		$ (0)
Project Engineering	0	0	(0)	(0)		(0)	(0)		0
Transmission	3	3	(0)	(0)		(0)	0		0
Energy Supply and Analysis	1	1	0	(0)		0	0		0
Electric Distribution	6	6	0	(0)		1	0	(0)	(0)
Gas Distribution	2	3	1	0		0	0	(0)	0
Safety and Security	0	0	(0)	(0)		(0)	0	0	(0)
Customer Services	7	6	(0)	(0)		(0)	(0)	0	(0)
Chief Operations Officer	**35**	**37**	**1**	**(1)**	**(1)**	**1**	**2**	**0**	**(0)**
Information Technology	4	5	1	0		0	0		0
General Counsel	4	3	(1)	0		(1)	(0)		(0)
Human Resources	1	1	0	0		0	0		0
Supply Chain	0	0	(0)	(0)		0	0		0
Chief Administrative Officer	**9**	**8**	**(0)**	**0**		**(1)**	**0**		**(0)**
Chief Financial Officer	**2**	**2**	**(0)**	**0**		**0**	**0**		**(0)**
Corporate	**9**	**13**	**4**	**3**		**0**	**0**		**(0)**
O&M Total MTD	**$ 55**	**$ 59**	**$ 4**	**$ 3**	**$ (1)**	**$ 1**	**$ 2**	**$ 0**	**$ (1)**

	YTD								
	Actual	Budget	Total Variance	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 122	$ 123	$ 1	$ 3	$ 1	$ (2)	$ 0		$ (1)
Project Engineering	0	0	0	0		(0)	(0)		0
Transmission	14	14	0	(0)		(0)	1		(0)
Energy Supply and Analysis	4	5	0	0		0	0		0
Electric Distribution	42	37	(6)	(1)		(4)	0	(0)	(0)
Gas Distribution	15	16	0	(0)		1	(0)	(0)	(0)
Safety and Security	2	0	(1)	(1)		(0)	0	0	(0)
Customer Services	41	38	(3)	0		(1)	0	(1)	(0)
Chief Operations Officer	**241**	**232**	**(8)**	**0**	**1**	**(6)**	**1**	**(1)**	**(3)**
Information Technology	26	28	2	2		0	(0)		(0)
General Counsel	16	15	(1)	0		(1)	0		(0)
Human Resources	4	4	0	0		0	0		0
Supply Chain	2	2	0	0		0	(0)		0
Chief Administrative Officer	**47**	**49**	**1**	**2**		**(0)**	**(0)**		**(0)**
Chief Financial Officer	**9**	**10**	**0**	**0**		**0**	**0**		**(0)**
Corporate	**66**	**75**	**9**	**10**		**2**	**1**	**(0)**	**(4)**
O&M Total YTD	**$ 364**	**$ 366**	**$ 2**	**$ 12**	**$ 1**	**$ (5)**	**$ 2**	**$ (2)**	**$ (6)**

	Full Year								
	Forecast	Budget	Total Variance	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 244	$ 245	$ 1	$ 3	$ 1	$ (4)	$ 1		$ (1)
Project Engineering	1	1	0	(0)		(0)	(0)		0
Transmission	29	29	(1)	(0)		0	(1)		0
Energy Supply and Analysis	9	9	0	0		0	0		0
Electric Distribution	77	72	(5)	0		(4)	0	0	(1)
Gas Distribution	32	32	(0)	(0)		0	0	0	(0)
Safety and Security	3	0	(3)	(3)		(0)	0	0	(0)
Customer Services	87	79	(8)	(0)		(3)	0	(5)	(1)
Chief Operations Officer	**483**	**468**	**(16)**	**0**	**1**	**(10)**	**1**	**(5)**	**(3)**
Information Technology	55	55	0	1		(0)	(0)		(0)
General Counsel	32	32	0	(0)		0	0		(0)
Human Resources	8	8	0	0		0	0		0
Supply Chain	4	4	(0)	(0)		0	0		0
Chief Administrative Officer	**98**	**98**	**1**	**1**		**(0)**	**(0)**		**(0)**
Chief Financial Officer	**19**	**19**	**0**	**0**		**0**	**0**		**(0)**
Corporate	**133**	**150**	**17**	**19**		**1**	**(0)**	**(0)**	**(3)**
O&M Total Full Year	**$ 733**	**$ 735**	**$ 2**	**$ 20**	**$ 1**	**$ (9)**	**$ 1**	**$ (5)**	**$ (5)**

Note: Schedules may not sum due to rounding.

Financing Activities — June 2014

($ Millions)

Balance Sheet	MTD Actual	MTD Budget	MTD Variance	YTD Actual	YTD Budget	YTD Variance	Full Year Forecast	Full Year Budget	Full Year Variance
PCB									
Beg Bal	$ 924.0	$ 924.5	$ 0.5	$ 924.0	$ 924.0	$ 0.0	$ 924.0	$ 924.0	$ -
End Bal	924.0	924.5	0.5	924.0	924.5	0.5	925.8	924.9	(0.8)
Ave Bal	**$ 924.0**	**$ 924.5**	**$ 0.5**	**$ 924.0**	**$ 924.3**	**$ 0.4**	**$ 924.5**	**$ 924.6**	**$ 0.1**
Interest Exp	**$ 0.8**	**$ 0.9**	**$ 0.2**	**$ 4.6**	**$ 5.7**	**$ 1.1**	**$ 10.3**	**$ 11.3**	**$ 1.1**
Rate	**1.01%**	**1.23%**	**0.21%**	**0.99%**	**1.22%**	**0.23%**	**1.11%**	**1.23%**	**0.12%**
FMB/Sr Nts									
Beg Bal	$ 3,641.6	$ 3,641.6	$ (0.1)	$ 3,640.9	$ 3,640.9	$ -	$ 3,640.9	$ 3,640.9	$ -
End Bal	3,641.8	3,641.7	(0.1)	3,641.8	3,641.7	(0.1)	3,642.6	3,642.5	(0.1)
Ave Bal	**$ 3,641.7**	**$ 3,641.6**	**$ (0.1)**	**$ 3,641.3**	**$ 3,641.4**	**$ 0.0**	**$ 3,641.8**	**$ 3,641.8**	**$ (0.0)**
Interest Exp	**$ 11.9**	**$ 11.6**	**$ (0.3)**	**$ 69.4**	**$ 69.8**	**$ 0.4**	**$ 140.5**	**$ 141.4**	**$ 0.8**
Rate	**3.93%**	**3.84%**	**-0.09%**	**3.79%**	**3.81%**	**0.02%**	**3.86%**	**3.88%**	**0.02%**
Short-term Debt									
Beg Bal	$ 250.0	$ 351.4	$ 101.4	$ 245.0	$ 245.0	$ -	$ 245.0	$ 245.0	$ -
End Bal	320.0	371.7	51.7	320.0	371.7	51.7	570.9	527.8	(43.1)
Ave Bal	**$ 285.0**	**$ 361.5**	**$ 76.6**	**$ 282.5**	**$ 277.7**	**$ (4.8)**	**$ 357.6**	**$ 356.8**	**$ (0.8)**
Interest Exp	**$ 0.2**	**$ 0.3**	**$ 0.1**	**$ 1.0**	**$ 1.6**	**$ 0.6**	**$ 3.1**	**$ 3.6**	**$ 0.5**
Rate	**0.76%**	**1.01%**	**0.24%**	**0.71%**	**1.14%**	**0.43%**	**0.87%**	**1.00%**	**0.14%**
Total End Bal	**$ 4,885.7**	**$ 4,937.8**	**$ 52.1**	**$ 4,885.7**	**$ 4,937.8**	**$ 52.1**	**$ 5,139.3**	**$ 5,095.3**	**$ (44.0)**
Total Average Bal	**$ 4,850.6**	**$ 4,927.6**	**$ 77.0**	**$ 4,847.8**	**$ 4,843.3**	**$ (4.4)**	**$ 4,923.9**	**$ 4,923.2**	**$ (0.7)**
Total Expense Excl I/C [1]	**$ 13.9**	**$ 14.4**	**$ 0.5**	**$ 83.4**	**$ 86.0**	**$ 2.6**	**$ 169.7**	**$ 172.4**	**$ 2.7**
Rate	**3.43%**	**3.50%**	**0.07%**	**3.42%**	**3.53%**	**0.11%**	**3.45%**	**3.50%**	**0.05%**

[1] Total expense line includes additional revolving credit items. Total will not match sum of PCB, FMB, and STD.

Credit Facilities ($ Millions)	Committed Capacity	Borrowed	Letters of Credit Issued	Unused Capacity
LKE	$ 300	$ 75		$ 225
LG&E	500	70		430
KU	598	175	$ 198	225
TOTAL	$ 1,398	$ 320	$ 198	$ 880

Credit Metrics ($ Millions)	YTD Actual	YTD +/- Bud	Full Year Forecast	Full Year +/- Bud
FFO to Debt - LG&E	28.6%	+0.02	21.6%	-0.01
FFO to Debt - KU	24.8%	+0.01	22.7%	-0.01
Debt to EBITDA - LG&E [1]	3.04	-0.62	3.59	-0.07
Debt to EBITDA - KU [1]	3.57	-0.16	3.67	-0.05
Debt to Capitalization - LG&E [2]	46.3%	+0.00	47.0%	-0.00
Debt to Capitalization - KU [2]	47.2%	-0.01	47.0%	-0.00

[1] Actuals represent a trailing 12 months

[2] Excludes purchase accounting adjustments and corresponding goodwill of $996m

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7)(o)

Witness: K Blake

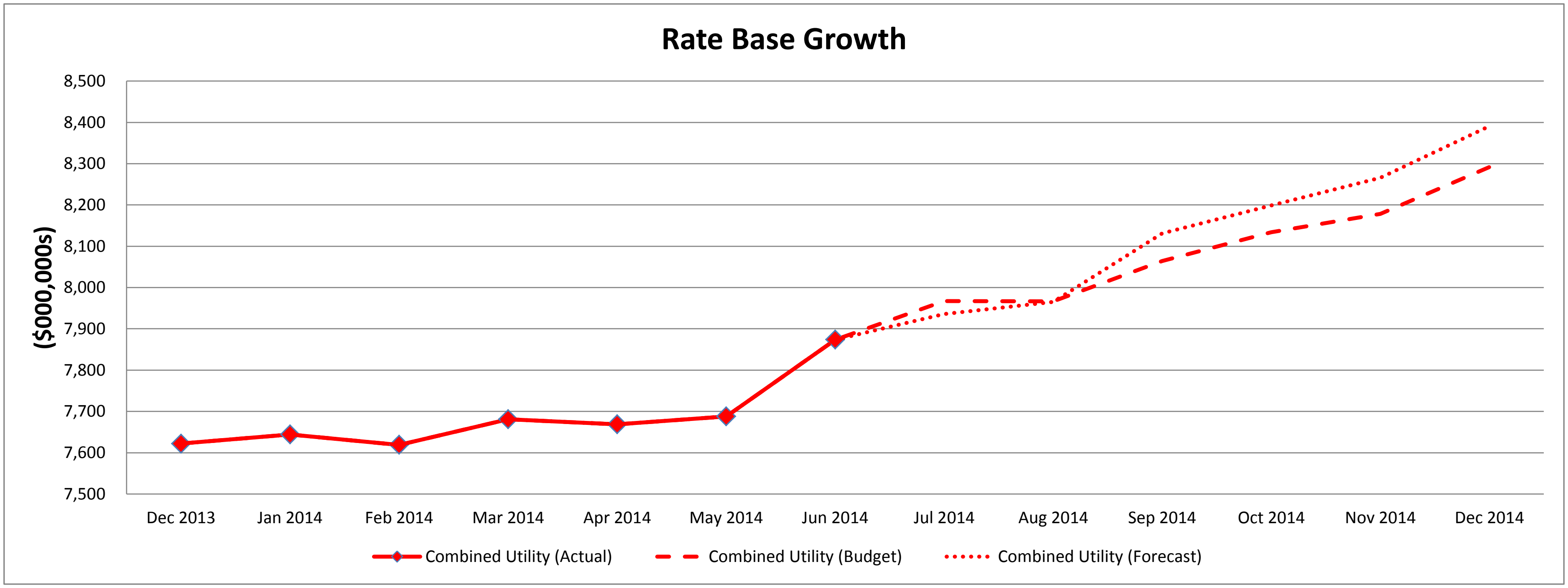
Balance Sheet				June 2014
($ Millions)				
	6/30/2014	YTD Budget	Variance	Comments
Assets:				
Current Assets:				
Cash and Cash Equivalents	$ 23	$ 9	$ 14	Excess daily operational funds.
Accounts Receivable (Trade)	397	418	(21)	Lower unbilled utility revenue ($26m) offset by higher customer accounts receivable ($6m).
Inventory	235	238	(3)	
Deferred Income Taxes	108	159	(51)	Deferred Income Taxes reclassified from asset to liability Deferred Tax Liabilities.
Prepayments and other current assets	63	112	(49)	Lower notes receivable from affiliate ($54m).
Total Current Assets	826	936	(111)	
Property, Plant, and Equipment	9,926	9,974	(48)	Lower Electric Plant In Service ($329m) and CWIP ($42m) partially offset by higher completed construction electric ($308m).
Intangible Assets	197	197	(0)	
Other Property and Investments	1	1	(0)	
Regulatory Assets	498	487	12	Higher GSC revenue ($15m).
Goodwill	997	997	0	
Other Long-term Assets	100	94	6	
Total Assets	**$ 12,545**	**$ 12,686**	**$ (141)**	
Liabilities and Equity:				
Current Liabilities:				
Accounts Payable (Trade)	$ 337	$ 338	$ (2)	
Accounts Payable - Affiliated Company	0	0	0	
Customer Deposits	50	50	1	
Derivative Liability	4	4	1	
Accrued Taxes	29	42	(13)	Higher pre-tax income.
Other Current Liabilities	142	121	21	Mostly due to $29m in payments on the last business day of the month out the A/P account which didn't have time to be funded from the Funding Account, creating negative cash in the A/P account and a liability in the credit cash adjustment account.
Total Current Liabilities	562	556	7	
Debt - Affiliated Company	-	-	-	
Debt [(1)]	4,886	4,938	(52)	Lower issuance of Commercial Paper ($52m) due to lower pension and CapEx payments.
Total Debt	4,886	4,938	(52)	
Deferred Tax Liabilities	1,065	1,117	(52)	Deferred Tax Liabilities reclassified from liability to asset as Deferred Income Taxes.
Investment Tax Credit	133	133	(0)	
Accum Provision for Pension & Related Benefits	114	120	(6)	
Asset Retirement Obligation	255	248	7	
Regulatory Liabilities	1,024	1,026	(2)	
Derivative Liability	38	32	6	
Other Liabilities	242	234	8	
Total Deferred Credits and Other Liabilities	2,872	2,911	(39)	
Equity	4,225	4,282	(57)	
Total Liabilities and Equity	**$ 12,545**	**$ 12,686**	**$ (141)**	

[(1)] Includes all ST and LT debt. See Financing Activities page for details.
Note: Schedules may not sum due to rounding.

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7)(o)

Witness: K Blake

YTD	Actual	Budget	Variance	Comments
Net Income	180	149	31	Mostly due to higher electric and gas volumes resulting from favorable weather. See income statement for more details.
Depreciation	185	179	6	
Deferred Income Taxes	149	149	0	
Other Balance Sheet Movements	(41)	(19)	(22)	See balance sheet.
Funds From Operations	**473**	**459**	**14**	
Changes in accounts receivables	13	(9)	21	Lower unbilled utility revenue offset by higher customer accounts receivable.
Changes in inventories	43	38	5	
Change in Accounts Payable	(13)	(22)	10	Higher accounts payable due to higher than expected gas purchases due to colder than normal weather.
Change in Working Capital	**43**	**7**	**36**	
Operating Cash flow	**516**	**466**	**50**	
Capex	(556)	(603)	47	Lower due primarily to timing of spending on Cane Run Unit 7, the Ohio Falls rehabilitation project, circuit hardening and gas service risers, as well as milestone shifts on Ghent environmental air projects; partially offset by higher than budgeted spending on Mill Creek environmental air projects due to delays in 2013.
Other Investing	55	0	55	LKE cash from tax settlements with PPL.
Loans to Affiliates	0	0	0	
Investing Cash flow	**(501)**	**(603)**	**102**	
Dividends	(221)	(151)	(70)	Higher due to liquidity of LKE cash related to PPL tax settlements.
Equity Infusion	119	135	(16)	Budgeted KU and LGE capital distribution but only made distribution to KU in March.
Net Borrowings	75	127	(52)	Lower issuance of CP due to lower pension payments and lower capex payments at utilities.
Other	0	0	0	
Financing Cash flow	**(27)**	**111**	**(138)**	
Net increase (decrease) in cash	**(12)**	**(26)**	**14**	


Rate Base Growth
($000,000s)
8,500
8,400
8,300
8,200
8,100
8,000
7,900
7,800
7,700
7,600
7,500
Dec 2013
Jan 2014
Feb 2014
Mar 2014
Apr 2014
May 2014
Jun 2014
Jul 2014
Aug 2014
Sep 2014
Oct 2014
Nov 2014
Dec 2014
Combined Utility (Actual)
Combined Utility (Budget)
Combined Utility (Forecast)

Combined KU and LG&E ROE (TTM) June 2014

KU and LG&E Combined

Reconciliation of Allowed Return to

6/30/14 Trailing Twelve Months Regulatory Return and

Book ROE from Ongoing Operations

Allowed Return [1]		10.32%	
Adjustments (net of tax):			
Change in capitalization - non ECR	-1.26%		Growth in non-ECR capitalization (rate base) between rate cases does not earn a return
Change in ROE from average mechanism rate base grc	0.00%		Mechanisms have a real-time return
Change in weighted cost of debt	-0.18%		Additional borrowings offset by favorable rates
Change in margins	2.22%		Primarily new rates since last rate cases
Change in allowed expenses	-0.75%		Inflationary increases
		0.02%	
Actual Regulated ROE		10.34%	
Adjustments (net of tax):			
Impact of non-recoverable purchase accounting	-1.94%		
Impact of 'below the line' items not recoverable through rates	-0.09%		
		-2.03%	
Actual Book ROE from Ongoing Operations		8.31%	

[1] Based on the most recent base rate filings with test years ending 3/31/12 KPSC, 12/31/12 FERC, 12/31/12 VA.

Performance Report

July 2014

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Kentucky Regulated Dashboard — July 2014

	Current Month		YTD		Full Year	
Safety	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
TCIR - Employees	2.40	2.88	1.13	1.58	1.13	1.29
Employee lost-time incidents	0	0	4	1	4	3
Reliability	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Generation Volumes	3,023	3,462	20,593	20,311	35,092	34,780
Utility EFOR	9.6%	5.9%	5.1%	5.9%	N/A	5.9%
Utility EAF	86.8%	92.3%	80.5%	81.5%	N/A	82.5%
Steam Fleet Commercial Availability	90.7%	91.5%	93.9%	91.5%	N/A	91.5%
Combined SAIFI	0.09	0.17	0.59	0.77	N/A	1.20
Combined SAIDI (minutes)	11.37	16.81	58.71	71.69	N/A	107.60
GwH Sales						
Residential	943	1,140	6,645	6,499	11,329	10,962
Commercial	716	797	4,603	4,595	8,000	7,952
Industrial	853	912	5,766	5,741	9,946	10,011
Municipals	166	186	1,119	1,143	1,915	1,969
Other	243	267	1,654	1,610	2,832	2,788
Off-System Sales	15	14	324	209	386	273
Total	2,936	3,316	20,111	19,797	34,408	33,954
Weather-Normalized Sales Growth			**TTM**			
Residential			-0.36%			
Commercial			0.18%			
Industrial			2.20%			
Municipal			-0.39%			
Other			0.71%			
Total			0.61%			

	Current Month		YTD		Full Year	
Financial Metrics	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Utility ROE(1)	9.6%	11.9%	10.0%	8.9%	9.1%	8.7%
Electric Margins	$147	$160	$995	$966	$1,680	$1,664
Gas Margins	8	9	96	95	158	157
Capital Expenditures ($ millions)	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
New Generation	$9	$8	$68	$89	$121	$126
ECR	$67	$56	$377	$358	$705	$603
Generation	$6	$10	$38	$51	$116	$121
Transmission	$8	$4	$49	$42	$84	$77
Electric Distribution	$12	$13	$71	$81	$146	$143
Gas Distribution	$8	$8	$39	$46	$77	$80
Customer Services	$1	$2	$9	$12	$19	$20
IT and Other	$3	$4	$17	$29	$40	$50
Total	$114	$105	$668	$708	$1,308	$1,221
O&M ($ millions)(2)	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Operations	$38	$37	$279	$269	$483	$468
Administrative	7	8	$55	57	98	98
Finance	2	2	$11	11	19	19
Burdens & Other Charges	12	12	$78	88	133	150
Total	$59	$60	$423	$425	$733	$735
Head Count	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Full-time Employees	3,463	3,558	3,463	3,558	3,535	3,549
Other Metrics	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
Environmental Events	0	1	8	4	N/A	14
NERC Possible Violations(3)	1	0	4	7	N/A	11

Variance Explanations

• MTD generation volumes and GWh sales were impacted by unseasonably cool weather.

• YTD GWh sales were impacted by favorable weather earlier in the year.

• YTD capital spend lower due primarily to timing of spending on Cane Run Unit 7 and other projects.

• Full year higher capital due primarily to increased costs related to Ghent environmental air projects (Units 3 and 4 economizer work) and Mill Creek environmental air projects (Units 1, 2 and 4 fabric filters and wet flue gas desulfurization units) with some non-environmental spend offsets due to cost reductions.

• MTD lower margins driven by unseasonably mild weather resulting in $15 million lower retail electric energy and demand charge revenues which were partially offset by $1 million from favorable cost of production expenses.

• YTD higher margins due to $14 million higher retail electric energy and demand revenues resulting from favorable weather earlier this year, $8 million from the sale of excess generation driven by favorable plant availability and higher market prices, $5 million from lower cost of production margin expenses and $3 million from lower purchase power demand costs.

Major Developments

• LKE announced it will withdraw its proposal to build a new natural gas combined-cycle generating unit at Green River, however, will continue with plans to build a 10 megawatt solar generation facility at E.W. Brown. The decision is based upon revised estimates of future capacity timing requirements for LG&E and KU following the election by certain of KU's municipal customers to terminate their wholesale power contracts in 2019. The $700 million Green River 5 project was included in the 2014 Business Plan.

• In a significant development for LKE and PPL, U.S. District Court Judge Joseph McKinley eliminated several of the plaintiffs' claims in the Cane Run lawsuit. The court case was not completely dismissed, however, the judge rejected all but one of the statutory citizen suit claims by the group of neighbors, while still allowing the state-law tort case against LKE. LKE will continue to defend this matter vigorously.

• LKE marked another milestone in its efforts to comply with environmental regulations as the Kentucky Division of Waste Management issued a permit for construction of the Brown landfill. Charah, the selected contractor, has mobilized on-site and construction activities are underway as planned.

• LKE hosted a ceremony recognizing the construction of Kentucky's first megawatt scale carbon capture slipstream pilot plant to be installed at Brown Station. In collaboration with the University of Kentucky Center for Applied Energy Research, the $19.5 million project is expected to be completed later this year and testing will conclude in 2016.

• Both Louisville and Lexington have been impacted by mild weather, and July 2014 ranked as the 2nd and 4th coolest, respectively, in the past 20 years.

Significant Future Events

• Heavy construction is proceeding at Mill Creek, Ghent, Brown and Cane Run. All projects are expected to be in service by target completion dates. Mill Creek Unit 4 work is on schedule for the tie-in outage set for the fourth quarter of this year and engineering activities are underway for the Trimble County 1 fabric filter.

(1) Excludes goodwill and other purchase accounting adjustments.
(2) Net of cost recovery mechanisms.
(3) The possible violation issues for YTD Actual are believed to be minimal risk and are expected to receive a zero dollar penalty from the regulator.

Income Statement: Actual vs. Budget and Forecast (Month) — July 2014

($ Millions)

	MTD				MTD			
	Actual	Budget	Variance	Comments	Actual	Q2 Forecast	Variance	Comments
Revenues:								
Electric Revenues	$ 243	$ 274	$ (31)	Due to lower electricity volumes resulting from unfavorable weather.	$ 243	$ 267	$ (23)	Due to lower electricity volumes resulting from unfavorable weather.
Gas Revenues	12	12	0		12	12	(1)	
Total Revenues	255	286	(30)		255	279	(24)	
Cost of Sales:								
Fuel Electric Costs	83	96	13	Due to lower electricity volumes resulting from unfavorable weather.	83	97	14	Due to lower electricity volumes resulting from unfavorable weather.
Gas Supply Expenses	4	3	(1)		4	4	0	
Purchased Power	4	6	2		4	6	2	
Other Electric Cost	10	11	2		10	11	1	
Total Cost of Sales	101	117	16		101	118	17	
Gross Margin:								
Electric Margin	147	160	(13)	Due to lower electricity volumes resulting from unfavorable weather.	147	153	(6)	Due to lower electricity volumes resulting from unfavorable weather.
Gas Margin	8	9	(1)		8	8	(0)	
Total Gross Margin	155	169	(14)		155	161	(6)	
Operating Expenses:								
O&M	59	60	1		59	61	2	
Depreciation & Amortization	29	29	0		29	29	0	
Taxes, Other than Income	4	4	(0)		4	4	0	
Total Operating Expenses	92	93	1		92	94	2	
Other income	(0)	(0)	(0)		(0)	(0)	(0)	
EBIT	63	76	(13)		63	67	(4)	
Interest Expense	14	14	0		14	14	0	
Income from Ongoing Operations before income taxes	48	62	(13)		48	53	(4)	
Income Tax Expense	18	23	5		18	20	2	
Net Income (loss) from ongoing operations	**$ 30**	**$ 38**	**$ (8)**		**$ 30**	**33**	**$ (3)**	
Non Operating Income	0	0	0		0	0	0	
Discontinued Operations	0	0	(0)		0	0	(0)	
Net Income (loss)	$ 30	$ 38	$ (8)		$ 30	$ 33	$ (3)	
KY Regulated Financing Costs	(3)	(3)	0		(3)	(3)	-	
KY Regulated Net Income	$ 28	$ 36	$ (8)		$ 28	$ 30	$ (3)	
Earnings Per Share	$ 0.04	$ 0.05	$ (0.01)		$ 0.04	$ 0.04	$ (0.00)	

Note: Schedules may not sum due to rounding.

Income Statement: Actual vs. Budget (YTD) — July 2014

($ Millions)

	YTD			
	Actual	Budget	Variance	Comments
Revenues:				
Electric Revenues	$ 1,683	$ 1,632	$ 51	Due to higher electricity volumes resulting from favorable weather earlier this year.
Gas Revenues	$ 232	196	36	Due to higher gas volumes resulting from favorable weather earlier this year.
Total Revenues	$ 1,915	1,828	87	
Cost of Sales:				
Fuel Electric Costs	594.80	555	(39)	Due to higher electricity volumes resulting from favorable weather earlier this year.
Gas Supply Expenses	136.19	101	(35)	Due to higher gas volumes resulting from favorable weather earlier this year.
Purchased Power	32.67	41	8	Due to lower purchases than planned.
Other Electric Cost	60.49	70	10	Due primarily to lower plant system consumables costs.
Total Cost of Sales	824.36	767	(57)	
Gross Margin:				
Electric Margin	995	966	29	Higher margins driven by favorable weather and system availability earlier this year.
Gas Margin	96	95	1	
Total Gross Margin	1,091	1,061	30	
Operating Expenses:				
O&M	423	425	2	
Depreciation & Amortization	198	200	2	
Taxes, Other than Income	30	30	0	
Total Operating Expenses	650	655	4	
Other income	(5)	(5)	0	
EBIT	436	401	35	
Interest Expense	97	100	3	
Income from Ongoing Operations before income taxes	338	301	38	
Income Tax Expense	128	113	(15)	Higher pre-tax income.
Net Income (loss) from ongoing operations	**$ 210**	**$ 188**	**$ 23**	
Non Operating Income	0	-	0	
Discontinued Operations	(0)	0	(0)	
Net Income (loss)	$ 211	$ 188	$ 23	
KY Regulated Financing Costs	(18)	(18)	(0)	
KY Regulated Net Income	$ 192	$ 170	$ 23	
Earnings Per Share	$ 0.29	$ 0.25	$ 0.03	

Note: Schedules may not sum due to rounding.

Attachment to Filing Requirement
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Witness: K Blake

Income Statement: Forecast vs. Prior Forecast & Budget — July 2014

($ Millions)

	Full Year				Full Year			
	Q2 Forecast	Q1 Forecast	Variance	Comments	Q2 Forecast	Budget	Variance	Comments
Revenues:								
Electric Revenues	$ 2,873	$ 2,877	$ (4)		$ 2,873	$ 2,815	$ 58	Due to higher electricity volumes resulting from favorable weather.
Gas Revenues	355	351	4		355	318	36	Due to higher gas volumes resulting from colder than normal weather.
Total Revenues	3,228	3,227	0		3,228	3,134	94	
Cost of Sales:								
Fuel Electric Costs	1,011	996	(15)	Due to higher electricity volumes resulting from favorable weather.	1,011	953	(58)	Due to higher electricity volumes resulting from favorable weather.
Gas Supply Expenses	197	193	(4)	Due to higher electricity volumes resulting from favorable weather.	197	162	(36)	Due to higher gas volumes resulting from colder than normal weather.
Purchased Power	66	69	3		66	72	6	Due to lower purchases than planned.
Other Electric Cost	117	124	7	Due primarily to lower plant system consumables costs.	117	127	10	Due primarily to lower plant system consumables costs.
Total Cost of Sales	1,390	1,381	(9)		1,390	1,313	(77)	
Gross Margin:								
Electric Margin	1,680	1,689	(9)	Due to higher cost of sales (see above).	1,680	1,664	16	Due to higher revenues offset by higher cost of sales (see above).
Gas Margin	158	158	0		158	157	1	
Total Gross Margin	1,837	1,846	(9)		1,837	1,820	17	
Operating Expenses:								
O&M	733	742	9	Due primarily to lower pension and medical related expenses.	733	735	2	
Depreciation & Amortization	342	343	1		342	344	2	
Taxes, Other than Income	51	51	(0)		51	51	(0)	
Total Operating Expenses	1,126	1,135	9		1,126	1,130	3	
Other income	(7)	(6)	(0)		(7)	(7)	0	
EBIT	704	705	(0)		704	684	20	
Interest Expense	170	171	1		170	172	3	
Income from Ongoing Operations before income taxes	534	533	1		534	511	23	
Income Tax Expense	202	200	(2)		202	192	(9)	Higher pre-tax income.
Net Income (loss) from ongoing operations	**$ 333**	**$ 333**	**$ 0**		**$ 333**	**$ 319**	**$ 13**	
Non Operating Income	0	-	0		0	-	0	
Discontinued Operations	0	0	(0)		0	0	(0)	
Net Income (loss)	$ 333	$ 334	$ (1)		$ 333	$ 320	$ 14	
KY Regulated Financing Costs	(31)	(31)	0		(31)	(31)	0	
KY Regulated Net Income	$ 302	$ 302	$ (0)		$ 302	$ 288	$ 14	
Earnings Per Share	$ 0.45	$ 0.45	$ 0.00		$ 0.45	$ 0.43	$ 0.02	

Note: Schedules may not sum due to rounding.

Electric Gross Margin

July 2014

($ Millions)

	MTD Actual	MTD Budget	MTD Unit Variance	MTD Value @	MTD Dollar Variance	MTD Margin Variance	YTD Actual	YTD Budget	YTD Unit Variance	YTD Value @	YTD Dollar Variance	YTD Margin Variance
Base Electric Margin:						$ (15)						$ 14
Energy Volumes (a)	2,920,586	3,302,862	(382,276)	$ -	$ (13)		19,786,849	19,588,691	198,159	$ -	$ 8	
Energy Prices (a)					(0)						1	
Customer Charges (Avg. Customers)	938,142	948,641	(10,499)		-		939,250	946,101	(6,851)		(0)	
Demand Charges (b)	43	45			(2)		278	273			5	
ECR:						$ 0						$ (0)
Average Rate Base	$ 1,451	$ 1,402	$ 50	10.37%	$ 0.4		$ 1,283	$ 1,258	$ 25	10.38%	$ 1.3	
Cost of Capital	10.10%	10.37%	-0.27%	$ 1,451	$ (0.3)		10.18%	10.38%	-0.20%	$ 1,283	(1.3)	
Jurisdictional Factor	91.49%	90.22%	1.27%	$ 1,451	$ 0.2		87.65%	87.93%	-0.28%	$ 1,283	(0.2)	
Other					$ 0.1						0.1	
DSM:						$ (0)						$ (2)
Program Expense (Revenue Net of Expense)	$ 0.1	$ 0.1			$ -		$ (0.1)	$ 0.3			$ (0.4)	
Lost Sales	1.6	1.9			$ (0.3)		11.8	13.0			(1.2)	
Incentive	0.1	0.1			$ -		0.7	0.6			0.1	
Balancing Adjustment	-	-			$ -		(0.3)	-			(0.3)	
Net Fuel Recovery	$ (0.6)	$ (0.6)				$ -	$ (4)	$ (3)				$ (1)
Purchase Power Demand	(1.7)	(2.6)				$ 1	(14.4)	(17.9)				$ 3
Transmission	0.9	1.2				$ (0)	6.8	6.4				$ 1
Other	(2.1)	(2.8)				$ 1	(9.6)	(14.8)				$ 5
Retail Margin Variance						$ (13)						$ 21
Off-System Margin Variance						$ -						$ 8
Electric Margin Variance						$ (13)						$ 29

(a) Non-Fuel Energy Analysis (net of base ECR revenue):

MTD	Actual Revenue $mil	Actual Volume (MWH)	Actual Price ($/MWH)	Budget Revenue $mil	Budget Volume (MWH)	Budget Price ($/MWH)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 46	943,317	$ 49.07	$ 56	1,140,113	$ 49.10	($10)	($10)	$0
Commercial	22	715,927	30.59	26	797,323	32.06	($4)	($3)	($1)
Industrial	8	853,057	9.05	8	912,514	9.04	($1)	($1)	$0
Municipals	1	165,754	4.40	1	185,918	4.16	($0)	($0)	$0
Other	5	242,529	20.66	5	266,994	16.98	$1	($0)	$1
Native Load Total	**$ 82**	**2,920,586**	**$ 27.96**	**$ 95**	**3,302,862**	**$ 28.79**	**($14)**	**($13)**	**($0)**

(a) Non-Fuel Energy Analysis (net of base ECR revenue):

YTD	Actual Revenue $mil	Actual Volume (MWH)	Actual Price ($/MWH)	Budget Revenue $mil	Budget Volume (MWH)	Budget Price ($/MWH)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 324	6,645,645	$ 48.71	$ 317	6,498,892	$ 48.83	$6	$7	($1)
Commercial	143	4,602,161	31.00	148	4,595,438	32.27	($6)	$0	($6)
Industrial	52	5,766,091	8.98	52	5,741,415	8.97	$0	$0	$0
Municipals	6	1,119,214	5.20	6	1,142,541	5.34	($0)	($0)	($0)
Other	38	1,653,739	22.78	29	1,610,406	18.16	$9	$1	$8
Native Load Total	**$ 562**	**19,786,849**	**$ 28.38**	**$ 552**	**19,588,691**	**$ 28.20**	**$9**	**$8**	**$1**

(b) Demand Analysis (net of base ECR revenue):

$mil	MTD Act	MTD Bud	MTD Variance	YTD Act	YTD Bud	YTD Variance
Commercial	15	15	(0)	95	89	6
Industrial	17	18	(1)	113	116	(3)
Municipals	5	5	(1)	30	30	(0)
Other	6	6	(0)	40	38	2
Native Load Total	**43**	**45**	**(2)**	**278**	**273**	**5**

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Gas Gross Margin — July 2014

($ Millions)

	MTD Actual	MTD Budget	MTD Subtotal	MTD Margin Variance	YTD Actual	YTD Budget	YTD Subtotal	YTD Margin Variance
Gas Base Service Charge	**$ 5**	**$ 5**		**$ -**	**$ 35**	**$ 35**		**$ 0**
Gas Supply Costs								
Gas Supply Costs	(4)	(3)	$ (1)		(135)	(99)	$ (36)	
GSC Revenue	4	3	1		133	99	34	
Net Gas Supply Costs				**$ (0)**				**$ (2)**
Retail Gas (a)	**2**	**2**		**$ (0)**	**62**	**54**		**$ 8**
Wholesale Gas (a)	**-**	**-**		**$ -**	**-**	**-**		**$ -**
DSM	**(0)**	**0**		**$ (0)**	**0**	**0**		**$ (0)**
GLT	**1**	**1**		**$ 0**	**4**	**5**		**$ (1)**
WNA	**-**	**-**		**$ -**	**(6)**	**-**		**$ (6)**
Other Margin	**0**	**0**		**$ -**	**1**	**1**		**$ 0**
Gas Margin Variance				**$ (1)**				**$ 1**

(a) Retail and wholesale gas sales - excludes GSC

MTD

	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 1	316,587	$ 2.64	$ 1	379,758	$ 2.64	($0)	$ (0)	$ -
Commercial	1	263,061	1.92	1	265,238	2.08	($0)	$ -	$ -
Industrial	0	114,514	1.32	0	48,546	1.77	$0	$ 0	$ (0)
Public Authority	0	39,234	1.52	0	33,608	1.93	$0	$ -	$ -
Transportation	1	819,023	0.97	0.70	916,083	0.79	$0	$ (0)	$ 0
Ultimate Consumer	$ 2	1,552,419	$ 1.51	$ 2	1,643,233	$ 1.48	($0)	$ (0)	$ -

YTD

	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 38	14,373,829	$ 2.64	$ 33	12,590,075	$ 2.64	$5	$ 5	$ -
Commercial	14	6,613,692	2.04	12	5,603,935	2.08	$2	$ 2	$ (0)
Industrial	1	829,262	1.75	1	600,223	1.78	$0	$ 0	$ -
Public Authority	2	1,036,641	1.97	2	960,884	2.01	$0	$ 0	$ -
Transportation	7	8,401,987	0.81	6	7,655,028	0.79	$1	$ 1	$ 0
Ultimate Consumer	$ 62	31,255,411	$ 1.98	$ 54	27,410,145	$ 1.97	$8	$ 8	$ (0)

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Witness: K Blake

O&M									July 2014

($ Millions)

	MTD								
	Actual	Budget	Total Variance	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 17	$ 17	$ (0)	$ 0	$ (0)	$ (1)	$ 1		$ 0
Project Engineering	0	0	0	0		(0)	(0)		0
Transmission	3	3	(0)	0		(1)	0		0
Energy Supply and Analysis	1	1	0	0		0	0		0
Electric Distribution	7	6	(1)	(0)		(0)	0	(0)	(0)
Gas Distribution	3	3	0	0		(0)	0	(0)	0
Safety and Security	0	0	(0)	(0)		(0)	0	0	(0)
Customer Services	7	7	0	0		0	0	(0)	(0)
Chief Operations Officer	**38**	**37**	**(1)**	**0**	**(0)**	**(2)**	**1**	**(0)**	**0**
Information Technology	4	5	1	0		0	(0)		0
General Counsel	2	2	(0)	0		(0)	0		(0)
Human Resources	1	1	0	0		0	0		0
Supply Chain	0	0	0	0		(0)	0		0
Chief Administrative Officer	**7**	**8**	**1**	**1**		**0**	**(0)**		**(0)**
Chief Financial Officer	**2**	**2**	**0**	**0**		**(0)**	**0**		**0**
Corporate	**12**	**12**	**1**	**1**		**0**	**0**		**(0)**
O&M Total MTD	**$ 59**	**$ 60**	**$ 1**	**$ 2**	**$ (0)**	**$ (2)**	**$ 1**	**$ (0)**	**$ 0**

	YTD								
	Actual	Budget	Total Variance	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 139	$ 139	$ 0	$ 3	$ 0	$ (3)	$ 1		$ (1)
Project Engineering	0	0	0	0		(0)	(0)		0
Transmission	17	17	0	(0)		(1)	1		0
Energy Supply and Analysis	5	5	0	0		0	0		0
Electric Distribution	49	43	(6)	(1)		(5)	0	(0)	(1)
Gas Distribution	18	18	0	(0)		1	0	(0)	(0)
Safety and Security	2	0	(2)	(1)		(0)	0	0	(0)
Customer Services	48	45	(3)	0		(1)	0	(2)	(0)
Chief Operations Officer	**279**	**269**	**(10)**	**1**	**0**	**(9)**	**2**	**(2)**	**(2)**
Information Technology	30	32	2	2		1	(0)		(0)
General Counsel	18	18	(1)	0		(1)	0		(0)
Human Resources	4	5	1	0		0	0		0
Supply Chain	2	2	0	0		(0)	(0)		0
Chief Administrative Officer	**55**	**57**	**2**	**3**		**(0)**	**(0)**		**(0)**
Chief Financial Officer	**11**	**11**	**0**	**0**		**0**	**0**		**(0)**
Corporate	**78**	**88**	**10**	**10**		**2**	**1**	**(0)**	**(4)**
O&M Total YTD	**$ 423**	**$ 425**	**$ 2**	**$ 14**	**$ 0**	**$ (7)**	**$ 3**	**$ (2)**	**$ (6)**

	Full Year								
	Forecast	Budget	Total Variance	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 244	$ 245	$ 1	$ 3	$ 1	$ (4)	$ 1		$ (1)
Project Engineering	1	1	0	(0)		(0)	(0)		0
Transmission	29	29	(1)	(0)		0	(1)		0
Energy Supply and Analysis	9	9	0	0		0	0		0
Electric Distribution	77	72	(5)	0		(4)	0	0	(1)
Gas Distribution	32	32	(0)	(0)		0	0	0	(0)
Safety and Security	3	0	(3)	(3)		(0)	0	0	(0)
Customer Services	87	79	(8)	(0)		(3)	0	(5)	(1)
Chief Operations Officer	**483**	**468**	**(16)**	**0**	**1**	**(10)**	**1**	**(5)**	**(3)**
Information Technology	55	55	0	1		(0)	(0)		(0)
General Counsel	32	32	0	(0)		0	0		(0)
Human Resources	8	8	0	0		0	0		0
Supply Chain	4	4	(0)	(0)		0	0		0
Chief Administrative Officer	**98**	**98**	**1**	**1**		**(0)**	**(0)**		**(0)**
Chief Financial Officer	**19**	**19**	**0**	**0**		**0**	**0**		**(0)**
Corporate	**133**	**150**	**17**	**19**		**1**	**(0)**	**(0)**	**(3)**
O&M Total Full Year	**$ 733**	**$ 735**	**$ 2**	**$ 20**	**$ 1**	**$ (9)**	**$ 1**	**$ (5)**	**$ (5)**

Note: Schedules may not sum due to rounding.

Financing Activities — July 2014

($ Millions)

Balance Sheet	MTD Actual	MTD Budget	MTD Variance	YTD Actual	YTD Budget	YTD Variance	Full Year Forecast	Full Year Budget	Full Year Variance
PCB									
Beg Bal	$ 924.0	$ 924.5	$ 0.5	$ 924.0	$ 924.0	$ 0.0	$ 924.0	$ 924.0	$ -
End Bal	924.0	924.6	0.6	924.0	924.6	0.6	925.8	924.9	(0.8)
Ave Bal	**$ 924.0**	**$ 924.5**	**$ 0.6**	**$ 924.0**	**$ 924.4**	**$ 0.4**	**$ 924.5**	**$ 924.6**	**$ 0.1**
Interest Exp	**$ 0.8**	**$ 0.9**	**$ 0.2**	**$ 5.4**	**$ 6.6**	**$ 1.3**	**$ 10.3**	**$ 11.3**	**$ 1.1**
Rate	**0.94%**	**1.19%**	**0.24%**	**0.98%**	**1.22%**	**0.23%**	**1.11%**	**1.23%**	**0.12%**
FMB/Sr Nts									
Beg Bal	$ 3,641.8	$ 3,641.7	$ (0.1)	$ 3,640.9	$ 3,640.9	$ -	$ 3,640.9	$ 3,640.9	$ -
End Bal	3,641.9	3,641.8	(0.1)	3,641.9	3,641.8	(0.1)	3,642.6	3,642.5	(0.1)
Ave Bal	**$ 3,641.8**	**$ 3,641.8**	**$ (0.1)**	**$ 3,641.4**	**$ 3,641.4**	**$ 0.0**	**$ 3,641.8**	**$ 3,641.8**	**$ (0.0)**
Interest Exp	**$ 11.5**	**$ 11.6**	**$ 0.1**	**$ 80.5**	**$ 81.5**	**$ 1.0**	**$ 140.5**	**$ 141.4**	**$ 0.8**
Rate	**3.66%**	**3.71%**	**0.05%**	**3.75%**	**3.80%**	**0.05%**	**3.86%**	**3.88%**	**0.02%**
Short-term Debt									
Beg Bal	$ 320.0	$ 371.7	$ 51.7	$ 245.0	$ 245.0	$ -	$ 245.0	$ 245.0	$ -
End Bal	316.0	369.5	53.5	316.0	369.5	53.5	570.9	527.8	(43.1)
Ave Bal	**$ 318.0**	**$ 370.6**	**$ 52.6**	**$ 280.5**	**$ 290.8**	**$ 10.3**	**$ 357.6**	**$ 356.8**	**$ (0.8)**
Interest Exp	**$ 0.2**	**$ 0.3**	**$ 0.1**	**$ 1.2**	**$ 1.9**	**$ 0.7**	**$ 3.1**	**$ 3.6**	**$ 0.5**
Rate	**0.70%**	**0.93%**	**0.24%**	**0.73%**	**1.10%**	**0.37%**	**0.87%**	**1.00%**	**0.14%**
Total End Bal	**$ 4,881.9**	**$ 4,935.9**	**$ 54.0**	**$ 4,881.9**	**$ 4,935.9**	**$ 54.0**	**$ 5,139.3**	**$ 5,095.3**	**$ (44.0)**
Total Average Bal	**$ 4,883.8**	**$ 4,936.9**	**$ 53.1**	**$ 4,845.8**	**$ 4,856.6**	**$ 10.7**	**$ 4,923.9**	**$ 4,923.2**	**$ (0.7)**
Total Expense Excl I/C (1)	**$ 13.9**	**$ 14.4**	**$ 0.4**	**$ 97.3**	**$ 100.4**	**$ 3.0**	**$ 169.7**	**$ 172.4**	**$ 2.7**
Rate	**3.32%**	**3.38%**	**0.06%**	**3.41%**	**3.51%**	**0.10%**	**3.45%**	**3.50%**	**0.05%**

(1) Total expense line includes additional revolving credit items. Total will not match sum of PCB, FMB, and STD.

Credit Facilities ($ Millions)	Committed Capacity	Borrowed	Letters of Credit Issued	Unused Capacity
LKE	$ 300	$ 75		$ 225
LG&E	500	81		419
KU	598	160	$ 198	240
TOTAL	$ 1,398	$ 316	$ 198	$ 884

Credit Metrics ($ Millions)	YTD Actual	YTD +/- Bud	Full Year Forecast	Full Year +/- Bud
FFO to Debt - LG&E	26.5%	+0.01	20.9%	-0.02
FFO to Debt - KU	26.0%	+0.02	22.4%	-0.02
Debt to EBITDA - LG&E (2)	3.08	-0.59	3.57	-0.09
Debt to EBITDA - KU (2)	3.56	-0.16	3.65	-0.07
Debt to Capitalization - LG&E (3)	46.3%	+0.00	47.0%	+0.00
Debt to Capitalization - KU (3)	46.9%	-0.01	47.0%	+0.00

(2) Actuals represent a trailing 12 months

(3) Excludes purchase accounting adjustments and corresponding goodwill of $996m

Balance Sheet — July 2014

($ Millions)

	7/31/2014	YTD Budget	Variance	Comments
Assets:				
Current Assets:				
Cash and Cash Equivalents	$ 18	$ 9	$ 9	
Accounts Receivable (Trade)	384	419	(36)	Lower unbilled utility revenue ($40m) offset by higher customer accounts receivable $6m.
Inventory	245	244	1	
Deferred Income Taxes	108	159	(51)	Deferred Income Taxes reclassified from asset to liability Deferred Tax Liabilities.
Prepayments and other current assets	73	115	(42)	Lower notes receivable from affiliate ($44m).
Total Current Assets	828	947	(119)	
Property, Plant, and Equipment	10,010	10,049	(39)	Lower CWIP ($33m).
Intangible Assets	193	194	(0)	
Other Property and Investments	1	1	(0)	
Regulatory Assets	496	489	7	
Goodwill	997	997	0	
Other Long-term Assets	102	93	9	
Total Assets	**$ 12,627**	**$ 12,769**	**$ (142)**	
Liabilities and Equity:				
Current Liabilities:				
Accounts Payable (Trade)	$ 375	$ 345	$ 30	Increases in project engineering $15m and gas purchase $5m accruals and increase in and timing of coal receipts $14m.
Accounts Payable - Affiliated Company	0	0	0	
Customer Deposits	51	50	1	
Derivative Liability	4	4	1	
Accrued Taxes	49	70	(21)	Lower pre-tax income.
Other Current Liabilities	136	136	(1)	
Total Current Liabilities	614	605	10	
Debt - Affiliated Company	-	-	-	
Debt [(1)]	4,882	4,936	(54)	Lower issuance of Commercial Paper ($54m) due to lower pension and CapEx payments.
Total Debt	4,882	4,936	(54)	
Deferred Tax Liabilities	1,065	1,117	(52)	Deferred Tax Liabilities reclassified from liability to asset as Deferred Income Taxes.
Investment Tax Credit	132	132	(0)	
Accum Provision for Pension & Related Benefits	115	121	(6)	
Asset Retirement Obligation	256	249	7	
Regulatory Liabilities	1,024	1,023	2	
Derivative Liability	37	32	5	
Other Liabilities	245	235	10	Accrued retiree medical post employee benefits $6m which are not budgeted for in the Other Liabilities account. In December the balance is moved to the liability account where it is budgeted for.
Total Deferred Credits and Other Liabilities	2,875	2,909	(33)	
Equity	4,256	4,320	(65)	
Total Liabilities and Equity	**$ 12,627**	**$ 12,769**	**$ (142)**	

[(1)] Includes all ST and LT debt. See Financing Activities page for details.
Note: Schedules may not sum due to rounding.

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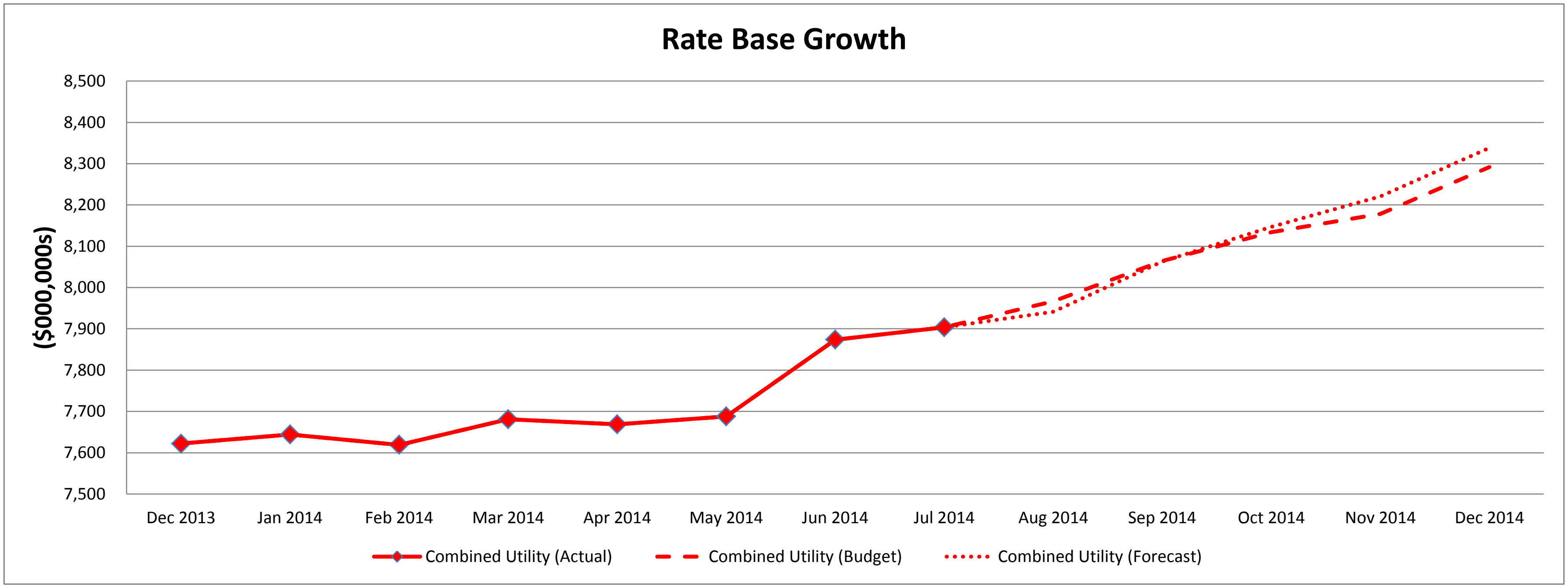

Rate Base Growth
($000,000s)
8,500
8,400
8,300
8,200
8,100
8,000
7,900
7,800
7,700
7,600
7,500
Dec 2013
Jan 2014
Feb 2014
Mar 2014
Apr 2014
May 2014
Jun 2014
Jul 2014
Aug 2014
Sep 2014
Oct 2014
Nov 2014
Dec 2014
Combined Utility (Actual)
Combined Utility (Budget)
Combined Utility (Forecast)

Performance Report

August 2014

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Kentucky Regulated Dashboard — August 2014

	Current Month		YTD		Full Year	
Safety	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
TCIR - Employees	1.63	0.34	1.24	1.41	1.24	1.29
Employee lost-time incidents	0	0	4	1	4	3
Reliability	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Generation Volumes	3,202	3,473	23,795	23,784	34,821	34,780
Utility EFOR	3.6%	5.9%	4.9%	5.9%	N/A	5.9%
Utility EAF	93.7%	92.3%	82.2%	82.8%	N/A	82.5%
Steam Fleet Commercial Availability	93.8%	91.5%	93.9%	91.5%	N/A	91.5%
Combined SAIFI	0.10	0.12	0.69	0.89	N/A	1.20
Combined SAIDI (minutes)	8.94	9.21	67.64	80.90	N/A	107.60
GwH Sales						
Residential	1,010	1,132	7,655	7,631	11,329	10,962
Commercial	732	798	5,335	5,393	8,000	7,952
Industrial	892	943	6,658	6,684	9,946	10,011
Municipals	175	191	1,294	1,334	1,915	1,969
Other	261	267	1,915	1,877	2,832	2,788
Off-System Sales	40	8	364	217	386	273
Total	3,110	3,339	23,221	23,136	34,408	33,954
Weather-Normalized Sales Growth			**TTM**			
Residential			-0.06%			
Commercial			-0.17%			
Industrial			2.37%			
Municipal			0.02%			
Other			1.83%			
Total			0.79%			

	Current Month		YTD		Full Year	
Financial Metrics	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Utility ROE[(1)]	11.8%	12.1%	10.2%	9.3%	9.1%	8.7%
Electric Margins	$154	$161	$1,149	$1,127	$1,680	$1,664
Gas Margins	$8	8	104	103	158	157
Capital Expenditures ($ millions)	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
New Generation	$5	$8	$72	$97	$121	$126
ECR	$73	$55	$450	$413	$705	$603
Generation	$6	$12	$44	$63	$116	$121
Transmission	$6	$7	$55	$49	$84	$77
Electric Distribution	$16	$13	$87	$94	$146	$143
Gas Distribution	$8	$8	$47	$54	$78	$80
Customer Services	$2	$2	$11	$14	$19	$20
IT and Other	$3	$4	$20	$33	$39	$50
Total	$119	$108	$787	$816	$1,307	$1,221
O&M ($ millions)[(2)]	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Operations	$36	$37	$315	$306	$483	$468
Administrative	8	8	$63	65	98	98
Finance	2	2	$12	13	19	19
Burdens & Other Charges	8	12	$86	100	133	150
Total	$54	$59	$476	$483	$733	$735
Head Count	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Full-time Employees	3,453	3,561	3,453	3,561	3,531	3,549
Other Metrics	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
Environmental Events	1	3	9	7	N/A	14
NERC Possible Violations[(3)]	1	2	5	9	N/A	11

Variance Explanations

• Current month generation volumes and GWh sales were impacted by unseasonably cool weather.

• YTD capital spend lower due primarily to timing of spending on Cane Run Unit 7 and other projects.

• Full year higher capital due primarily to increased costs related to Ghent environmental air projects (Units 3 and 4 economizer work) and Mill Creek environmental air projects (Units 1, 2 and 4 fabric filters and wet flue gas desulfurization units) with some non-environmental spend offsets due to cost reductions.

• Current month lower margins driven by unseasonably mild weather resulting in $11 million lower retail electric energy and demand charge revenues which were partially offset by $2 million from favorable cost of production expenses and $2 million from higher retail rate mechanism revenue.

• YTD higher margins due to $3 million higher retail electric energy and demand revenues, $8 million from the sale of excess generation driven by favorable plant availability and higher market prices, $5 million from lower cost of production margin expenses, $4 million from lower purchase power demand costs, and $3 million from higher gas margins and other revenues.

• Current month lower O&M primarily due to $4 million of labor and benefit savings and $1 million of materials expense savings.

• YTD lower O&M primarily due to $15 million of labor and benefit savings and $2 million lower material and other expenses partially offset by $7 million of higher storms expenses and $3 million higher uncollectible accounts.

Major Developments

• In order to meet planned reserve margins beginning in 2015 and extending through 2019, LKE executed a Tolling Agreement for Unit 3 at the Bluegrass Generation Station in Oldham County, KY. The agreement contains 165MWs of additional capacity from May 1, 2015 through April 30, 2019. This contract was assumed in the 2014 Business Plan.

• For the third consecutive year, LKE has been named one of the top 10 utilities in economic development by Site Selection magazine. The winners were chosen based on multiple criteria related to 2013 activity. LKE's efforts helped companies create 10,303 jobs and invest $2.6 billion in facility location or expansion projects.

• An Informal Conference was held with the KPSC and the Interveners regarding the Brown Solar CPCN case. Although nothing was finalized from the meeting, all parties are agreeable to consider a settlement.

• The DSM hearing concluded with all parties agreeing to file simultaneous briefs on September 30. This proceeding included LKE plans to expand and enhance five DSM programs for 2015 -2018, and offer up to 10,000 customers a smart meter on a voluntary basis.

Significant Future Events

• Heavy construction is proceeding at Mill Creek, Ghent, Brown, Cane Run and Trimble County. All projects are expected to be in service by target completion dates. Mill Creek Unit 4 and Ghent 4 tie-in outages are scheduled to occur during the fourth quarter of this year.

[(1)] Excludes goodwill and other purchase accounting adjustments.
[(2)] Net of cost recovery mechanisms.
[(3)] The possible violation issues for YTD Actual are believed to be minimal risk and are expected to receive a zero dollar penalty from the regulator.

Income Statement: Actual vs. Budget and Forecast (Month) — August 2014

($ Millions)

	MTD				MTD			
	Actual	Budget	Variance	Comments	Actual	Q2 Forecast	Variance	Comments
Revenues:								
Electric Revenues	$ 254	$ 277	$ (23)	Due to lower electricity volumes resulting from unfavorable weather.	$ 254	$ 268	$ (15)	Due to lower electricity volumes resulting from unfavorable weather.
Gas Revenues	13	12	1		13	12	1	
Total Revenues	267	289	(22)		267	280	(14)	
Cost of Sales:								
Fuel Electric Costs	86	97	10	Due to lower electricity volumes resulting from unfavorable weather.	86	97	10	Due to lower electricity volumes resulting from unfavorable weather.
Gas Supply Expenses	4	4	(1)		4	4	(1)	
Purchased Power	4	6	2		4	6	2	
Other Electric Cost	9	13	3		9	12	3	
Total Cost of Sales	104	119	15		104	119	15	
Gross Margin:								
Electric Margin	154	161	(7)	Due to lower electricity volumes resulting from unfavorable weather.	154	154	1	
Gas Margin	8	8	(0)		8	8	0	
Total Gross Margin	162	169	(7)		162	162	1	
Operating Expenses:								
O&M	54	59	5	Due primarlity to labor and benefit savings.	54	59	5	Due primarlity to labor and benefit savings.
Depreciation & Amortization	29	29	0		29	29	0	
Taxes, Other than Income	4	4	(0)		4	4	0	
Total Operating Expenses	87	92	5		87	92	5	
Other income	(1)	(0)	(0)		(1)	(0)	(0)	
EBIT	75	77	(2)		75	69	6	
Interest Expense	14	14	0		14	14	0	
Income from Ongoing Operations before income taxes	61	63	(2)		61	55	6	
Income Tax Expense	23	24	1		23	21	(2)	
Net Income (loss) from ongoing operations	**38**	**39**	**$ (1)**		**$ 38**	**34**	**$ 4**	
Non Operating Income	(0)	0	(0)		(0)	0	(0)	
Discontinued Operations	(0)	0	(0)		(0)	0	(0)	
Net Income (loss)	$ 38	$ 39	$ (1)		$ 38	$ 34	$ 4	
KY Regulated Financing Costs	(3)	(3)	0		(3)	(3)	-	
KY Regulated Net Income	$ 36	$ 37	$ (1)		$ 36	$ 32	$ 4	
Earnings Per Share	$ 0.05	$ 0.05	$ (0.00)		$ 0.05	$ 0.05	$ (0.00)	

Note: Schedules may not sum due to rounding.

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Witness: K Blake

Income Statement: Actual vs. Budget (YTD) — August 2014

($ Millions)

	YTD Actual	YTD Budget	YTD Variance	Comments
Revenues:				
Electric Revenues	$ 1,937	$ 1,909	$ 28	Due to higher electricity volumes resulting from favorable weather earlier this year.
Gas Revenues	$ 244	208	37	Due to higher gas volumes resulting from favorable weather earlier this year.
Total Revenues	$ 2,181	2,116	65	
Cost of Sales:				
Fuel Electric Costs	681	652	(29)	Due to higher electricity volumes resulting from favorable weather earlier this year.
Gas Supply Expenses	140	104	(36)	Due to higher gas volumes resulting from favorable weather earlier this year.
Purchased Power	37	47	11	Due to lower purchases than planned.
Other Electric Cost	70	83	13	Due primarily to lower plant system consumables costs.
Total Cost of Sales	928	887	(41)	
Gross Margin:				
Electric Margin	1,149	1,127	22	Higher margins driven by favorable weather and system availability earlier this year.
Gas Margin	104	103	1	
Total Gross Margin	1,253	1,230	23	
Operating Expenses:				
O&M	476	483	7	Due to primarily to labor and benefit savings and lower material and other expenses partially offset by higher storms expenses and uncollectible accounts.
Depreciation & Amortization	227	229	2	
Taxes, Other than Income	34	34	0	
Total Operating Expenses	737	746	9	
Other income	(5)	(5)	0	
EBIT	511	478	33	
Interest Expense	111	115	3	
Income from Ongoing Operations before income taxes	400	364	36	
Income Tax Expense	151	137	(14)	Higher pre-tax income.
Net Income (loss) from ongoing operations	**$ 249**	**$ 227**	**$ 22**	
Non Operating Income	0	-	0	
Discontinued Operations	(0)	0	(1)	
Net Income (loss)	$ 249	$ 227	$ 22	
KY Regulated Financing Costs	(21)	(21)	(0)	
KY Regulated Net Income	$ 228	$ 206	$ 22	
Earnings Per Share	$ 0.34	$ 0.31	$ 0.03	

Note: Schedules may not sum due to rounding.

Income Statement: Forecast vs. Prior Forecast & Budget **August 2014**

($ Millions)

	Full Year				Full Year			
	Q2 Forecast	**Q1 Forecast**	**Variance**	**Comments**	**Q2 Forecast**	**Budget**	**Variance**	**Comments**
Revenues:								
Electric Revenues	$ 2,873	$ 2,877	$ (4)		$ 2,873	$ 2,815	$ 58	Due to higher electricity volumes resulting from favorable weather.
Gas Revenues	355	351	4		355	318	36	Due to higher gas volumes resulting from colder than normal weather.
Total Revenues	3,228	3,227	0		3,228	3,134	94	
Cost of Sales:								
Fuel Electric Costs	1,011	996	(15)	Due to higher electricity volumes resulting from favorable weather.	1,011	953	(58)	Due to higher electricity volumes resulting from favorable weather.
Gas Supply Expenses	197	193	(4)	Due to higher electricity volumes resulting from favorable weather.	197	162	(36)	Due to higher gas volumes resulting from colder than normal weather.
Purchased Power	66	69	3		66	72	6	Due to lower purchases than planned.
Other Electric Cost	117	124	7	Due primarily to lower plant system consumables costs.	117	127	10	Due primarily to lower plant system consumables costs.
Total Cost of Sales	1,390	1,381	(9)		1,390	1,313	(77)	
Gross Margin:								
Electric Margin	1,680	1,689	(9)	Due to higher cost of sales (see above).	1,680	1,664	16	Due to higher revenues offset by higher cost of sales (see above).
Gas Margin	158	158	0		158	157	1	
Total Gross Margin	1,837	1,846	(9)		1,837	1,820	17	
Operating Expenses:								
O&M	733	742	9	Due primarily to lower pension and medical related expenses.	733	735	2	
Depreciation & Amortization	342	343	1		342	344	2	
Taxes, Other than Income	51	51	(0)		51	51	(0)	
Total Operating Expenses	1,126	1,135	9		1,126	1,130	3	
Other income	(7)	(6)	(0)		(7)	(7)	0	
EBIT	704	705	(0)		704	684	20	
Interest Expense	170	171	1		170	172	3	
Income from Ongoing Operations before income taxes	534	533	1		534	511	23	
Income Tax Expense	202	200	(2)		202	192	(9)	Higher pre-tax income.
Net Income (loss) from ongoing operations	**$ 333**	**$ 333**	**$ 0**		**$ 333**	**$ 319**	**$ 13**	
Non Operating Income	0	-	0		0	-	0	
Discontinued Operations	(0)	0	(1)		(0)	0	(1)	
Net Income (loss)	$ 333	$ 334	$ (1)		$ 333	$ 320	$ 13	
KY Regulated Financing Costs	(31)	(31)	0		(31)	(31)	0	
KY Regulated Net Income	$ 302	$ 302	$ (0)		$ 302	$ 288	$ 14	
Earnings Per Share	$ 0.45	$ 0.45	$ 0.00		$ 0.45	$ 0.43	$ 0.02	

Note: Schedules may not sum due to rounding.

Electric Gross Margin — August 2014

($ Millions)

	MTD						YTD					
	Actual	Budget	Unit Variance	Value @	Dollar Variance	Margin Variance	Actual	Budget	Unit Variance	Value @	Dollar Variance	Margin Variance
Base Electric Margin:						$ (12)						$ 2
Energy Volumes (a)	3,070,214	3,330,724	(260,510)	$ -	$ (9)		22,857,064	22,919,415	(62,351)	$ -	$ (1)	
Energy Prices (a)					-						1	
Customer Charges (Avg. Customers)	939,670	948,654	(8,984)		(0)		939,302	946,420	(7,118)		(0)	
Demand Charges (b)	43	46			(3)		321	318			2	
ECR:						$ 1						$ 1
Average Rate Base	$ 1,511	$ 1,451	$ 60	10.37%	$ 0.5		$ 1,311	$ 1,282	$ 30	10.38%	$ 1.8	
Cost of Capital	10.14%	10.37%	-0.22%	$ 1,511	$ (0.3)		10.17%	10.38%	-0.21%	$ 1,311	(1.6)	
Jurisdictional Factor	89.89%	90.16%	-0.27%	$ 1,511	$ -		87.98%	88.24%	-0.27%	$ 1,311	(0.2)	
Other					$ 0.9						0.9	
DSM:						$ (0)						$ (2)
Program Expense (Revenue Net of Expense)	$ 0.1	$ 0.1			$ -		$ (0.1)	$ 0.3			$ (0.4)	
Lost Sales	1.7	1.9			$ (0.2)		13.6	14.9			(1.3)	
Incentive	0.1	0.1			$ -		0.8	0.8			-	
Balancing Adjustment	-	-			$ -		(0.3)	-			(0.3)	
Net Fuel Recovery	$ 0.3	$ (0.7)				$ 1	$ (4)	$ (4)				$ (0)
Purchase Power Demand	(1.9)	(2.6)				$ 1	(16.2)	(20.5)				$ 4
Transmission	0.9	1.1				$ (0)	7.7	7.4				$ 0
Other	(1.0)	(2.9)				$ 2	(10.6)	(17.7)				$ 8
Retail Margin Variance						$ (7)						$ 14
Off-System Margin Variance						$ 0						$ 8
Electric Margin Variance						$ (7)						$ 22

(a) Non-Fuel Energy Analysis (net of base ECR revenue):

MTD	Actual			Budget			Variance		
	Revenue $mil	Volume (MWH)	Price ($/MWH)	Revenue $mil	Volume (MWH)	Price ($/MWH)	Revenue $mil	Volume $mil	Price $mil
Residential	$ 50	1,009,639	$ 49.10	$ 56	1,132,251	$ 49.02	($6)	($6)	$0
Commercial	22	732,000	30.36	26	797,341	32.25	($4)	($2)	($1)
Industrial	8	892,338	9.01	9	942,671	9.00	($1)	($1)	$0
Municipals	1	174,850	4.40	1	191,620	4.16	$0	($0)	$0
Other	6	261,388	21.98	5	266,842	17.15	$1	($0)	$1
Native Load Total	**$ 86**	**3,070,214**	**$ 28.12**	**$ 95**	**3,330,724**	**$ 28.55**	**($9)**	**($9)**	**$0**

(a) Non-Fuel Energy Analysis (net of base ECR revenue):

YTD	Actual			Budget			Variance		
	Revenue $mil	Volume (MWH)	Price ($/MWH)	Revenue $mil	Volume (MWH)	Price ($/MWH)	Revenue $mil	Volume $mil	Price $mil
Residential	$ 373	7,655,284	$ 48.76	$ 373	7,631,142	$ 48.86	$1	$1	($1)
Commercial	165	5,334,160	30.91	174	5,392,779	32.26	($9)	($2)	($7)
Industrial	60	6,658,429	8.98	60	6,684,085	8.97	($0)	($0)	$0
Municipals	7	1,294,063	5.09	7	1,334,160	5.17	($0)	($0)	($0)
Other	43	1,915,127	22.67	34	1,877,248	18.02	$10	$1	$9
Native Load Total	**$ 648**	**22,857,064**	**$ 28.35**	**$ 648**	**22,919,415**	**$ 28.25**	**$1**	**($1)**	**$1**

(b) Demand Analysis (net of base ECR revenue):

	MTD			YTD		
$mil	Act	Bud	Variance	Act	Bud	Variance
Commercial	15	15	(0)	110	104	6
Industrial	17	19	(1)	130	135	(4)
Municipals	5	5	(0)	35	36	(1)
Other	6	6	(1)	46	44	1
Native Load Total	**43**	**46**	**(3)**	**321**	**318**	**2**

Gas Gross Margin — August 2014

($ Millions)

	MTD Actual	MTD Budget	MTD Subtotal	MTD Margin Variance	YTD Actual	YTD Budget	YTD Subtotal	YTD Margin Variance
Gas Base Service Charge	**$ 5**	**$ 5**		**$ -**	**$ 35**	**$ 35**		**$ 0**
Gas Supply Costs								
Gas Supply Costs	(4)	(3)	$ (1)		(135)	(99)	$ (36)	
GSC Revenue	4	3	1		133	99	34	
Net Gas Supply Costs				**$ (0)**				**$ (1)**
Retail Gas (a)	**3**	**3**		**$ 0**	**62**	**54**		**$ 8**
Wholesale Gas (a)	**-**	**-**		**$ -**	**-**	**-**		**$ -**
DSM	**(0)**	**0**		**$ (0)**	**0**	**0**		**$ (0)**
GLT	**1**	**1**		**$ 0**	**4**	**5**		**$ (1)**
WNA	**-**	**-**		**$ -**	**(6)**	**-**		**$ (6)**
Other Margin	**0**	**0**		**$ 0**	**1**	**1**		**$ 0**
Gas Margin Variance				**$ (0)**				**$ 1**

(a) Retail and wholesale gas sales - excludes GSC

MTD

	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 1	390,664	$ 2.64	$ 1	385,884	$ 2.64	$0	$ -	$ -
Commercial	1	270,621	1.93	1	259,610	2.07	$0	$ -	$ -
Industrial	0	101,509	1.51	0	53,324	1.79	$0	$ 0	$ -
Public Authority	0	28,853	1.83	0	45,025	1.97	$0	$ -	$ -
Transportation	1	838,966	0.96	0.70	841,731	0.87	$0	$ -	$ 0
Ultimate Consumer	$ 3	1,630,613	$ 1.57	$ 3	1,585,575	$ 1.56	$0	$ 0	$ -

YTD

	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 38	14,373,829	$ 2.64	$ 33	12,590,075	$ 2.64	$5	$ 5	$ -
Commercial	14	6,613,692	2.04	12	5,603,935	2.08	$2	$ 2	$ (0)
Industrial	1	829,262	1.75	1	600,223	1.78	$0	$ 0	$ -
Public Authority	2	1,036,641	1.97	2	960,884	2.01	$0	$ 0	$ -
Transportation	7	8,401,987	0.81	6	7,655,028	0.79	$1	$ 1	$ 0
Ultimate Consumer	$ 62	31,255,411	$ 1.98	$ 54	27,410,145	$ 1.97	$8	$ 8	$ (0)

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O&M — August 2014

($ Millions)

	MTD								
	Actual	Budget	Total Variance	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 16	$ 17	$ 1	$ 0	$ (0)	$ 0	$ 1		$ (0)
Project Engineering	0	0	0	0		0	(0)		0
Transmission	2	2	1	(0)		0	0		0
Energy Supply and Analysis	1	1	0	(0)		0	0		0
Electric Distribution	7	6	(0)	(0)		(0)	0	(0)	0
Gas Distribution	2	3	0	0		0	0	(0)	(0)
Safety and Security	0	0	(0)	(0)		(0)	0	0	(0)
Customer Services	8	7	(1)	0		(0)	0	(1)	(0)
Chief Operations Officer	**36**	**37**	**1**	**(0)**	**(0)**	**1**	**1**	**(1)**	**(0)**
Information Technology	4	5	0	1		(0)	0		0
General Counsel	3	3	(0)	(0)		0	0		(0)
Human Resources	1	1	0	0		(0)	0		0
Supply Chain	0	0	0	(0)		0	(0)		0
Chief Administrative Officer	**8**	**8**	**0**	**0**		**(0)**	**0**		**0**
Chief Financial Officer	**2**	**2**	**(0)**	**(0)**		**0**	**0**		**0**
Corporate	**8**	**12**	**4**	**3**		**0**	**0**		**(0)**
O&M Total MTD	**$ 54**	**$ 59**	**$ 5**	**$ 4**	**$ (0)**	**$ 1**	**$ 1**	**$ (1)**	**$ (0)**

	YTD								
	Actual	Budget	Total Variance	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 155	$ 156	$ 1	$ 1	$ (0)	$ (2)	$ 2		$ (0)
Project Engineering	1	1	0	0		0	(0)		0
Transmission	19	20	1	(0)		(0)	1		0
Energy Supply and Analysis	6	6	1	0		0	0		0
Electric Distribution	56	49	(6)	(1)		(5)	0	(0)	(0)
Gas Distribution	21	21	1	(0)		1	0	(0)	(0)
Safety and Security	2	0	(2)	(1)		(0)	0	0	(0)
Customer Services	56	52	(3)	0		(1)	0	(2)	(0)
Chief Operations Officer	**315**	**306**	**(9)**	**(1)**	**(0)**	**(7)**	**3**	**(2)**	**(1)**
Information Technology	34	37	3	3		0	(0)		(0)
General Counsel	21	20	(1)	0		(1)	0		(0)
Human Resources	5	5	1	0		0	0		0
Supply Chain	2	2	0	0		(0)	(0)		0
Chief Administrative Officer	**63**	**65**	**2**	**3**		**(0)**	**(0)**		**(0)**
Chief Financial Officer	**12**	**13**	**0**	**0**		**0**	**0**		**0**
Corporate	**86**	**100**	**14**	**13**		**3**	**1**	**(0)**	**(3)**
O&M Total YTD	**$ 476**	**$ 483**	**$ 7**	**$ 15**	**$ (0)**	**$ (5)**	**$ 4**	**$ (3)**	**$ (5)**

	Full Year								
	Forecast	Budget	Total Variance	Labor	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 244	$ 245	$ 1	$ 3	$ 1	$ (4)	$ 1		$ (1)
Project Engineering	1	1	0	(0)		(0)	(0)		0
Transmission	29	29	(1)	(0)		0	(1)		0
Energy Supply and Analysis	9	9	0	0		0	0		0
Electric Distribution	77	72	(5)	0		(4)	0	0	(1)
Gas Distribution	32	32	(0)	(0)		0	0	0	(0)
Safety and Security	3	0	(3)	(3)		(0)	0	0	(0)
Customer Services	87	79	(8)	(0)		(3)	0	(5)	(1)
Chief Operations Officer	**483**	**468**	**(16)**	**0**	**1**	**(10)**	**1**	**(5)**	**(3)**
Information Technology	55	55	0	1		(0)	(0)		(0)
General Counsel	32	32	0	(0)		0	0		(0)
Human Resources	8	8	0	0		0	0		0
Supply Chain	4	4	(0)	(0)		0	0		0
Chief Administrative Officer	**98**	**98**	**1**	**1**		**(0)**	**(0)**		**(0)**
Chief Financial Officer	**19**	**19**	**0**	**0**		**0**	**0**		**(0)**
Corporate	**133**	**150**	**17**	**19**		**1**	**(0)**	**(0)**	**(3)**
O&M Total Full Year	**$ 733**	**$ 735**	**$ 2**	**$ 20**	**$ 1**	**$ (9)**	**$ 1**	**$ (5)**	**$ (5)**

Note: Schedules may not sum due to rounding.

Financing Activities — August 2014

($ Millions)

Balance Sheet	MTD Actual	MTD Budget	MTD Variance	YTD Actual	YTD Budget	YTD Variance	Full Year Forecast	Full Year Budget	Full Year Variance
PCB									
Beg Bal	$ 924.0	$ 924.6	$ 0.6	$ 924.0	$ 924.0	$ 0.0	$ 924.0	$ 924.0	$ -
End Bal	(1.1)	924.7	925.8	(1.1)	924.7	925.8	925.8	924.9	(0.8)
Ave Bal	**$ 461.4**	**$ 924.6**	**$ 463.2**	**$ 461.4**	**$ 924.4**	**$ 463.0**	**$ 924.5**	**$ 924.6**	**$ 0.1**
Interest Exp	**$ 0.8**	**$ 0.9**	**$ 0.2**	**$ 6.1**	**$ 7.6**	**$ 1.4**	**$ 10.3**	**$ 11.3**	**$ 1.1**
Rate	**1.93%**	**1.19%**	**-0.74%**	**1.96%**	**1.21%**	**-0.75%**	**1.11%**	**1.23%**	**0.12%**
FMB/Sr Nts									
Beg Bal	$ 3,641.9	$ 3,641.8	$ (0.1)	$ 3,640.9	$ 3,640.9	$ -	$ 3,640.9	$ 3,640.9	$ -
End Bal	4,567.2	3,642.0	(925.2)	4,567.2	3,642.0	(925.2)	3,642.6	3,642.5	(0.1)
Ave Bal	**$ 4,104.5**	**$ 3,641.9**	**$ (462.6)**	**$ 4,104.0**	**$ 3,641.5**	**$ (462.5)**	**$ 3,641.8**	**$ 3,641.8**	**$ (0.0)**
Interest Exp	**$ 11.5**	**$ 11.6**	**$ 0.1**	**$ 91.9**	**$ 93.1**	**$ 1.2**	**$ 140.5**	**$ 141.4**	**$ 0.8**
Rate	**3.25%**	**3.71%**	**0.46%**	**3.32%**	**3.79%**	**0.47%**	**3.86%**	**3.88%**	**0.02%**
Short-term Debt									
Beg Bal	$ 316.0	$ 369.5	$ 53.5	$ 245.0	$ 245.0	$ -	$ 245.0	$ 245.0	$ -
End Bal	310.0	371.7	61.7	310.0	371.7	61.7	570.9	527.8	(43.1)
Ave Bal	**$ 313.0**	**$ 370.6**	**$ 57.6**	**$ 277.5**	**$ 300.9**	**$ 23.4**	**$ 357.6**	**$ 356.8**	**$ (0.8)**
Interest Exp	**$ 0.2**	**$ 0.3**	**$ 0.1**	**$ 1.4**	**$ 2.2**	**$ 0.8**	**$ 3.1**	**$ 3.6**	**$ 0.5**
Rate	**0.68%**	**0.94%**	**0.26%**	**0.74%**	**1.07%**	**0.33%**	**0.87%**	**1.00%**	**0.14%**
Total End Bal	**$ 4,876.0**	**$ 4,938.4**	**$ 62.4**	**$ 4,876.0**	**$ 4,938.4**	**$ 62.4**	**$ 5,139.3**	**$ 5,095.3**	**$ (44.0)**
Total Average Bal	**$ 4,878.9**	**$ 4,937.1**	**$ 58.2**	**$ 4,842.9**	**$ 4,866.8**	**$ 23.9**	**$ 4,923.9**	**$ 4,923.2**	**$ (0.7)**
Total Expense Excl I/C [1]	**$ 14.0**	**$ 14.4**	**$ 0.4**	**$ 111.3**	**$ 114.7**	**$ 3.4**	**$ 169.7**	**$ 172.4**	**$ 2.7**
Rate	**3.33%**	**3.38%**	**0.05%**	**3.41%**	**3.49%**	**0.09%**	**3.45%**	**3.50%**	**0.05%**

[1] Total expense line includes additional revolving credit items. Total will not match sum of PCB, FMB, and STD.

Credit Facilities ($ Millions)	Committed Capacity	Borrowed	Letters of Credit Issued	Unused Capacity
LKE	$ 300	$ 75		$ 225
LG&E	500	105		395
KU	598	130	$ 198	270
TOTAL	$ 1,398	$ 310	$ 198	$ 890

Credit Metrics ($ Millions)	YTD Actual	YTD +/- Bud	Full Year Forecast	Full Year +/- Bud
FFO to Debt - LG&E	26.9%	+0.02	20.9%	-0.02
FFO to Debt - KU	27.8%	+0.04	22.4%	-0.02
Debt to EBITDA - LG&E [2]	3.11	-0.55	3.57	-0.09
Debt to EBITDA - KU [2]	3.50	-0.22	3.65	-0.07
Debt to Capitalization - LG&E [3]	46.8%	+0.00	47.0%	+0.00
Debt to Capitalization - KU [3]	46.6%	-0.01	47.0%	+0.00

[2] Actuals represent a trailing 12 months

[3] Excludes purchase accounting adjustments and corresponding goodwill of $996m

Attachment to Filing Requirement
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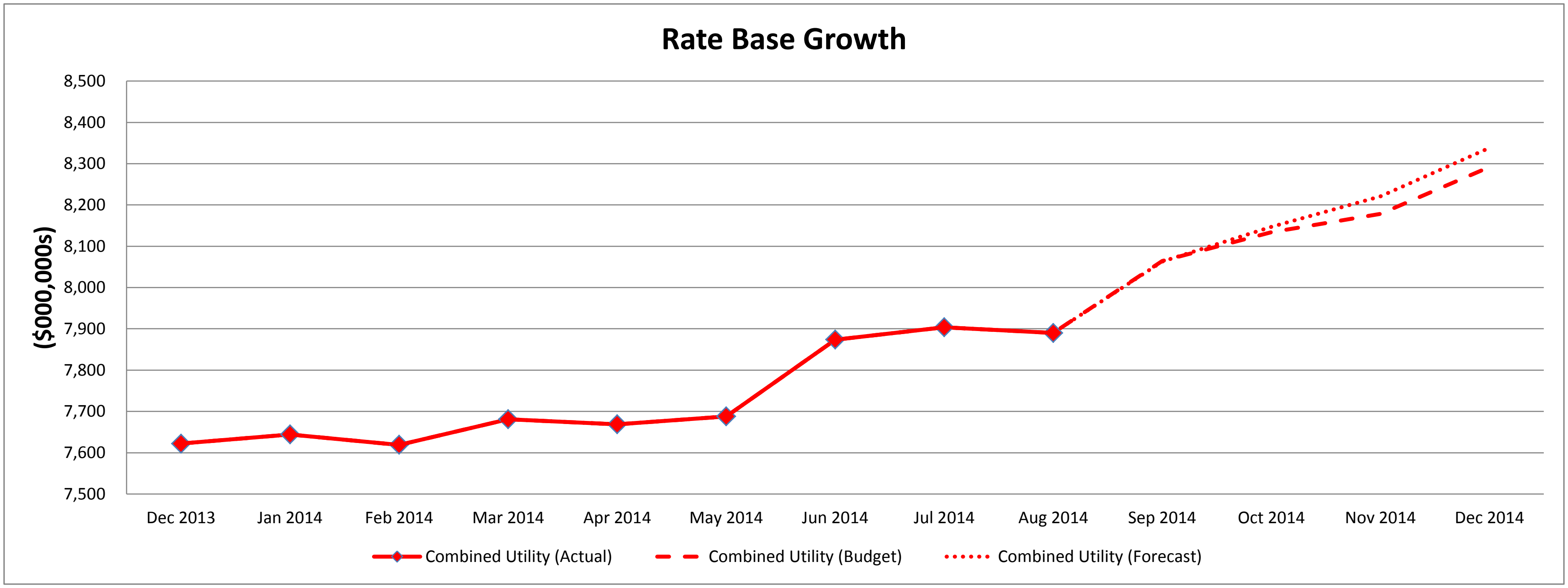
Witness: K Blake

Balance Sheet — August 2014

($ Millions)

	8/31/2014	YTD Budget	Variance	Comments
Assets:				
Current Assets:				
Cash and Cash Equivalents	$ 49	$ 9	$ 40	Due to tightened Commercial Paper supply given the holiday weekend, KU and LGE accessed liquidity a day earlier than needed and carried $20m and $15m over month end, respectively.
Accounts Receivable (Trade)	381	424	(43)	Lower customer accounts receivable ($25m) and lower unbilled utility revenue ($17m).
Inventory	253	251	2	
Deferred Income Taxes	106	159	(53)	Deferred Income Taxes reclassified from asset to liability Deferred Tax Liabilities.
Prepayments and other current assets	50	113	(63)	Lower notes receivable from affiliate ($65m).
Total Current Assets	839	956	(117)	
Property, Plant, and Equipment	10,112	10,127	(16)	Lower CWIP ($65m) partially offset by higher completed construction $25m accumulated depreciation $22m.
Intangible Assets	189	190	(0)	
Other Property and Investments	1	1	(0)	
Regulatory Assets	502	488	14	Increases in GSC $15m, ARO $14m, and long term interest rate swap $9m LGE partially offset by decreases in FAC ($14m), DSM ($8m), and ECR ($5m)
Goodwill	997	997	0	
Other Long-term Assets	100	93	7	
Total Assets	**$ 12,740**	**$ 12,852**	**$ (112)**	
Liabilities and Equity:				
Current Liabilities:				
Accounts Payable (Trade)	$ 409	$ 345	$ 64	Increases in project engineering $39m, increase in and timing of coal receipts $16m, and $9m due to timing of payables.
Accounts Payable - Affiliated Company	106	0	106	Dividend payable $106m issued to PPL based on Q2 2014 net income.
Customer Deposits	51	50	1	
Derivative Liability	5	4	1	
Accrued Taxes	76	99	(23)	Lower pre-tax income.
Other Current Liabilities	148	150	(3)	
Total Current Liabilities	794	648	146	
Debt - Affiliated Company	-	-	-	
Debt [(1)]	4,876	4,938	(62)	Lower issuance of Commercial Paper ($62m) due to lower pension and CapEx payments.
Total Debt	4,876	4,938	(62)	
Deferred Tax Liabilities	1,055	1,117	(62)	Deferred Tax Liabilities reclassified from liability to asset as Deferred Income Taxes.
Investment Tax Credit	132	132	(0)	
Accum Provision for Pension & Related Benefits	116	122	(6)	
Asset Retirement Obligation	276	249	27	KU Green River Ash and Environmental Pond Revaluation $27m.
Regulatory Liabilities	1,007	1,019	(12)	Decrease in long term interest rate swaps.
Derivative Liability	51	32	19	Increase due to loss on long term interest rate swaps.
Other Liabilities	245	235	10	Accrued retiree medical post employee benefits $7m which are not budgeted for in the Other Liabilities account. In December the balance is moved to the liability account where it is budgeted for.
Total Deferred Credits and Other Liabilities	2,882	2,906	(24)	
Equity	4,188	4,360	(171)	
Total Liabilities and Equity	**$ 12,740**	**$ 12,852**	**$ (112)**	

(1) Includes all ST and LT debt. See Financing Activities page for details.
Note: Schedules may not sum due to rounding.


Rate Base Growth
($000,000s)
8,500
8,400
8,300
8,200
8,100
8,000
7,900
7,800
7,700
7,600
7,500
Dec 2013
Jan 2014
Feb 2014
Mar 2014
Apr 2014
May 2014
Jun 2014
Jul 2014
Aug 2014
Sep 2014
Oct 2014
Nov 2014
Dec 2014
Combined Utility (Actual)
Combined Utility (Budget)
Combined Utility (Forecast)

Performance Report

September 2014

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Kentucky Regulated Dashboard

September 2014

	Current Month		YTD		Full Year	
Safety	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
TCIR - Employees	1.54	0.39	1.27	1.30	1.27	1.29
Employee lost-time incidents	0	0	5	1	5	3
Reliability	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Generation Volumes	2,835	2,866	26,630	26,650	34,787	34,780
Utility EFOR	6.2%	5.9%	5.0%	5.9%	N/A	5.9%
Utility EAF	87.4%	90.3%	82.8%	83.7%	N/A	82.5%
Steam Fleet Commercial Availability	93.8%	91.5%	93.9%	91.5%	N/A	91.5%
Combined SAIFI	0.08	0.10	0.78	0.98	N/A	1.20
Combined SAIDI (minutes)	6.16	8.72	73.80	89.62	N/A	107.60
GwH Sales						
Residential	727	901	8,382	8,533	10,848	10,962
Commercial	659	669	5,994	6,061	7,877	7,952
Industrial	832	795	7,490	7,479	9,957	10,011
Municipals	149	171	1,442	1,506	1,873	1,969
Other	251	227	2,166	2,104	2,833	2,788
Off-System Sales	45	34	409	251	465	273
Total	2,662	2,798	25,884	25,934	33,854	33,954
Weather-Normalized Sales Growth			**TTM**			
Residential			-0.83%			
Commercial			-0.43%			
Industrial			2.90%			
Municipal			-0.56%			
Other			1.25%			
Total			0.55%			

	Current Month		YTD		Full Year	
Financial Metrics	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Utility ROE[1]	7.5%	8.0%	9.8%	9.2%	9.1%	8.7%
Electric Margins	$132	$143	$1,281	$1,269	$1,676	$1,664
Gas Margins	$8	8	112	112	158	157
Capital Expenditures ($ millions)	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
New Generation	$17	$9	$90	$106	$121	$126
ECR	$73	$48	$523	$461	$729	$603
Generation	$14	$13	$58	$76	$113	$121
Transmission	$6	$8	$61	$56	$85	$77
Electric Distribution	$15	$13	$102	$107	$146	$143
Gas Distribution	$7	$8	$54	$62	$77	$80
Customer Services	$1	$2	$13	$16	$19	$20
IT and Other	$4	$4	$24	$38	$38	$50
Total	$139	$104	$925	$921	$1,329	$1,221
O&M ($ millions)[2]	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Operations	$38	$42	$352	$348	$482	$468
Administrative	8	9	$71	74	97	98
Finance	2	2	$14	14	19	19
Burdens & Other Charges	10	12	$96	112	133	150
Total	$58	$65	$534	$549	$731	$735
Head Count	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Full-time Employees	3,452	3,562	3,452	3,562	3,527	3,549
Other Metrics	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
Environmental Events	0	2	9	9	N/A	14
NERC Possible Violations[3]	0	0	5	9	N/A	11

Variance Explanations

• Current month capital was $34 million higher than budget due primarily to increased costs on environmental air projects at Mill Creek, timing of spend on environmental air projects at Trimble County and Ghent and timing of spend on Cane Run Unit 7.

• Full year higher capital due primarily to increased costs related to Ghent environmental air projects (Units 3 and 4 economizer work) and Mill Creek environmental air projects (Units 1, 2 and 4 fabric filters and wet flue gas desulfurization units) with some non-environmental spend offsets due to cost reductions.

• Current month lower margins driven by mild weather resulting in $11 million lower retail electric energy and demand charge revenues.

• YTD higher margins due to $8 million from the sale of excess generation driven by favorable plant availability and higher market prices during Q1, $7 million from lower cost of production margin expenses, and $5 million from lower purchase power demand costs partially offset by $9 million lower retail electric energy and demand revenues.

• Current month lower O&M primarily due to $4 million of labor and benefit savings, $4 million savings due to maintenance and outage timing shifts, and $1 million of materials expense savings, partially offset by $2 million higher uncollectible accounts.

• YTD lower O&M primarily due to $20 million of labor and benefit savings and $3 million lower material and other expenses partially offset by $7 million of higher storms expenses and $4 million higher uncollectible accounts.

Major Developments

• LKE reached two more construction milestones as Mill Creek Unit 4 recently began its twelve-week tie-in outage for the new FGD and baghouse; and the 8.2 mile 20” natural gas pipeline constructed to serve Cane Run 7 was charged to full pressure and placed into service.

• LKE and interveners (including Sierra Club and Kentucky Industrial Utility Customers) submitted a Joint Motion for Consideration and Approval of an Agreement, Stipulation, and Recommendation supporting the issuance of a CPCN for the construction of the 10 MW Solar Facility at the Brown Generating Station. The KPSC also issued an Order scheduling a hearing for November 24, 2014.

• LKE and all parties in the DSM/EE proceeding filed Post-Hearing Briefs. This proceeding included plans to expand and enhance five DSM programs for 2015 -2018, and offer up to 10,000 customers a smart meter on a voluntary basis. LKE requested an Order by mid-November.

Significant Future Events

• Rate case preparations are underway in anticipation of a November filing with the KPSC.

• Heavy construction is proceeding at Mill Creek, Ghent, Brown, Cane Run and Trimble County. All projects are expected to be in service by target completion dates. The Ghent Unit 4 tie-in outage for its new baghouse will begin in October and is scheduled to be finished by the end of the year.

[1] Excludes goodwill and other purchase accounting adjustments.
[2] Net of cost recovery mechanisms.
[3] The possible violation issues for YTD Actual are believed to be minimal risk and are expected to receive a zero dollar penalty from the regulator.

Income Statement: Actual vs. Budget and Forecast (Month)									September 2014
($ Millions)									
	MTD				MTD				
	Actual	Budget	Variance	Comments	Actual	Q2 Forecast	Variance	Comments	
Revenues:									
Electric Revenues	$ 218	$ 236	$ (18)	Due to lower electricity volumes resulting from unfavorable weather.	$ 218	$ 233	$ (15)	Due to lower electricity volumes resulting from unfavorable weather.	
Gas Revenues	14	12	1		14	13	1		
Total Revenues	232	249	(16)		232	246	(13)		
Cost of Sales:									
Fuel Electric Costs	72	76	4	Due to lower electricity volumes resulting from unfavorable weather.	72	77	5	Due to lower electricity volumes resulting from unfavorable weather.	
Gas Supply Expenses	5	4	(1)		5	4	(1)		
Purchased Power	4	5	1		4	5	1		
Other Electric Cost	10	11	1		10	12	2		
Total Cost of Sales	91	97	6	Due to lower electricity volumes resulting from unfavorable weather.	91	99	8	Due to lower electricity volumes resulting from unfavorable weather.	
Gross Margin:									
Electric Margin	132	143	(11)	Due to mild weather resulting in lower retail electric energy and demand charge revenues.	132	138	(6)	Due to mild weather resulting in lower retail electric energy and demand charge revenues.	
Gas Margin	8	8	(0)		8	8	(0)		
Total Gross Margin	140	151	(11)		140	147	(6)		
Operating Expenses:									
O&M	58	65	7	Due primarily to labor and benefit savings.	58	66	8	Due primarily to labor and benefit savings.	
Depreciation & Amortization	29	29	(0)		29	29	(0)		
Taxes, Other than Income	4	4	(0)		4	4	0		
Total Operating Expenses	91	98	7		91	99	8		
Other income (expense)	(0)	(0)	(0)		(0)	(0)	(0)		
EBIT	50	53	(4)		50	47	2		
Interest Expense	14	14	0		14	14	0		
Income from Ongoing Operations before income taxes	36	39	(3)		36	33	3		
Income Tax Expense	14	15	0		14	12	(2)		
Net Income (loss) from ongoing operations	**22**	**25**	**$ (3)**		**$ 22**	**21**	**$ 1**		
Non Operating Income	0	0	0		0	0	0		
Discontinued Operations	0	0	0		0	0	0		
Net Income (loss)	$ 21	$ 24	$ (3)		$ 21	$ 21	$ 1		
KY Regulated Financing Costs	(3)	(3)	0		(3)	(3)	0		
KY Regulated Net Income	$ 19	$ 22	$ (3)		$ 19	$ 18	$ 1		
Earnings Per Share	$ 0.03	$ 0.03	$ (0.00)		$ 0.03	$ 0.03	$ (0.00)		

Note: Schedules may not sum due to rounding.

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7)(o)

Witness: K Blake

Income Statement: Actual vs. Budget (YTD) — September 2014

($ Millions)

	YTD			
	Actual	Budget	Variance	Comments
Revenues:				
Electric Revenues	$ 2,155	$ 2,145	$ 10	Due to higher electricity volumes resulting from favorable weather earlier this year.
Gas Revenues	$ 258	220	38	Due to higher gas volumes resulting from favorable weather earlier this year.
Total Revenues	$ 2,413	2,365	48	
Cost of Sales:				
Fuel Electric Costs	753	728	(25)	Due to higher electricity volumes resulting from favorable weather earlier this year.
Gas Supply Expenses	145	109	(37)	Due to higher gas volumes resulting from favorable weather earlier this year.
Purchased Power	41	53	11	Due to lower purchases than planned.
Other Electric Cost	80	94	14	Due primarily to lower plant system consumables costs.
Total Cost of Sales	1,019	983	(36)	
Gross Margin:				
Electric Margin	1,281	1,269	12	Due to the sale of excess generation driven by favorable plant availability and higher market prices during Q1, lower cost of production margin expenses, and lower purchase power demand costs partially offset by lower retail electric energy and demand revenues.
Gas Margin	112	112	0	
Total Gross Margin	1,393	1,381	12	
Operating Expenses:				
O&M	534	549	15	Due to primarily to labor and benefit savings and lower material and other expenses partially offset by higher storms expenses and uncollectible accounts.
Depreciation & Amortization	256	257	2	
Taxes, Other than Income	38	38	0	
Total Operating Expenses	827	844	17	
Other income (expense)	(6)	(6)	(0)	
EBIT	560	532	28	
Interest Expense	125	129	4	
Income from Ongoing Operations before income taxes	435	403	32	
Income Tax Expense	165	152	(14)	Higher pre-tax income.
Net Income (loss) from ongoing operations	**$ 270**	**$ 251**	**$ 19**	
Non Operating Income	0	-	0	
Discontinued Operations	(0)	0	(0)	
Net Income (loss)	$ 271	$ 251	$ 20	
KY Regulated Financing Costs	(23)	(23)	0	
KY Regulated Net Income	$ 247	$ 228	$ 19	
Earnings Per Share	$ 0.37	$ 0.34	$ 0.03	

Note: Schedules may not sum due to rounding.

Income Statement: Forecast vs. Prior Forecast & Budget									September 2014
($ Millions)									
	Full Year				Full Year				
	Q3 Forecast	Q2 Forecast	Variance	Comments	Q3 Forecast	Budget	Variance	Comments	
Revenues:									
Electric Revenues	$ 2,817	$ 2,873	$ (55)	Due to lower electricity volumes resulting from unfavorable weather.	$ 2,817	$ 2,815	$ 2		
Gas Revenues	357	355	2		357	318	39	Due to higher gas volumes resulting from colder than normal weather.	
Total Revenues	3,175	3,228	(53)		3,175	3,134	41		
Cost of Sales:									
Fuel Electric Costs	976	1,011	35	Due to lower electricity volumes resulting from unfavorable weather.	976	953	(23)	Due to higher electricity volumes resulting from favorable weather.	
Gas Supply Expenses	199	197	(2)		199	162	(38)	Due to higher gas volumes resulting from colder than normal weather.	
Purchased Power	55	66	10	Due to lower purchases than planned.	55	72	16	Due to lower purchases than planned.	
Other Electric Cost	110	117	7	Due primarily to lower plant system consumables costs.	110	127	17	Due primarily to lower plant system consumables costs.	
Total Cost of Sales	1,341	1,390	50		1,341	1,313	(27)		
Gross Margin:									
Electric Margin	1,676	1,680	(4)		1,676	1,664	12	Due to higher revenues offset by higher cost of sales (see above).	
Gas Margin	158	158	0		158	157	1		
Total Gross Margin	1,834	1,837	(3)		1,834	1,821	13		
Operating Expenses:									
O&M	731	733	3		731	735	4		
Depreciation & Amortization	343	342	(1)		343	344	0		
Taxes, Other than Income	51	51	0		51	51	(0)		
Total Operating Expenses	1,125	1,126	1		1,125	1,130	5		
Other income (expense)	(6)	(7)	0		(6)	(7)	0		
EBIT	703	704	(1)		703	684	19		
Interest Expense	168	170	2		168	172	5	Favorable interest rates.	
Income from Ongoing Operations before income taxes	535	534	1		535	511	24		
Income Tax Expense	202	202	(1)		202	192	(10)	Higher pre-tax income.	
Net Income (loss) from ongoing operations	**333**	**$ 333**	**$ 0**		**$ 333**	**$ 319**	**$ 14**		
Non Operating Income	0	0	(0)		0	-	0		
Discontinued Operations	(0)	0	(0)		(0)	0	(0)		
Net Income (loss)	$ 333	$ 333	$ 0		$ 333	$ 320	$ 14		
KY Regulated Financing Costs	(31)	(31)	-		(31)	(31)	0		
KY Regulated Net Income	$ 302	$ 302	$ 0		$ 302	$ 288	$ 14		
Earnings Per Share	$ 0.45	$ 0.45	$ (0.00)		$ 0.45	$ 0.43	$ 0.02		

Note: Schedules may not sum due to rounding.

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7)(o)

Witness: K Blake

Electric Gross Margin — September 2014

($ Millions)

	MTD						YTD					
	Actual	Budget	Unit Variance	Value @	Dollar Variance	Margin Variance	Actual	Budget	Unit Variance	Value @	Dollar Variance	Margin Variance
Base Electric Margin:						$ (11)						$ (9)
Energy Volumes (a)	2,617,449	2,763,701	(146,251)	$ -	$ (8)		25,474,513	25,683,116	(208,603)	$ -	$ (9)	
Energy Prices (a)					0						1	
Customer Charges (Avg. Customers)	940,312	948,669	(8,357)		(0)		939,415	946,670	(7,255)		(0)	
Demand Charges (b)	41	45			(3)		362	363			(1)	
ECR:						$ 1						$ 2
Average Rate Base	$ 1,567	$ 1,452	$ 116	10.46%	$ 0.9		$ 1,340	$ 1,301	$ 39	10.39%	$ 2.7	
Cost of Capital	10.14%	10.46%	-0.32%	$ 1,567	$ (0.4)		10.17%	10.39%	-0.22%	$ 1,340	(2.0)	
Jurisdictional Factor	91.09%	89.26%	1.83%	$ 1,567	$ 0.2		88.38%	88.37%	0.01%	$ 1,340	-	
Other					$ -						1.0	
DSM:						$ (0)						$ (2)
Program Expense (Revenue Net of Expense)	$ 0.1	$ 0.1			$ -		$ -	$ 0.4			$ (0.4)	
Lost Sales	1.6	1.9			$ (0.3)		15.2	16.7			(1.5)	
Incentive	0.1	0.1			$ -		0.9	0.9			-	
Balancing Adjustment	-	-			$ -		(0.3)	-			(0.3)	
Net Fuel Recovery	$ (0.8)	$ (0.4)				$ (0)	$ (5)	$ (4)				$ (0)
Purchase Power Demand	(2.0)	(2.5)				$ 1	(18.2)	(23.1)				$ 5
Transmission	0.8	1.1				$ (0)	8.5	8.5				$ -
Other	(2.6)	(2.4)				$ (0)	(13.2)	(20.0)				$ 9
Retail Margin Variance						$ (11)						$ 4
Off-System Margin Variance						$ 0						$ 8
Electric Margin Variance						$ (11)						$ 12

(a) Non-Fuel Energy Analysis (net of base ECR revenue):

	MTD								
	Actual			Budget			Variance		
	Revenue $mil	Volume (MWH)	Price ($/MWH)	Revenue $mil	Volume (MWH)	Price ($/MWH)	Revenue $mil	Volume $mil	Price $mil
Residential	$ 36	727,092	$ 49.19	$ 44	901,493	$ 49.06	($8)	($9)	$0
Commercial	20	659,620	29.93	21	668,649	31.80	($2)	($0)	($1)
Industrial	8	831,421	8.99	7	795,209	9.00	$0	$0	$0
Municipals	1	148,406	5.69	1	171,460	4.16	$0	($0)	$0
Other	5	250,910	21.63	4	226,889	17.60	$1	$0	$1
Native Load Total	**$ 69**	**2,617,449**	**$ 26.46**	**$ 77**	**2,763,701**	**$ 27.99**	**($8)**	**($8)**	**$0**

(a) Non-Fuel Energy Analysis (net of base ECR revenue):

	YTD								
	Actual			Budget			Variance		
	Revenue $mil	Volume (MWH)	Price ($/MWH)	Revenue $mil	Volume (MWH)	Price ($/MWH)	Revenue $mil	Volume $mil	Price $mil
Residential	$ 409	8,382,376	$ 48.80	$ 417	8,532,636	$ 48.88	($8)	($7)	($1)
Commercial	185	5,993,780	30.80	195	6,061,427	32.21	($11)	($2)	($8)
Industrial	67	7,489,850	8.98	67	7,479,295	8.98	$0	$0	$0
Municipals	7	1,442,469	5.15	8	1,505,621	5.05	($0)	($0)	$0
Other	49	2,166,037	22.55	38	2,104,137	17.97	$11	$1	$10
Native Load Total	**$ 717**	**25,474,513**	**$ 28.16**	**$ 725**	**25,683,116**	**$ 28.22**	**($8)**	**($9)**	**$1**

(b) Demand Analysis (net of base ECR revenue):

	MTD			YTD		
$mil	Act	Bud	Variance	Act	Bud	Variance
Commercial	14	15	(1)	124	119	5
Industrial	17	18	(2)	147	153	(6)
Municipals	4	5	(1)	38	40	(2)
Other	6	6	-	52	51	1
Native Load Total	**41**	**45**	**(3)**	**362**	**363**	**(1)**

Gas Gross Margin — September 2014

($ Millions)

	MTD Actual	MTD Budget	MTD Subtotal	MTD Margin Variance	YTD Actual	YTD Budget	YTD Subtotal	YTD Margin Variance
Gas Base Service Charge	**$ 5**	**$ 5**		**$ -**	**$ 45**	**$ 45**		**$ 0**
Gas Supply Costs								
Gas Supply Costs	(5)	(4)	$ (1)		(143)	(106)	$ (37)	
GSC Revenue	5	4	1		142	106	36	
Net Gas Supply Costs				**$ 0**				**$ (2)**
Retail Gas (a)	**3**	**3**		**$ (0)**	**67**	**59**		**$ 8**
Wholesale Gas (a)	**-**	**-**		**$ -**	**-**	**-**		**$ -**
DSM	**-**	**0**		**$ (0)**	**0**	**1**		**$ (0)**
GLT	**1**	**1**		**$ 0**	**5**	**6**		**$ (1)**
WNA	**-**	**-**		**$ -**	**(6)**	**-**		**$ (6)**
Other Margin	**0**	**0**		**$ 0**	**2**	**1**		**$ 0**
Gas Margin Variance				**$ 0**				**$ 0**

(a) Retail and wholesale gas sales - excludes GSC

MTD

	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 1	403,181	$ 2.64	$ 1	421,780	$ 2.64	$0	$ -	$ -
Commercial	1	259,145	2.04	1	286,162	2.08	($0)	$ (0)	$ -
Industrial	0	83,248	1.65	0	58,357	1.74	$0	$ -	$ -
Public Authority	0	39,105	1.80	0	33,535	1.89	$0	$ -	$ -
Transportation	1	833,459	0.89	0.80	816,781	0.93	($0)	$ -	$ -
Ultimate Consumer	$ 3	1,618,138	$ 1.57	$ 3	1,616,616	$ 1.63	($0)	$ -	$ (0)

YTD

	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 40	15,167,674	$ 2.64	$ 35	13,397,739	$ 2.64	$5	$ 5	$ -
Commercial	15	7,143,458	2.04	13	6,149,707	2.08	$2	$ 2	$ (0)
Industrial	2	1,014,019	1.71	1	711,904	1.78	$0	$ 1	$ (0)
Public Authority	2	1,104,599	1.96	2	1,039,444	2.00	$0	$ 0	$ -
Transportation	8	10,074,412	0.83	8	9,313,541	0.81	$1	$ 1	$ 0
Ultimate Consumer	$ 67	34,504,162	$ 1.94	$ 59	30,612,335	$ 1.93	$8	$ 8	$ (0)

($ Millions)

	MTD								
	Actual	**Budget**	**Total Variance**	**Labor**	**Outages**	**Outside Services**	**Materials**	**Uncollectible Accounts**	**Other**
Generation	$ 18	$ 23	$ 5	$ 1	$ 3	$ 2	$ 1		$ (0)
Project Engineering	0	0	0	0		0	(0)		0
Transmission	2	2	(0)	(0)		(0)	0		(0)
Energy Supply and Analysis	1	1	0	0		0	0		0
Electric Distribution	5	6	1	1		0	0	(0)	0
Gas Distribution	4	3	(1)	(0)		(1)	(0)	(0)	(0)
Safety and Security	0	0	(0)	(0)		(0)	(0)	0	(0)
Customer Services	8	7	(1)	0		0	0	(1)	(0)
Chief Operations Officer	**38**	**42**	**4**	**1**	**3**	**1**	**1**	**(1)**	**0**
Information Technology	4	5	1	1		0	(0)		0
General Counsel	4	3	(0)	0		(0)	0		(0)
Human Resources	1	1	0	0		0	0		0
Supply Chain	0	0	0	0		0	(0)		(0)
Chief Administrative Officer	**8**	**9**	**1**	**1**		**0**	**(0)**		**0**
Chief Financial Officer	**2**	**2**	**0**	**0**		**(0)**	**0**		**(0)**
Corporate	**10**	**12**	**2**	**3**		**0**	**0**	**(0)**	**(1)**
O&M Total MTD	**$ 58**	**$ 65**	**$ 7**	**$ 4**	**$ 3**	**$ 1**	**$ 1**	**$ (2)**	**$ (0)**

	YTD								
	Actual	**Budget**	**Total Variance**	**Labor**	**Outages**	**Outside Services**	**Materials**	**Uncollectible Accounts**	**Other**
Generation	$ 173	$ 179	$ 6	$ 2	$ 2	$ (1)	$ 4		$ (1)
Project Engineering	1	1	0	0		0	(0)		0
Transmission	21	22	1	(0)		(1)	1		0
Energy Supply and Analysis	6	7	1	0		0	0		0
Electric Distribution	61	55	(6)	(1)		(5)	0	(0)	(0)
Gas Distribution	24	24	(0)	(0)		0	(0)	(0)	(0)
Safety and Security	2	0	(2)	(2)		(0)	0	0	(0)
Customer Services	63	59	(4)	1		(1)	0	(4)	(0)
Chief Operations Officer	**352**	**348**	**(5)**	**(0)**	**2**	**(7)**	**5**	**(4)**	**(1)**
Information Technology	38	42	4	3		0	(0)		(0)
General Counsel	25	24	(1)	0		(1)	0		(1)
Human Resources	5	6	1	0		0	0		0
Supply Chain	3	3	0	0		(0)	(0)		0
Chief Administrative Officer	**71**	**74**	**3**	**4**		**(0)**	**(0)**		**(0)**
Chief Financial Officer	**14**	**14**	**0**	**0**		**0**	**0**		**(0)**
Corporate	**96**	**112**	**16**	**16**		**3**	**1**	**(0)**	**(4)**
O&M Total YTD	**$ 534**	**$ 549**	**$ 15**	**$ 20**	**$ 2**	**$ (4)**	**$ 7**	**$ (4)**	**$ (6)**

	Full Year								
	Forecast	**Budget**	**Total Variance**	**Labor**	**Outages**	**Outside Services**	**Materials**	**Uncollectible Accounts**	**Other**
Generation	$ 244	$ 245	$ 1	$ 4	$ (1)	$ 0	$ 1		$ (3)
Project Engineering	1	1	0	0		0	(0)		0
Transmission	29	29	(1)	(1)		1	(1)		1
Energy Supply and Analysis	9	9	1	0		0	0		0
Electric Distribution	78	72	(6)	(0)		(5)	0	0	(1)
Gas Distribution	32	32	0	(1)		1	0	(0)	0
Safety and Security	3	0	(3)	(2)		(0)	0	0	(1)
Customer Services	87	79	(8)	1		(3)	0	(5)	(1)
Chief Operations Officer	**482**	**468**	**(15)**	**0**	**(1)**	**(5)**	**0**	**(5)**	**(4)**
Information Technology	53	55	2	4		(1)	(0)		(0)
General Counsel	33	32	(1)	(0)		(1)	0		(0)
Human Resources	8	8	0	0		0	0		0
Supply Chain	4	4	(0)	(0)		0	0		0
Chief Administrative Officer	**97**	**98**	**1**	**4**		**(2)**	**(0)**		**(0)**
Chief Financial Officer	**19**	**19**	**0**	**0**		**0**	**0**		**(0)**
Corporate	**133**	**150**	**18**	**19**		**(0)**	**(0)**	**(0)**	**(1)**
O&M Total Full Year	**$ 731**	**$ 735**	**$ 4**	**$ 23**	**$ (1)**	**$ (7)**	**$ (0)**	**$ (5)**	**$ (6)**

Note: Schedules may not sum due to rounding.

Financing Activities

September 2014

($ Millions)

Balance Sheet	MTD Actual	MTD Budget	MTD Variance	YTD Actual	YTD Budget	YTD Variance	Full Year Forecast	Full Year Budget	Full Year Variance
PCB									
Beg Bal	$ 923.9	$ 924.7	$ 0.8	$ 924.0	$ 924.0	$ 0.0	$ 924.0	$ 924.0	$ -
End Bal	923.9	924.7	0.8	923.9	924.7	0.8	924.8	924.9	0.2
Ave Bal	**$ 923.9**	**$ 924.7**	**$ 0.8**	**$ 924.0**	**$ 924.4**	**$ 0.5**	**$ 924.1**	**$ 924.6**	**$ 0.4**
Interest Exp	**$ 0.8**	**$ 0.9**	**$ 0.2**	**$ 6.9**	**$ 8.5**	**$ 1.6**	**$ 9.6**	**$ 11.3**	**$ 1.8**
Rate	**1.00%**	**1.23%**	**0.22%**	**0.98%**	**1.21%**	**0.23%**	**1.03%**	**1.23%**	**0.19%**
FMB/Sr Nts									
Beg Bal	$ 3,642.1	$ 3,642.0	$ (0.1)	$ 3,640.9	$ 3,640.9	$ -	$ 3,640.9	$ 3,640.9	$ -
End Bal	3,642.2	3,642.1	(0.1)	3,642.2	3,642.1	(0.1)	3,642.7	3,642.5	(0.1)
Ave Bal	**$ 3,642.1**	**$ 3,642.1**	**$ (0.1)**	**$ 3,641.5**	**$ 3,641.6**	**$ 0.0**	**$ 3,641.8**	**$ 3,641.8**	**$ -**
Interest Exp	**$ 11.5**	**$ 11.6**	**$ 0.1**	**$ 103.4**	**$ 104.8**	**$ 1.3**	**$ 139.7**	**$ 141.4**	**$ 1.6**
Rate	**3.79%**	**3.83%**	**0.05%**	**3.75%**	**3.79%**	**0.05%**	**3.84%**	**3.88%**	**0.04%**
Short-term Debt									
Beg Bal	$ 310.0	$ 371.7	$ 61.7	$ 245.0	$ 245.0	$ -	$ 245.0	$ 245.0	$ -
End Bal	370.5	373.6	3.2	370.5	373.6	3.2	540.4	527.8	(12.6)
Ave Bal	**$ 340.2**	**$ 372.7**	**$ 32.5**	**$ 307.7**	**$ 309.0**	**$ 1.3**	**$ 328.7**	**$ 356.8**	**$ 28.2**
Interest Exp	**$ 0.2**	**$ 0.3**	**$ 0.1**	**$ 1.6**	**$ 2.5**	**$ 0.9**	**$ 2.1**	**$ 3.6**	**$ 1.5**
Rate	**0.68%**	**0.97%**	**0.29%**	**0.68%**	**1.06%**	**0.38%**	**0.64%**	**1.00%**	**0.36%**
Total End Bal	**$ 4,936.6**	**$ 4,940.5**	**$ 3.8**	**$ 4,936.6**	**$ 4,940.5**	**$ 3.8**	**$ 5,107.9**	**$ 5,095.3**	**$ (12.6)**
Total Average Bal	**$ 4,906.3**	**$ 4,939.4**	**$ 33.1**	**$ 4,873.2**	**$ 4,875.0**	**$ 1.8**	**$ 4,894.6**	**$ 4,923.2**	**$ 28.6**
Total Expense Excl I/C [1]	**$ 13.9**	**$ 14.4**	**$ 0.4**	**$ 125.3**	**$ 129.1**	**$ 3.8**	**$ 167.5**	**$ 172.4**	**$ 4.8**
Rate	**3.41%**	**3.49%**	**0.08%**	**3.39%**	**3.49%**	**0.10%**	**3.42%**	**3.50%**	**0.08%**

[1] Total expense line includes additional revolving credit items. Total will not match sum of PCB, FMB, and STD.

Credit Facilities ($ Millions)	Committed Capacity	Borrowed	Letters of Credit Issued	Unused Capacity
LKE	$ 300	$ 97		$ 203
LG&E	500	143		357
KU	598	130	$ 198	270
TOTAL	$ 1,398	$ 370	$ 198	$ 830

Credit Metrics ($ Millions)	YTD Actual	YTD +/- Bud	Full Year Forecast	Full Year +/- Bud
FFO to Debt - LG&E	23.1%	+0.02	23.4%	+0.01
FFO to Debt - KU	25.3%	+0.04	25.0%	+0.01
Debt to EBITDA - LG&E [2]	3.20	-0.47	3.45	-0.22
Debt to EBITDA - KU [2]	3.52	-0.20	3.74	+0.02
Debt to Capitalization - LG&E [3]	46.9%	+0.01	47.0%	+0.00
Debt to Capitalization - KU [3]	46.4%	-0.00	47.0%	+0.00

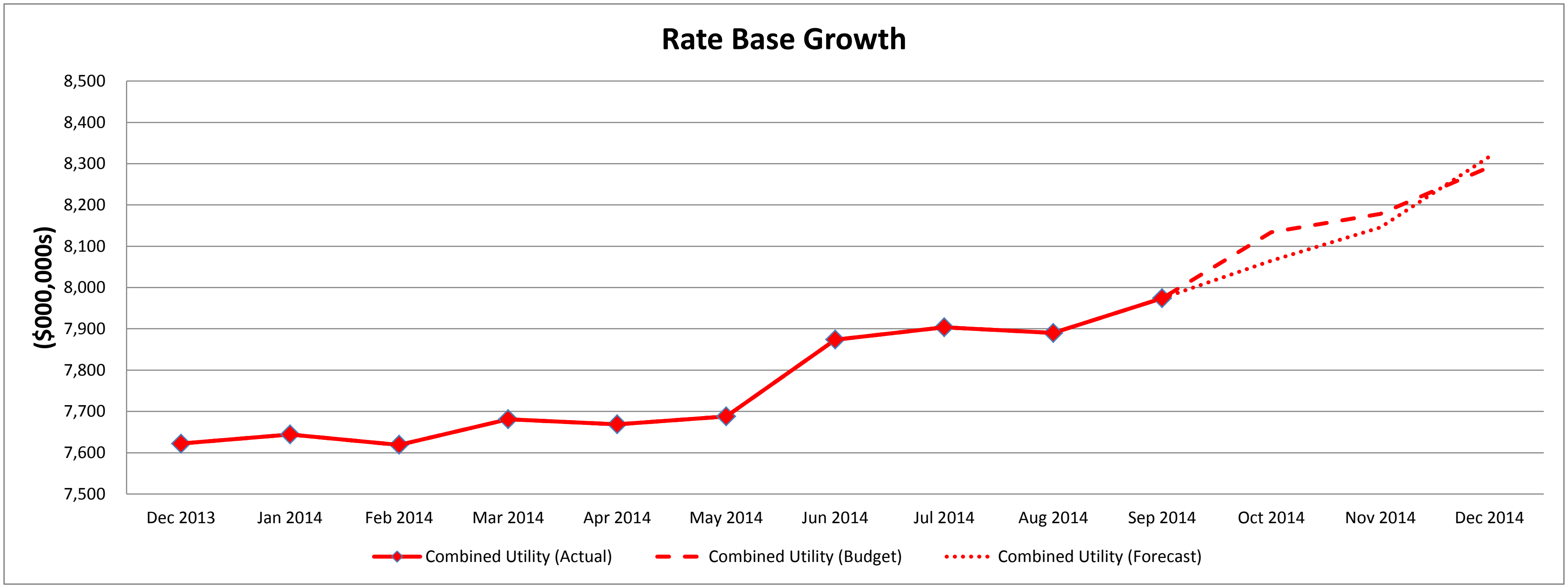
[2] Actuals represent a trailing 12 months

[3] Excludes purchase accounting adjustments and corresponding goodwill of $996m

Balance Sheet				**September 2014**
($ Millions)				
	9/30/2014	**YTD Budget**	**Variance**	**Comments**
Assets:				
Current Assets:				
Cash and Cash Equivalents	$ 47	$ 9	$ 38	Higher investment balances of $33m due to timing of CP due dates.
Accounts Receivable (Trade)	355	410	(55)	Lower unbilled utility revenue ($49m) and lower customer accounts receivable ($4m).
Inventory	274	262	12	Higher fuel related costs of $10m.
Deferred Income Taxes	69	159	(90)	Deferred Income Taxes reclassified from asset to liability Deferred Tax Liabilities.
Prepayments and other current assets	69	113	(44)	Lower notes receivable from affiliate ($70m) partially offset by higher intercompany income tax receivable $28m.
Total Current Assets	815	954	(139)	
Property, Plant, and Equipment	10,219	10,201	18	Higher completed construction $269m and accumulated depreciation $22m partially offset by lower CWIP ($275m).
Intangible Assets	185	186	(0)	
Other Property and Investments	1	1	0	
Regulatory Assets	506	480	26	Increases in ARO $16m, GSC $15m, and long term interest rate swap $11m LGE partially offset by decreases in FAC ($8m), DSM ($8m), and ECR ($5m)
Goodwill	997	997	-	
Other Long-term Assets	104	93	11	Higher due to $6m increase in value of forward starting swaps and $5m from the CPCN being put on hold for GR5 and funds being moved to preliminary survey account.
Total Assets	**$ 12,827**	**$ 12,912**	**$ (85)**	
Liabilities and Equity:				
Current Liabilities:				
Accounts Payable (Trade)	$ 430	$ 344	$ 87	Increases in project engineering $39m, increase in and timing of coal receipts $16m, and $9m due to timing of payables.
Accounts Payable - Affiliated Company	0	0	0	
Customer Deposits	51	50	1	
Derivative Liability	4	4	1	
Accrued Taxes	44	68	(25)	Lower pre-tax income.
Other Current Liabilities	171	165	6	
Total Current Liabilities	701	631	70	
Debt - Affiliated Company	22	-	22	Short term note payable made to PPL.
Debt [1]	4,914	4,940	(26)	Lower issuance of Commercial Paper ($26m) due to lower pension and CapEx payments.
Total Debt	4,937	4,940	(4)	
Deferred Tax Liabilities	1,131	1,193	(62)	Deferred Tax Liabilities reclassified from liability to asset as Deferred Income Taxes.
Investment Tax Credit	132	132	(0)	
Accum Provision for Pension & Related Benefits	116	122	(6)	
Asset Retirement Obligation	275	250	26	KU Green River Ash and Environmental Pond Revaluation $27m.
Regulatory Liabilities	1,021	1,015	6	
Derivative Liability	43	32	11	Increase due to loss on long term interest rate swaps.
Other Liabilities	243	233	11	Accrued retiree medical post employee benefits $8m which are not budgeted for in the Other Liabilities account. In December the balance is moved to the liability account where it is budgeted for.
Total Deferred Credits and Other Liabilities	2,960	2,976	(16)	
Equity	4,230	4,364	(135)	
Total Liabilities and Equity	**$ 12,827**	**$ 12,912**	**$ (85)**	

[1] Includes all ST and LT debt. See Financing Activities page for details.
Note: Schedules may not sum due to rounding.

YTD	Actual	Budget	Variance	Comments
Net Income	270	251	19	Mostly due to higher electric and gas volumes resulting from favorable weather earlier in the year. See income statement for more details.
Depreciation	279	271	8	
Deferred Income Taxes	251	224	27	Differences in how annual estimates are spread in actuals vs. budget.
Other Balance Sheet Movements	(92)	51	(142)	See balance sheet.
Funds From Operations	**709**	**797**	**(88)**	
Changes in accounts receivables	54	(0)	55	Lower unbilled utility revenue offset by higher customer accounts receivable.
Changes in inventories	4	14	(10)	Higher fuel related costs.
Change in Accounts Payable	81	(9)	90	Increases in project engineering, in and timing of coal receipts, and due to timing of payables.
Change in Working Capital	**140**	**5**	**135**	
Operating Cash flow	**848**	**801**	**47**	
Capex	(843)	(921)	77	Lower due to milestone shifts on Ghent environmental air projects partially offset by higher than budgeted spending on Mill Creek environmental air projects and timing of spend on Cane Run Unit 7.
Other Investing	73	0	73	LKE cash from tax settlements with PPL.
Loans to Affiliates	0	0	0	
Investing Cash flow	**(770)**	**(921)**	**151**	
Dividends	(327)	(238)	(89)	Higher due to liquidity of LKE cash related to PPL tax settlements.
Equity Infusion	139	202	(63)	Budgeted KU and LGE capital distribution but only made distribution to KU in March and to LGE in September.
Net Borrowings	122	129	(8)	
Other	0	0	0	
Financing Cash flow	**(66)**	**93**	**(160)**	
Net increase (decrease) in cash	**12**	**(26)**	**38**	



Attachment to Filing Requirement
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Witness: K Blake

Combined KU and LG&E ROE (TTM) Sept 2014

KU and LG&E Combined

Reconciliation of Allowed Return to

9/30/14 Trailing Twelve Months Regulatory Return and

Book ROE from Ongoing Operations

Allowed Return [1]		10.32%	
Adjustments (net of tax):			
Change in capitalization - non ECR	-1.46%		Growth in non-ECR capitalization (rate base) between rate cases does not earn a return
Change in ROE from average mechanism rate base grc	0.00%		Mechanisms have a real-time return
Change in weighted cost of debt	-0.25%		Additional borrowings offset by favorable rates
Change in margins	2.20%		Primarily new rates since last rate cases
Change in allowed expenses	-0.97%		Inflationary increases
		-0.48%	
Actual Regulated ROE		9.84%	
Adjustments (net of tax):			
Impact of non-recoverable purchase accounting	-1.82%		
Impact of 'below the line' items not recoverable through rates	-0.09%		
		-1.90%	
Actual Book ROE from Ongoing Operations		7.94%	

[1] Based on the most recent base rate filings with test years ending 3/31/12 KPSC, 12/31/12 FERC, 12/31/12 VA.

Performance Report

October 2014

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Kentucky Regulated Dashboard — October 2014

	Current Month		YTD		Full Year	
Safety	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
TCIR - Employees	0.54	3.43	1.18	1.51	1.18	1.29
Employee lost-time incidents	0	2	6	3	6	3
Reliability	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Generation Volumes	2,897	2,519	29,528	29,169	35,135	34,780
Utility EFOR	2.2%	5.9%	4.8%	5.9%	N/A	5.9%
Utility EAF	76.0%	69.4%	82.1%	82.2%	N/A	82.5%
Steam Fleet Commercial Availability	96.3%	91.5%	94.1%	91.5%	N/A	91.5%
Combined SAIFI	0.10	0.08	0.88	1.06	N/A	1.20
Combined SAIDI (minutes)	9.16	6.34	83.32	95.95	N/A	107.60
GwH Sales						
Residential	607	681	8,989	9,214	10,848	10,962
Commercial	595	629	6,589	6,690	7,877	7,952
Industrial	853	837	8,343	8,316	9,957	10,011
Municipals	135	153	1,577	1,659	1,873	1,969
Other	237	226	2,403	2,330	2,833	2,788
Off-System Sales	38	1	447	252	465	273
Total	2,464	2,526	28,348	28,460	33,854	33,954
Weather-Normalized Sales Growth			**TTM**			
Residential			-1.11%			
Commercial			-1.28%			
Industrial			2.60%			
Municipal			-0.99%			
Other			0.29%			
Total			0.07%			

	Current Month		YTD		Full Year	
Financial Metrics	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Utility ROE[1]	5.7%	4.1%	9.5%	8.6%	9.1%	8.7%
Electric Margins	$126	$125	$1,408	$1,395	$1,679	$1,664
Gas Margins	$10	10	122	122	158	157
Capital Expenditures ($ millions)	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
New Generation	$6	$9	$101	$114	$125	$126
ECR	$77	$53	$601	$514	$729	$603
Generation	$15	$19	$73	$95	$112	$121
Transmission	$7	$8	$63	$64	$79	$77
Electric Distribution	$15	$13	$117	$120	$147	$143
Gas Distribution	$8	$7	$62	$69	$77	$80
Customer Services	$2	$2	$14	$17	$19	$20
IT and Other	$3	$5	$28	$42	$38	$50
Total	$133	$115	$1,058	$1,035	$1,326	$1,221
O&M ($ millions)[2]	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Operations	$42	$48	$395	$396	$478	$468
Administrative	8	9	$79	83	96	98
Finance	2	2	$15	16	18	19
Burdens & Other Charges	10	12	$106	124	131	150
Total	$61	$71	$595	$619	$723	$735
Head Count	**Actual**	**Budget**	**Actual**	**Budget**	**Forecast**	**Budget**
Full-time Employees	3,460	3,550	3,460	3,550	3,527	3,549
Other Metrics	**Actual**	**PY**	**Actual**	**PY**	**Forecast**	**PY**
Environmental Events	0	2	9	11	N/A	14
NERC Possible Violations[3]	2	0	7	9	N/A	11

Variance Explanations

• Current month generation volumes higher than budget due to excellent plant performance and availability.

• Current month capital was $18 million higher than budget due primarily to increased costs on environmental air projects at Mill Creek and timing of spend on environmental air projects at Trimble County and Ghent, partially offset by timing of spend on Cane Run Unit 7.

• Full year higher capital due primarily to increased costs related to Ghent environmental air projects (Units 3 and 4 economizer work) and Mill Creek environmental air projects (Units 1, 2 and 4 fabric filters and wet flue gas desulfurization units) with some non-environmental spend offsets.

• YTD higher margins due to $9 million from the sale of excess generation driven by favorable plant availability and higher market prices during Q1, $7 million from lower cost of production margin expenses, $5 million from lower purchase power demand costs, and $2 million from higher retail rate mechanism revenue partially offset by $12 million lower retail electric energy and demand revenues.

• Current month lower O&M primarily due to $3 million from labor savings, $2 million from pension and medical cost savings, $2 million from avoided plant shutdown costs and $3 million from generation outages and maintenance savings due to timing and scope changes.

• YTD lower O&M primarily due to $16 million from pension and medical cost savings, $11 million from labor savings and $9 million from plant outage and other operating costs, partially offset by $7 million of higher storm restoration expenses and $5 million higher uncollectible accounts.

Major Developments

• On October 22, LG&E and KU filed “Notices of Intent” with the KPSC, indicating that the Company plans to file a request for base rate increases on November 26. A press release on the proposed rate case was issued on November 4 and required newspaper notices were provided to the Kentucky Press Association on November 5. The Company intends to seek increases in annual base rates of $30 million (2.7%) for LG&E Electric, $14 million (4.2%) for LG&E Gas, and $153 million (9.6%) for KU. The filings are based on a forecasted test year of July 1, 2015 through June 30, 2016, and a 10.5 percent ROE. If approved by the KPSC, new rates will be effective July 1, 2015.

• KU and the nine departing municipal customers recently participated in a settlement conference. The parties agreed that all remaining issues are conceptually resolved, although two open points remain related to credit provisions and the value of a generation source owned by one of the municipal customers. The agreed terms include a 10.25 percent ROE and is otherwise consistent with Plan expectations.

• LG&E and the IBEW ratified a three-year labor agreement through November 2017 containing 2.5 percent wage increases for each year. The agreement is consistent with Plan and bargaining authorization while providing additional flexibility within the workforce. The agreement covers approximately 700 employees.

• Another construction milestone was achieved as the Ghent Unit 4 tie-in outage for its new baghouse began in October.

Significant Future Events

• Heavy construction is proceeding at Mill Creek, Ghent, Brown, Cane Run and Trimble County; and all projects are expected to be in-service by target completion dates. The Ghent Unit 4 and Mill Creek Unit 4 tie-in outages are scheduled to be completed in mid-December. The construction of Cane Run 7 is approximately 90 percent complete, with first firing of gas for the unit expected during January of next year.

• A hearing in the CPCN proceeding for the Brown Solar facility is scheduled for November 24, 2014.

[1] Excludes goodwill and other purchase accounting adjustments.
[2] Net of cost recovery mechanisms.
[3] The possible violation issues for YTD Actual are believed to be minimal risk. One of those has been processed for a zero dollar penalty from the regulator. Though described by SERC as minimal risk, four of those have been included in a $30,000 package settlement proposed by SERC that includes possible violations from 2013. The two most recent possible violations are not included in this settlement proposal.

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Witness: K Blake

Income Statement: Actual vs. Budget and Forecast (Month) — October 2014

($ Millions)

	MTD Actual	MTD Budget	MTD Variance	Comments	MTD Actual	MTD Q3 Forecast	MTD Variance	Comments
Revenues:								
Electric Revenues	$ 201	$ 212	$ (11)	Due to lower electricity volumes resulting from unfavorable weather.	$ 201	$ 211	$ (10)	Due to lower electricity volumes resulting from unfavorable weather.
Gas Revenues	18	18	0		18	18	(0)	
Total Revenues	219	230	(11)		219	229	(10)	
Cost of Sales:								
Fuel Electric Costs	62	70	8	Due to lower electricity volumes resulting from unfavorable weather.	62	69	7	Due to lower electricity volumes resulting from unfavorable weather.
Gas Supply Expenses	8	8	(1)		8	8	(0)	
Purchased Power	4	7	3		4	5	2	
Other Electric Cost	9	10	1		9	10	1	
Total Cost of Sales	83	95	12	Due to lower electricity volumes resulting from unfavorable weather.	83	92	9	Due to lower electricity volumes resulting from unfavorable weather.
Gross Margin:								
Electric Margin	126	125	1		126	127	(0)	
Gas Margin	10	10	(0)		10	10	(1)	
Total Gross Margin	136	135	1		136	137	(1)	
Operating Expenses:								
O&M	61	71	10	Due primarily to labor, pension, and medical cost savings, avoided plant shutdown costs and generation outages and maintenance savings due to timing and scope changes.	61	70	9	Due primarily to labor, pension, and medical cost savings, avoided plant shutdown costs and generation outages and maintenance savings due to timing and scope changes.
Depreciation & Amortization	29	29	(0)		29	29	0	
Taxes, Other than Income	4	4	(0)		4	4	(0)	
Total Operating Expenses	94	104	9		94	104	9	
Other income (expense)	(0)	(0)	(0)		(0)	0	(1)	
EBIT	42	31	10		42	33	8	
Interest Expense	14	14	0		14	14	(0)	
Income from Ongoing Operations before income taxes	27	17	11		27	19	8	
Income Tax Expense	10	6	(4)		10	7	(3)	
Net Income (loss) from ongoing operations	**17**	**11**	**$ 6**		**$ 17**	**12**	**$ 5**	
Non Operating Income	0	0	0		0	0	0	
Discontinued Operations	(0)	0	(0)		(0)	0	(0)	
Net Income (loss)	$ 17	$ 11	$ 6		$ 17	$ 12	$ 5	
KY Regulated Financing Costs	(3)	(3)	0		(3)	(3)	-	
KY Regulated Net Income	$ 14	$ 8	$ 6		$ 14	$ 10	$ 5	
Earnings Per Share	$ 0.02	$ 0.01	$ 0.01		$ 0.02	$ 0.01	$ 0.01	

Note: Schedules may not sum due to rounding.

Income Statement: Actual vs. Budget (YTD) — October 2014

($ Millions)

	YTD			
	Actual	Budget	Variance	Comments
Revenues:				
Electric Revenues	$ 2,356	$ 2,357	$ (1)	
Gas Revenues	$ 276	238	38	Due to higher gas volumes resulting from favorable weather earlier this year.
Total Revenues	$ 2,632	2,595	37	
Cost of Sales:				
Fuel Electric Costs	815	798	(16)	Due to higher electricity volumes resulting from favorable weather earlier this year.
Gas Supply Expenses	154	116	(38)	Due to higher gas volumes resulting from favorable weather earlier this year.
Purchased Power	45	60	15	Due to lower purchases than planned.
Other Electric Cost	89	104	15	Due primarily to lower plant system consumables costs.
Total Cost of Sales	1,102	1,078	(24)	
Gross Margin:				
Electric Margin	1,408	1,395	13	Due to the sale of excess generation driven by favorable plant availability and higher market prices during Q1, lower cost of production margin expenses, and lower purchase power demand costs partially offset by lower retail electric energy and demand revenues.
Gas Margin	122	122	0	
Total Gross Margin	1,530	1,517	13	
Operating Expenses:				
O&M	595	619	24	Due primarily to pension, medical cost, labor, and plant outage and other operating costs savings partially offset by higher storm restoration expenses and higher uncollectible accounts.
Depreciation & Amortization	284	286	2	
Taxes, Other than Income	42	42	(0)	
Total Operating Expenses	922	948	26	
Other income (expense)	(6)	(6)	(0)	
EBIT	602	563	39	
Interest Expense	139	143	4	
Income from Ongoing Operations before income taxes	462	420	43	
Income Tax Expense	175	158	(18)	Higher pre-tax income.
Net Income (loss) from ongoing operations	**$ 287**	**$ 262**	**$ 25**	
Non Operating Income	0	-	0	
Discontinued Operations	(0)	0	(0)	
Net Income (loss)	$ 288	$ 262	$ 25	
KY Regulated Financing Costs	(26)	(26)	0	
KY Regulated Net Income	$ 262	$ 236	$ 25	
Earnings Per Share	$ 0.39	$ 0.35	$ 0.04	

Note: Schedules may not sum due to rounding.

Attachment to Filing Requirement
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Witness: K Blake

Income Statement: Forecast vs. Prior Forecast & Budget — October 2014

($ Millions)

	Full Year				Full Year			
	10&2 Forecast	Q3 Forecast	Variance	Comments	10&2 Forecast	Budget	Variance	Comments
Revenues:								
Electric Revenues	$ 2,819	$ 2,817	$ 2		$ 2,819	$ 2,815	$ 4	
Gas Revenues	357	357	-		357	318	39	Due to higher gas volumes resulting from colder than normal weather.
Total Revenues	3,177	3,175	2		3,177	3,134	43	
Cost of Sales:								
Fuel Electric Costs	976	976	-		976	953	(23)	Due to higher electricity volumes resulting from favorable weather.
Gas Supply Expenses	199	199	-		199	162	(38)	Due to higher gas volumes resulting from colder than normal weather.
Purchased Power	55	55	-		55	72	16	Due to lower purchases than planned.
Other Electric Cost	109	110	1		109	127	18	Due primarily to lower plant system consumables costs.
Total Cost of Sales	1,340	1,341	1		1,340	1,313	(26)	
Gross Margin:								
Electric Margin	1,679	1,676	3		1,679	1,664	15	Due to higher revenues offset by higher cost of sales (see above).
Gas Margin	158	158	-		158	157	1	
Total Gross Margin	1,837	1,834	3		1,837	1,821	16	
Operating Expenses:								
O&M	723	731	8	Due primarily to labor, pension, and medical cost savings, avoided plant shutdown costs and generation outages and maintenance savings due to timing and scope changes.	723	735	12	Due primarily to labor, pension, and medical cost savings, avoided plant shutdown costs and generation outages and maintenance savings due to timing and scope changes.
Depreciation & Amortization	343	343	-		343	344	0	
Taxes, Other than Income	51	51	-		51	51	(0)	
Total Operating Expenses	1,117	1,125	8		1,117	1,130	13	
Other income (expense)	(7)	(6)	(0)		(7)	(7)	0	
EBIT	714	703	11		714	684	30	
Interest Expense	168	168	-		168	172	5	Favorable interest rates.
Income from Ongoing Operations before income taxes	546	535	11		546	511	35	
Income Tax Expense	207	202	(5)		207	192	(15)	Higher pre-tax income.
Net Income (loss) from ongoing operations	**339**	**$ 333**	**$ 6**		**$ 339**	**$ 319**	**$ 20**	
Non Operating Income	0	0	0		0	-	0	
Discontinued Operations	(0)	(0)	(0)		(0)	0	(0)	
Net Income (loss)	$ 339	$ 333	$ 6		$ 339	$ 320	$ 20	
KY Regulated Financing Costs	(31)	(31)	-		(31)	(31)	0	
KY Regulated Net Income	$ 308	$ 302	$ 6		$ 308	$ 288	$ 20	
Earnings Per Share	$ 0.46	$ 0.45	$ 0.01		$ 0.46	$ 0.43	$ 0.03	

Note: Schedules may not sum due to rounding.

Electric Gross Margin — October 2014

($ Millions)

	MTD Actual	MTD Budget	MTD Unit Variance	MTD Value @	MTD Dollar Variance	MTD Margin Variance	YTD Actual	YTD Budget	YTD Unit Variance	YTD Value @	YTD Dollar Variance	YTD Margin Variance
Base Electric Margin:						$ (4)						$ (13)
Energy Volumes (a)	2,426,112	2,524,882	(98,771)	$ -	$ (4)		27,900,625	28,207,998	(307,373)	$ -	$ (13)	
Energy Prices (a)					0						1	
Customer Charges (Avg. Customers)	941,848	950,662	(8,814)		(0)		939,658	947,069	(7,411)		(1)	
Demand Charges (b)	38	38			0		400	401			(1)	
ECR:						$ 2						$ 4
Average Rate Base	$ 1,626	$ 1,499	$ 127	10.46%	$ 1.0		$ 1,368	$ 1,320	$ 48	10.40%	$ 3.7	
Cost of Capital	10.17%	10.46%	-0.28%	$ 1,626	$ (0.3)		10.17%	10.40%	-0.23%	$ 1,368	(2.3)	
Jurisdictional Factor	90.67%	89.73%	0.93%	$ 1,626	$ 0.1		88.65%	88.52%	0.13%	$ 1,368	0.1	
Other					$ 1.2						2.1	
DSM:						$ (0)						$ (2)
Program Expense (Revenue Net of Expense)	$ -	$ 0.1			$ (0.1)		$ (0.1)	$ 0.5			$ (0.6)	
Lost Sales	1.9	1.9			$ -		17.1	18.6			(1.5)	
Incentive	0.1	0.1			$ -		0.9	0.9			-	
Balancing Adjustment	-	-			$ -		(0.3)	-			(0.3)	
Net Fuel Recovery	$ 0.7	$ (0.5)				$ 1	$ (4)	$ (4)				$ 1
Purchase Power Demand	(2.4)	(2.6)				$ 0	(20.6)	(25.7)				$ 5
Transmission	0.6	0.6				$ -	9.0	9.1				$ -
Other	(0.4)	(1.5)				$ 1	(13.7)	(21.6)				$ 10
Retail Margin Variance						$ 1						$ 4
Off-System Margin Variance						$ 0						$ 9
Electric Margin Variance						$ 1						$ 13

(a) Non-Fuel Energy Analysis (net of base ECR revenue):

MTD	Actual Revenue $mil	Actual Volume (MWH)	Actual Price ($/MWH)	Budget Revenue $mil	Budget Volume (MWH)	Budget Price ($/MWH)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 30	606,690	$ 49.05	$ 34	680,797	$ 49.15	($4)	($4)	($0)
Commercial	18	595,204	30.16	20	628,605	31.35	($2)	($1)	($1)
Industrial	8	852,979	8.99	8	837,237	8.92	$0	$0	$0
Municipals	1	134,606	5.21	1	152,732	4.17	$0	($0)	$0
Other	5	236,632	22.69	4	225,512	18.45	$1	$0	$1
Native Load Total	**$ 61**	**2,426,112**	**$ 25.33**	**$ 65**	**2,524,882**	**$ 25.92**	**($4)**	**($4)**	**$0**

(a) Non-Fuel Energy Analysis (net of base ECR revenue):

YTD	Actual Revenue $mil	Actual Volume (MWH)	Actual Price ($/MWH)	Budget Revenue $mil	Budget Volume (MWH)	Budget Price ($/MWH)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 439	8,989,066	$ 48.82	$ 451	9,213,432	$ 48.90	($12)	($11)	($1)
Commercial	203	6,588,984	30.75	215	6,690,032	32.13	($12)	($3)	($9)
Industrial	75	8,342,829	8.98	75	8,316,532	8.97	$0	$0	$0
Municipals	8	1,577,076	5.16	8	1,658,353	4.97	($0)	($0)	$0
Other	54	2,402,669	22.56	42	2,329,648	18.02	$12	$1	$11
Native Load Total	**$ 779**	**27,900,625**	**$ 27.91**	**$ 790**	**28,207,998**	**$ 28.02**	**($12)**	**($13)**	**$1**

(b) Demand Analysis (net of base ECR revenue):

$mil	MTD Act	MTD Bud	MTD Variance	YTD Act	YTD Bud	YTD Variance
Commercial	12	12	0	137	131	5
Industrial	17	17	-	164	169	(6)
Municipals	4	4	(0)	42	44	(2)
Other	6	5	0	58	56	2
Native Load Total	**38**	**38**	**0**	**400**	**401**	**(1)**

Gas Gross Margin — October 2014

($ Millions)

	MTD Actual	MTD Budget	MTD Subtotal	MTD Margin Variance	YTD Actual	YTD Budget	YTD Subtotal	YTD Margin Variance
Gas Base Service Charge	$ 5	$ 5		$ -	$ 50	$ 50		$ 0
Gas Supply Costs								
Gas Supply Costs	(8)	(7)	$ (1)		(151)	(114)	$ (38)	
GSC Revenue	8	7	0		150	114	36	
Net Gas Supply Costs				$ (0)				$ (2)
Retail Gas (a)	4	5		$ (0)	71	64		$ 7
Wholesale Gas (a)	-	-		$ -	-	-		$ -
DSM	-	0		$ (0)	0	1		$ (0)
GLT	1	1		$ 0	6	6		$ (0)
WNA	(0)	-		$ (0)	(6)	-		$ (6)
Other Margin	0	0		$ 0	2	1		$ 1
Gas Margin Variance				$ (0)				$ (0)

(a) Retail and wholesale gas sales - excludes GSC

MTD

	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 2	890,845	$ 2.64	$ 3	950,390	$ 2.64	($0)	$ (0)	$ -
Commercial	1	434,004	1.97	1	474,151	2.09	($0)	$ (0)	$ (0)
Industrial	0	160,365	1.28	0	90,706	1.88	$0	$ 0	$ (0)
Public Authority	0	59,978	1.85	0	82,785	2.01	($0)	$ -	$ -
Transportation	1	953,806	0.79	0.80	978,336	0.86	$0	$ -	$ (0)
Ultimate Consumer	$ 4	2,498,998	$ 1.71	$ 5	2,576,366	$ 1.82	($0)	$ (0)	$ (0)

YTD

	Actual Revenue $mil	Actual Volume (Mcf)	Actual Price ($/Mcf)	Budget Revenue $mil	Budget Volume (Mcf)	Budget Price ($/Mcf)	Variance Revenue $mil	Variance Volume $mil	Variance Price $mil
Residential	$ 42	16,058,519	$ 2.64	$ 38	14,348,128	$ 2.64	$5	$ 5	$ -
Commercial	15	7,577,462	2.03	14	6,623,858	2.08	$2	$ 2	$ (0)
Industrial	2	1,174,384	1.66	1	802,610	1.79	$1	$ 1	$ (0)
Public Authority	2	1,164,577	1.96	2	1,122,229	2.00	$0	$ 0	$ (0)
Transportation	9	11,028,218	0.82	8	10,291,877	0.81	$1	$ 1	$ 0
Ultimate Consumer	$ 71	37,003,160	$ 1.92	$ 64	33,188,701	$ 1.92	$7	$ 8	$ (1)

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7)(o)

Witness: K Blake

O&M — October 2014

($ Millions)

	MTD								
	Actual	Budget	Total Variance	Labor & Burdens	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 23	$ 29	$ 6	$ 3	$ 2	$ (0)	$ 1		$ (0)
Project Engineering	0	0	0	0		0	(0)		0
Transmission	3	2	(0)	(0)		(0)	(0)		(0)
Energy Supply and Analysis	1	1	0	0		0	0		0
Electric Distribution	5	6	1	0		0	(0)	(0)	0
Gas Distribution	2	3	1	0		1	(0)	0	0
Safety and Security	0	0	(0)	(0)		(0)	0	0	(0)
Customer Services	8	7	(1)	0		(0)	(0)	(1)	0
Chief Operations Officer	**42**	**48**	**6**	**3**	**2**	**0**	**1**	**(1)**	**0**
Information Technology	4	5	1	1		(0)	0		(0)
General Counsel	2	2	0	0		0	0		0
Human Resources	1	1	0	0		0	0		0
Supply Chain	0	0	(0)	0		0	(0)		0
Chief Administrative Officer	**8**	**9**	**1**	**1**		**(0)**	**(0)**		**0**
Chief Financial Officer	**2**	**2**	**0**	**0**		**(0)**	**0**		**0**
Corporate	**10**	**12**	**3**	**2**		**0**	**0**	**0**	**0**
O&M Total MTD	**$ 61**	**$ 71**	**$ 10**	**$ 6**	**$ 2**	**$ 0**	**$ 1**	**$ (1)**	**$ 1**

	YTD								
	Actual	Budget	Total Variance	Labor & Burdens	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 196	$ 208	$ 12	$ 5	$ 7	$ (2)	$ 4		$ (2)
Project Engineering	1	1	0	0		0	(0)		0
Transmission	24	24	0	(0)		(1)	1		0
Energy Supply and Analysis	7	8	1	0		0	0		0
Electric Distribution	66	61	(5)	(1)		(5)	0	(0)	0
Gas Distribution	26	27	0	(0)		1	(0)	(0)	(0)
Safety and Security	3	0	(2)	(2)		(0)	0	0	(0)
Customer Services	71	66	(5)	1		(2)	0	(4)	(0)
Chief Operations Officer	**395**	**396**	**1**	**3**	**7**	**(7)**	**5**	**(5)**	**(3)**
Information Technology	43	47	4	4		0	(0)		(0)
General Counsel	27	26	(1)	0		(1)	0		(1)
Human Resources	6	7	1	0		0	0		0
Supply Chain	3	3	0	0		0	(0)		0
Chief Administrative Officer	**79**	**83**	**4**	**5**		**(0)**	**(0)**		**(0)**
Chief Financial Officer	**15**	**16**	**1**	**1**		**0**	**0**		**0**
Corporate	**106**	**124**	**18**	**18**		**3**	**2**	**(0)**	**(4)**
O&M Total YTD	**$ 595**	**$ 619**	**$ 24**	**$ 26**	**$ 7**	**$ (5)**	**$ 7**	**$ (5)**	**$ (7)**

	Full Year								
	Forecast	Budget	Total Variance	Labor & Burdens	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	$ 243	$ 245	$ 2	$ 4	$ (1)	$ 0	$ 1		$ (2)
Project Engineering	1	1	0	0		0	(0)		0
Transmission	28	29	0	(1)		2	(1)		1
Energy Supply and Analysis	9	9	1	0		0	0		0
Electric Distribution	78	72	(5)	(0)		(4)	0	0	(1)
Gas Distribution	31	32	1	(1)		2	0	(0)	0
Safety and Security	3	0	(3)	(2)		(0)	0	0	(1)
Customer Services	86	79	(7)	1		(3)	0	(5)	0
Chief Operations Officer	**478**	**468**	**(11)**	**0**	**(1)**	**(3)**	**0**	**(5)**	**(2)**
Information Technology	52	55	3	5		(1)	(0)		(0)
General Counsel	33	32	(1)	(0)		(1)	0		(0)
Human Resources	8	8	0	0		0	0		0
Supply Chain	4	4	(0)	(0)		0	0		0
Chief Administrative Officer	**96**	**98**	**2**	**5**		**(2)**	**(0)**		**(0)**
Chief Financial Officer	**18**	**19**	**1**	**0**		**0**	**0**		**1**
Corporate	**131**	**150**	**20**	**20**		**(0)**	**(0)**	**(0)**	**(0)**
O&M Total Full Year	**$ 723**	**$ 735**	**$ 12**	**$ 25**	**$ (1)**	**$ (5)**	**$ (0)**	**$ (5)**	**$ (2)**

Note: Schedules may not sum due to rounding.

Financing Activities

October 2014

($ Millions)

Balance Sheet	MTD Actual	MTD Budget	MTD Variance	YTD Actual	YTD Budget	YTD Variance	Full Year Forecast	Full Year Budget	Full Year Variance
PCB									
Beg Bal	$ 923.9	$ 924.7	$ 0.8	$ 924.0	$ 924.0	$ 0.0	$ 924.0	$ 924.0	$ -
End Bal	923.9	924.8	0.9	923.9	924.8	0.9	924.8	924.9	0.2
Ave Bal	**$ 923.9**	**$ 924.8**	**$ 0.8**	**$ 924.0**	**$ 924.5**	**$ 0.5**	**$ 924.1**	**$ 924.6**	**$ 0.4**
Interest Exp	**$ 0.8**	**$ 0.9**	**$ 0.2**	**$ 7.7**	**$ 9.5**	**$ 1.8**	**$ 9.6**	**$ 11.3**	**$ 1.8**
Rate	**0.98%**	**1.19%**	**0.21%**	**0.98%**	**1.21%**	**0.23%**	**1.03%**	**1.23%**	**0.19%**
FMB/Sr Nts									
Beg Bal	$ 3,642.2	$ 3,642.1	$ (0.1)	$ 3,640.9	$ 3,640.9	$ -	$ 3,640.9	$ 3,640.9	$ -
End Bal	3,642.4	3,642.3	(0.1)	3,642.4	3,642.3	(0.1)	3,642.7	3,642.5	(0.1)
Ave Bal	**$ 3,642.3**	**$ 3,642.2**	**$ (0.1)**	**$ 3,641.6**	**$ 3,641.6**	**$ 0.0**	**$ 3,641.8**	**$ 3,641.8**	**$ -**
Interest Exp	**$ 11.5**	**$ 11.6**	**$ 0.1**	**$ 114.9**	**$ 116.4**	**$ 1.5**	**$ 139.7**	**$ 141.4**	**$ 1.6**
Rate	**3.66%**	**3.71%**	**0.05%**	**3.74%**	**3.78%**	**0.05%**	**3.84%**	**3.88%**	**0.04%**
Short-term Debt									
Beg Bal	$ 370.5	$ 373.6	$ 3.2	$ 245.0	$ 245.0	$ -	$ 245.0	$ 245.0	$ -
End Bal	420.1	434.3	14.3	420.1	434.3	14.3	540.4	527.8	(12.6)
Ave Bal	**$ 395.3**	**$ 404.0**	**$ 8.7**	**$ 332.5**	**$ 321.5**	**$ (11.0)**	**$ 328.7**	**$ 356.8**	**$ 28.2**
Interest Exp	**$ 0.2**	**$ 0.3**	**$ 0.1**	**$ 1.8**	**$ 2.8**	**$ 1.0**	**$ 2.1**	**$ 3.6**	**$ 1.5**
Rate	**0.67%**	**0.92%**	**0.25%**	**0.64%**	**1.03%**	**0.39%**	**0.64%**	**1.00%**	**0.36%**
Total End Bal	**$ 4,986.4**	**$ 5,001.4**	**$ 15.1**	**$ 4,986.4**	**$ 5,001.4**	**$ 15.1**	**$ 5,107.9**	**$ 5,095.3**	**$ (12.6)**
Total Average Bal	**$ 4,961.5**	**$ 4,970.9**	**$ 9.5**	**$ 4,898.1**	**$ 4,887.6**	**$ (10.5)**	**$ 4,894.6**	**$ 4,923.2**	**$ 28.6**
Total Expense Excl I/C [1]	**$ 14.1**	**$ 14.4**	**$ 0.3**	**$ 139.4**	**$ 143.5**	**$ 4.1**	**$ 167.5**	**$ 172.4**	**$ 4.8**
Rate	**3.30%**	**3.36%**	**0.06%**	**3.37%**	**3.48%**	**0.11%**	**3.42%**	**3.50%**	**0.08%**

[1] Total expense line includes additional revolving credit items. Total will not match sum of PCB, FMB, and STD.

Credit Facilities ($ Millions)	Committed Capacity	Borrowed	Letters of Credit Issued	Unused Capacity
LKE	$ 300	$ 105		$ 195
LG&E	500	185		315
KU	598	130	$ 198	270
TOTAL	$ 1,398	$ 420	$ 198	$ 780

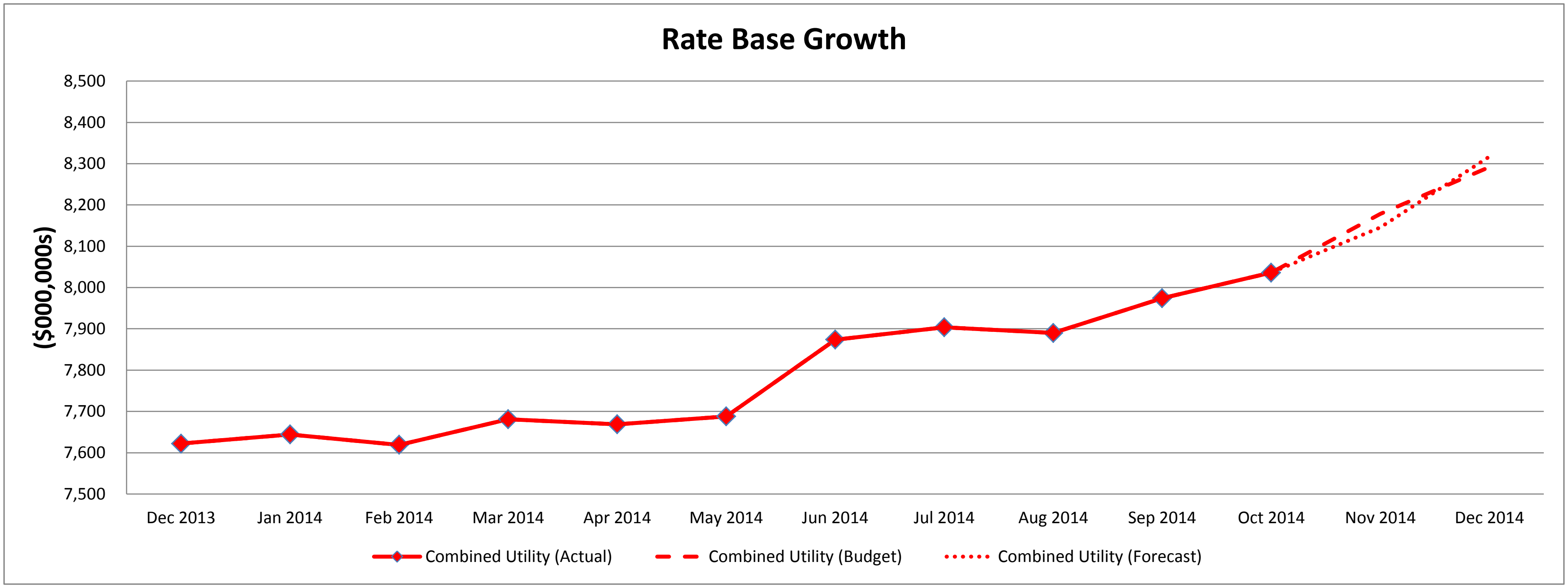
Credit Metrics ($ Millions)	YTD Actual	YTD +/- Bud	Full Year Forecast	Full Year +/- Bud
FFO to Debt - LG&E	23.7%	+0.02	23.1%	+0.00
FFO to Debt - KU	24.1%	+0.02	22.9%	-0.01
Debt to EBITDA - LG&E [2]	3.27	-0.39	3.40	-0.26
Debt to EBITDA - KU [2]	3.53	-0.19	3.75	+0.03
Debt to Capitalization - LG&E [3]	47.5%	+0.01	47.0%	+0.00
Debt to Capitalization - KU [3]	46.3%	-0.01	47.0%	-0.00

[2] Actuals represent a trailing 12 months

[3] Excludes purchase accounting adjustments and corresponding goodwill of $996m

Balance Sheet				**October 2014**
($ Millions)				
	10/31/2014	**YTD Budget**	**Variance**	**Comments**
Assets:				
Current Assets:				
Cash and Cash Equivalents	$ 21	$ 9	$ 12	Higher investment balances of $13m due to timing of CP due dates.
Accounts Receivable (Trade)	323	391	(68)	Lower unbilled utility revenue ($57m) and lower customer accounts receivable ($10m).
Inventory	298	280	17	Higher fuel related costs of $17m.
Deferred Income Taxes	69	159	(90)	Deferred Income Taxes reclassified from asset to liability Deferred Tax Liabilities.
Regulatory Assets Current	28	29	(1)	
Prepayments and other current assets	62	112	(50)	Lower notes receivable from affiliate ($70m) partially offset by higher intercompany income tax receivable $19m.
Total Current Assets	801	980	(179)	
Property, Plant, and Equipment	10,317	10,283	34	Higher completed construction $334m partially offset by lower CWIP ($268m) and accumulated depreciation $34m .
Intangible Assets	182	182	(0)	
Other Property and Investments	1	1	0	
Regulatory Assets Non Current	494	449	46	Increases in ARO $18m and long term interest rate swap $25m.
Goodwill	997	997	-	
Other Long-term Assets	104	92	12	Higher due to $5m increase in value of forward starting swaps and $5m from the CPCN being put on hold for GR5 and funds being moved to preliminary survey account.
Total Assets	**$ 12,896**	**$ 12,984**	**$ (88)**	
Liabilities and Equity:				
Current Liabilities:				
Accounts Payable (Trade)	$ 389	$ 348	$ 42	Increases in project engineering accruals $9m, in and timing of coal receipts $24m, and in gas purchase accruals $2m and $3m due to timing of payables.
Accounts Payable - Affiliated Company	0	0	0	
Customer Deposits	51	50	1	
Derivative Liability	5	4	1	
Accrued Taxes	49	61	(12)	Lower pre-tax income.
Regulatory Liabilities Current	17	14	3	
Other Current Liabilities	192	175	18	Mostly due to $19m in payments on the last business day of the month out the A/P account which didn't have time to be funded from the Funding Account, creating negative cash in the A/P account and a liability in the credit cash adjustment account.
Total Current Liabilities	703	651	53	
Debt - Affiliated Company	30	6	25	Short term note payable made to PPL.
Debt (1)	4,956	4,996	(40)	Lower issuance of Commercial Paper ($40m) due to lower pension and CapEx payments.
Total Debt	4,986	5,001	(15)	
Deferred Tax Liabilities	1,131	1,193	(62)	Deferred Tax Liabilities reclassified from liability to asset as Deferred Income Taxes.
Investment Tax Credit	131	131	(0)	
Accum Provision for Pension & Related Benefits	116	123	(7)	
Asset Retirement Obligation	276	250	26	KU Green River Ash and Environmental Pond Revaluation $27m.
Regulatory Liabilities Non Current	1,002	994	8	
Derivative Liability	56	32	24	Increase due to loss on long term interest rate swaps.
Other Liabilities	246	233	13	Accrued retiree medical post employee benefits $9m which are not budgeted for in the Other Liabilities account. In December the balance is moved to the liability account where it is budgeted for.
Total Deferred Credits and Other Liabilities	2,960	2,957	3	
Equity	4,247	4,375	(129)	
Total Liabilities and Equity	**$ 12,896**	**$ 12,984**	**$ (88)**	

(1) Includes all ST and LT debt. See Financing Activities page for details.
Note: Schedules may not sum due to rounding.


Rate Base Growth
($000,000s)
8,500
8,400
8,300
8,200
8,100
8,000
7,900
7,800
7,700
7,600
7,500
Dec 2013
Jan 2014
Feb 2014
Mar 2014
Apr 2014
May 2014
Jun 2014
Jul 2014
Aug 2014
Sep 2014
Oct 2014
Nov 2014
Dec 2014
Combined Utility (Actual)
Combined Utility (Budget)
Combined Utility (Forecast)

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(p)
Sponsoring Witness: Kent W. Blake

Description of Filing Requirement:

A copy of the utility's annual report on Form 10-K as filed with the Securities and Exchange Commission for the most recent two (2) years, and any Form 8-K issued during the past two (2) years, and any Form 10-Q issued during the past six (6) quarters.

Response:

The below-listed documents are attached:

- December 31, 2012 Form 10-K Annual Report to the Securities and Exchange Commission
- March 31, 2013 Form 10-Q Quarterly Report to the Securities and Exchange Commission
- June 30, 2013 Form 10-Q Quarterly Report to the Securities and Exchange Commission
- September 30, 2013 Form 10-Q Quarterly Report to the Securities and Exchange Commission
- October 3, 2013 Form 8-K
- November 14, 2013 Form 8-K
- December 31, 2013 Form 10-K Annual Report to the Securities and Exchange Commission
- March 31, 2014 Form 10-Q Quarterly Report to the Securities and Exchange Commission
- June 30, 2014 Form 10-Q Quarterly Report to the Securities and Exchange Commission
- August 13, 2014 Form 8-K
- September 30, 2014 Form 10-Q Quarterly Report to the Securities and Exchange Commission
- October 2, 2014 Form 8-K

LG&E & KU ENERGY LLC

FORM 10-K
(Annual Report)

Filed 02/28/13 for the Period Ending 12/31/12

Address	220 WEST MAIN STREET LOUISVILLE, KY 40202
Telephone	502-672-2000
CIK	0001518339
SIC Code	4931 - Electric and Other Services Combined
Fiscal Year	12/31

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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended December 31, 2012

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
1-32944	**PPL Energy Supply, LLC** (Exact name of Registrant as specified in its charter) (Delaware) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-3074920
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, Kentucky 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, Kentucky 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, Kentucky 40507-1462 (502) 627-2000	61-0247570

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

Title of each class	Name of each exchange on which registered
Common Stock of PPL Corporation	New York Stock Exchange
Corporate Units issued 2011 of PPL Corporation	New York Stock Exchange
Corporate Units issued 2010 of PPL Corporation	New York Stock Exchange
Junior Subordinated Notes of PPL Capital Funding, Inc. 2007 Series A due 2067	New York Stock Exchange

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

Common Stock of PPL Electric Utilities Corporation

Indicate by check mark whether the registrants are well-known seasoned issuers, as defined in Rule 405 of the Securities Act.

PPL Corporation	Yes X	No ___
PPL Energy Supply, LLC	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 by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

PPL Corporation	Yes ___	No X
PPL Energy Supply, LLC	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 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 Energy Supply, LLC	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 Energy Supply, LLC	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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

PPL Corporation	[X]
PPL Energy Supply, LLC	[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 large accelerated filers, accelerated filers, non-accelerated filers, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
PPL Corporation	[X]	[ ]	[ ]	[ ]
PPL Energy Supply, LLC	[ ]	[ ]	[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 Act).

PPL Corporation	Yes ____	No X
PPL Energy Supply, LLC	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

As of June 29, 2012, PPL Corporation had 580,212,689 shares of its $.01 par value Common Stock outstanding. The aggregate market value of these common shares (based upon the closing price of these shares on the New York Stock Exchange on that date) held by non-affiliates was $16,135,714,881. As of January 31, 2013, PPL Corporation had 582,846,910 shares of its $.01 par value Common Stock outstanding.

As of January 31, 2013, PPL Corporation held all 66,368,056 outstanding common shares, no par value, of PPL Electric Utilities Corporation.

PPL Corporation indirectly holds all of the membership interests in PPL Energy Supply, LLC.

PPL Corporation directly holds all of the membership interests in LG&E and KU Energy LLC.

As of January 31, 2013, LG&E and KU Energy LLC held all 21,294,223 outstanding common shares, no par value, of Louisville Gas and Electric Company.

As of January 31, 2013, LG&E and KU Energy LLC held all 37,817,878 outstanding common shares, no par value, of Kentucky Utilities Company.

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

Documents incorporated by reference:

PPL Corporation has incorporated herein by reference certain sections of PPL Corporation's 2013 Notice of Annual Meeting and Proxy Statement, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2012. Such Statements will provide the information required by Part III of this Report.

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

FORM 10-K ANNUAL REPORT TO
THE SECURITIES AND EXCHANGE COMMISSION
FOR THE YEAR ENDED DECEMBER 31, 2012

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This combined Form 10-K is separately filed by the following individual registrants: PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company. Information contained herein relating to PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company is filed by PPL Corporation and separately by PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company on their own behalf. No registrant makes any representation as to information relating to any other registrant, except that information relating to the five PPL Corporation subsidiaries is also attributed to PPL Corporation and the information relating to Louisville Gas and Electric Company and Kentucky Utilities Company is also attributed to LG&E and KU Energy LLC.

Unless otherwise specified, references in this Form 10-K, individually, to PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company or 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 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.

8. Financial Statements and Supplementary Data

FINANCIAL STATEMENTS

COMBINED NOTES TO FINANCIAL STATEMENTS

GLOSSARY OF TERMS AND ABBREVIATIONS

PPL Corporation and its current and former subsidiaries

Central Networks - collectively Central Networks East plc, Central Networks Limited and certain other related assets and liabilities. On April 1, 2011, PPL WEM Holdings plc (formerly WPD Investment Holdings Limited) purchased all of the outstanding ordinary share capital of these companies from E.ON AG subsidiaries. Central Networks West plc (subsequently renamed Western Power Distribution (West Midlands) plc), wholly owned by Central Networks Limited (subsequently renamed WPD Midlands Holdings Limited), and Central Networks East plc (subsequently renamed Western Power Distribution (East Midlands) plc) are British regional electricity distribution utility companies.

KU - Kentucky Utilities Company, a public utility subsidiary of LKE engaged in the regulated generation, transmission, distribution and sale of electricity, primarily in Kentucky. The subsidiary was acquired by PPL through the acquisition of LKE in November 2010.

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. The subsidiary was acquired by PPL through the acquisition of LKE in November 2010.

LKE - LG&E and KU Energy LLC (formerly E.ON U.S. LLC), a subsidiary of PPL and the parent of LG&E, KU and other subsidiaries. PPL acquired E.ON U.S. LLC in November 2010 and changed the name to LG&E and KU Energy LLC.

LKS - LG&E and KU Services Company (formerly E.ON U.S. Services Inc.), a subsidiary of LKE that provides services for LKE and its subsidiaries. The subsidiary was acquired by PPL through the acquisition of LKE in November 2010.

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

PPL Brunner Island - PPL Brunner Island, LLC, a subsidiary of PPL Generation that owns generating operations in Pennsylvania.

PPL Capital Funding - PPL Capital Funding, Inc., a wholly owned 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 that transmits and distributes electricity in its Pennsylvania service area and provides electric supply to 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 Energy Supply, PPL Global (effective January 2011) and other subsidiaries.

PPL EnergyPlus - PPL EnergyPlus, LLC, a subsidiary of PPL Energy Supply that markets and trades wholesale and retail electricity and gas, and supplies energy and energy services in competitive markets.

PPL Energy Supply - PPL Energy Supply, LLC, a subsidiary of PPL Energy Funding and the parent company of PPL Generation, PPL EnergyPlus and other subsidiaries. In January 2011, PPL Energy Supply distributed its membership interest in PPL Global, representing 100% of the outstanding membership interests of PPL Global, to PPL Energy Supply's parent, PPL Energy Funding.

PPL Generation - PPL Generation, LLC, a subsidiary of PPL Energy Supply that owns and operates U.S. generating facilities through various subsidiaries.

PPL Global - PPL Global, LLC, a subsidiary of PPL Energy Funding that primarily owns and operates WPD a business in the U.K., that is focused on the regulated distribution of electricity. In January 2011, PPL Energy Supply, PPL Global's former parent, distributed its membership interest in PPL Global, representing 100% of the outstanding membership interest of PPL Global, to its parent, PPL Energy Funding.

PPL Holtwood - PPL Holtwood, LLC, a subsidiary of PPL Generation that owns hydroelectric generating operations in Pennsylvania.

PPL Ironwood - PPL Ironwood LLC, an indirect subsidiary of PPL Generation that owns generating operations in Pennsylvania.

PPL Martins Creek - PPL Martins Creek, LLC, a subsidiary of PPL Generation that owns generating operations in Pennsylvania.

PPL Montana - PPL Montana, LLC, an indirect subsidiary of PPL Generation that generates electricity for wholesale sales in Montana and the Pacific Northwest.

PPL Montour - PPL Montour, LLC, a subsidiary of PPL Generation that owns generating operations in Pennsylvania.

PPL Services - PPL Services Corporation, a subsidiary of PPL that provides services for PPL and its subsidiaries.

PPL Susquehanna - PPL Susquehanna, LLC, the nuclear generating subsidiary of PPL Generation.

PPL WEM - PPL WEM Holdings plc (formerly WPD Investment Holdings Limited), an indirect U.K. subsidiary of PPL Global. PPL WEM indirectly owns both WPD (East Midlands) and WPD (West Midlands).

PPL WW - PPL WW Holdings Limited (formerly Western Power Distribution Holdings Limited), an indirect U.K. subsidiary of PPL Global. PPL WW Holdings indirectly owns WPD (South Wales) and WPD (South West).

WPD - refers to PPL WW and PPL WEM and their subsidiaries.

WPD (East Midlands) - Western Power Distribution (East Midlands) plc, a British regional electricity distribution utility company. The company (formerly Central Networks East plc) was acquired and renamed in April 2011.

WPD Midlands - refers to Central Networks, which was renamed after the acquisition.

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. The company (formerly Central Networks West plc) was acquired and renamed in April 2011.

WKE - Western Kentucky Energy Corp., a subsidiary of LKE that leased certain non-utility generating plants in western Kentucky until July 2009. The subsidiary was acquired by PPL through the acquisition of LKE in November 2010.

Other terms and abbreviations

£ - British pound sterling.

1945 First Mortgage Bond - PPL Electric's Mortgage and Deed of Trust, dated as of October 1, 1945, to Deutsche Bank Trust Company Americas, as trustee, as supplemented.

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.

2010 Bridge Facility - an up to $6.5 billion Senior Bridge Term Loan Credit Agreement between PPL Capital Funding, as borrower, and PPL, as guarantor, and a group of banks syndicated in June 2010, to serve as a funding backstop in the event alternative financing was not available prior to the closing of PPL's acquisition of E.ON U.S. LLC.

2010 Equity Unit(s) - a PPL equity unit, issued in June 2010, consisting of a 2010 Purchase Contract and, initially, a 5.0% undivided beneficial ownership interest in $1,000 principal amount of PPL Capital Funding 4.625% Junior Subordinated Notes due 2018.

2010 Purchase Contract(s) - a contract that is a component of a 2010 Equity Unit that requires holders to purchase shares of PPL common stock on or prior to July 1, 2013.

2011 Bridge Facility - the £3.6 billion Senior Bridge Term Loan Credit Agreement between PPL Capital Funding and PPL WEM, as borrowers, and PPL, as guarantor, and lenders party thereto, used to fund the April 1, 2011 acquisition of Central Networks, as amended by Amendment No. 1 thereto dated April 15, 2011.

2011 Equity Unit(s) - a PPL equity unit, issued in April 2011, consisting of a 2011 Purchase Contract and, initially, a 5.0% undivided beneficial ownership interest in $1,000 principal amount of PPL Capital Funding 4.32% Junior Subordinated Notes due 2019.

2011 Purchase Contract(s) - a contract that is a component of a 2011 Equity Unit that requires holders to purchase shares of PPL common stock on or prior to May 1, 2014.

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

Act 11 - Act 11 of 2012 that became effective on April 16, 2012. The Pennsylvania legislation 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 makes changes to the AEPS.

AEPS - Alternative Energy Portfolio Standard.

AFUDC - Allowance for Funds Used During Construction, the cost of equity and debt funds used to finance construction projects of regulated businesses, which is capitalized as part of construction costs.

AOCI - accumulated other comprehensive income or loss.

ARO - asset retirement obligation.

Baseload generation - includes the output provided by PPL's nuclear, coal, hydroelectric and qualifying facilities.

Basis - when used in the context of derivatives and commodity trading, the commodity price differential between two locations, products or time periods.

Bcf - billion cubic feet.

Black Lung Trust - a trust account maintained under federal and state Black Lung legislation for the payment of claims related to disability or death due to pneumoconiosis.

Bluegrass CTs - three natural gas combustion turbines owned by Bluegrass Generation. In 2011, LG&E and KU entered into an asset purchase agreement with Bluegrass Generation for the purchase of these combustion turbines, subject to certain conditions including receipt of applicable regulatory approvals and clearances. In June 2012, LG&E and KU terminated the asset purchase agreement.

Bluegrass Generation - Bluegrass Generation Company, L.L.C., an exempt wholesale electricity generator in LaGrange, Kentucky.

BREC - Big Rivers Electric Corporation, a power-generating rural electric cooperative in western Kentucky.

Cane Run Unit 7 - a combined cycle natural gas unit under construction in Kentucky, jointly owned by LG&E and KU, which is expected to provide additional electric generating capacity of 141 MW and 499 MW to LG&E and KU by 2015.

CAIR - the EPA's Clean Air Interstate Rule.

Clean Air Act - federal legislation enacted to address certain environmental issues related to air emissions, including acid rain, ozone and toxic air emissions.

COLA - license application for a combined construction permit and operating license from the NRC for a nuclear plant.

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.

CSAPR - Cross-State Air Pollution Rule.

Customer Choice Act - the Pennsylvania Electricity Generation Customer Choice and Competition Act, legislation enacted to restructure the state's electric utility industry to create retail access to a competitive market for generation of electricity.

DDCP - Directors Deferred Compensation Plan.

Depreciation not normalized - the flow-through income tax impact related to the state regulatory treatment of depreciation-related timing differences.

DNO - Distribution Network Operator.

Dodd-Frank Act - the Dodd-Frank Wall Street Reform and Consumer Protection Act that was signed into law in July 2010.

DOE - Department of Energy, a U.S. government agency.

DPCR4 - Distribution Price Control Review 4, the U.K. 5-year rate review period applicable to WPD that commenced April 1, 2005.

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

DRIP - Dividend Reinvestment and Direct Stock Purchase Plan.

DSIC - a 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 DSM programs and revenues lost by implementing those 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.

DUoS - Distribution Use of System. This forms the majority of WPD's revenues and is the charge to electricity suppliers who are WPD's customers and use WPD's network to distribute electricity.

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

Economic Stimulus Package - The American Recovery and Reinvestment Act of 2009, generally referred to as the federal economic stimulus package, which was signed into law in February 2009.

ECR - Environmental Cost Recovery. Pursuant to Kentucky Revised Statute 278.183, effective January 1993, 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 which apply to coal combustion and by-products from the production of energy from coal.

EEI - Electric Energy, Inc., owns and operates a coal-fired plant and a natural gas facility in southern Illinois. KU's 20% ownership interest in EEI is accounted for as an equity method investment.

E.ON AG - a German corporation and the parent of E.ON UK plc, the former parent of Central Networks, and the indirect parent of E.ON US Investments Corp., the former parent of LKE.

EPA - Environmental Protection Agency, a U.S. government agency.

EPS - earnings per share.

Equity Units - refers collectively to the 2011 and 2010 Equity Units.

ESOP - Employee Stock Ownership Plan.

Euro - the basic monetary unit among participating members of the European Union.

EWG - exempt wholesale generator.

E.W. Brown - a generating station in Kentucky with capacity of 1,594 MW.

FERC - Federal Energy Regulatory Commission, the federal agency that regulates, among other things, interstate transmission and wholesale sales of electricity, hydroelectric power projects and related matters.

Fitch - Fitch, Inc., a credit rating agency.

FTR(s) - financial transmission right, which is a financial instrument established to manage price risk related to electricity transmission congestion that entitles the holder to receive compensation or requires the holder to remit payment for certain congestion-related transmission charges based on the level of congestion in the transmission grid.

Fundamental Change - as it relates to the terms of the 2011 and 2010 Equity Units, will be deemed to have occurred if any of the following occurs with respect to PPL, subject to certain exceptions: (i) a change of control; (ii) a consolidation with or merger into any other entity; (iii) common stock ceases to be listed or quoted; or (iv) a liquidation, dissolution or termination.

GAAP - Generally Accepted Accounting Principles in the U.S.

GBP - British pound sterling.

GHG - greenhouse gas(es).

GWh - gigawatt-hour, one million kilowatt-hours.

Health Care Reform - The Patient Protection and Affordable Care Act (HR 3590) and the Health Care and Education Reconciliation Act of 2010 (HR 4872), signed into law in March 2010.

HMRC - Her Majesty's Revenue & Customs. The tax authority in the U.K., formerly known as Inland Revenue.

IBEW - International Brotherhood of Electrical Workers.

ICP - Incentive Compensation Plan.

ICPKE - Incentive Compensation Plan for Key Employees.

Intermediate and peaking generation - includes the output provided by PPL's oil- and natural gas-fired units.

Ironwood Acquisition - In April 2012, PPL Ironwood Holdings, LLC, an indirect, wholly owned subsidiary of PPL Energy Supply, completed the acquisition from a subsidiary of The AES Corporation of all of the equity interests of AES Ironwood, L.L.C. (subsequently renamed PPL Ironwood, LLC) and AES Prescott, L.L.C. (subsequently renamed PPL Prescott, LLC), which own and operate, respectively, the Ironwood Facility.

Ironwood Facility - a natural gas-fired power plant in Lebanon, Pennsylvania with a summer rating of 665 MW.

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

ISO - Independent System Operator.

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

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

kVA - kilovolt ampere.

kWh - kilowatt-hour, basic unit of electrical energy.

LCIDA - Lehigh County Industrial Development Authority.

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

LIBOR - London Interbank Offered Rate.

Long Island generation business - includes a 79.9 MW gas-fired plant in the Edgewood section of Brentwood, New York and a 79.9 MW oil-fired plant in Shoreham, New York and related tolling agreements. This business was sold in February 2010.

LTIIP - Long Term Infrastructure Improvement Plan.

MATS - Mercury and Air Toxics Standards.

MDEQ - Montana Department of Environmental Quality.

MEIC - Montana Environmental Information Center.

MMBtu - One million British Thermal Units.

Montana Power - The Montana Power Company, a Montana-based company that sold its generating assets to PPL Montana in December 1999. Through a series of transactions consummated during the first quarter of 2002, Montana Power sold its electricity delivery business to NorthWestern.

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

MW - megawatt, one thousand kilowatts.

MWh - megawatt-hour, one thousand kilowatt-hours.

NDT - PPL Susquehanna's nuclear plant decommissioning trust.

NERC - North American Electric Reliability Corporation.

NorthWestern - NorthWestern Corporation, a Delaware corporation, and successor in interest to Montana Power's electricity delivery business, including Montana Power's rights and obligations under contracts with PPL Montana.

NPDES - National Pollutant Discharge Elimination System.

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

NRC - Nuclear Regulatory Commission, the federal agency that regulates nuclear power facilities.

NUGs - non-utility generators, generating plants not owned by public utilities, whose electrical output must be purchased by utilities under the PURPA if the plant meets certain criteria.

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.

Opacity - the degree to which emissions reduce the transmission of light and obscure the view of an object in the background. There are emission regulations that limit the opacity in power plant stack gas emissions.

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 nameplate capacities of 2,390 MW.

PADEP - the Pennsylvania Department of Environmental Protection, a state government agency.

PEDFA - Pennsylvania Economic Development Financing Authority.

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

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

PP&E - property, plant and equipment.

Predecessor - refers to the LKE, LG&E and KU pre-acquisition activity covering the time period prior to November 1, 2010.

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

PUC Final Order - final order issued by the PUC on August 27, 1998, approving the settlement of PPL Electric's restructuring proceeding.

PUHCA - Public Utility Holding Company Act of 1935, repealed effective February 2006 by the Energy Policy Act of 2005 and replaced with the Public Utility Holding Company Act of 2005.

Purchase Contract(s) - refers collectively to the 2010 and 2011 Purchase Contracts.

PURPA - Public Utility Regulatory Policies Act of 1978, legislation passed by the U.S. Congress to encourage energy conservation, efficient use of resources and equitable rates.

PURTA - The Pennsylvania Public Utility Realty Tax Act.

RAV - regulatory asset value. This term is also commonly known as RAB or regulatory asset base.

RECs - renewable energy credits.

Regional Transmission Expansion Plan - PJM conducts a long-range Regional Transmission Expansion Planning process that identifies what changes and additions to the grid are needed to ensure future needs are met for both the reliability and the economic performance of the grid. Under PJM agreements, transmission owners are obligated to build transmission projects that are needed to maintain reliability standards and that are reviewed and approved by the PJM Board.

Registrants - PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU, collectively.

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 - Reliability First 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.

RFP - Request for Proposal.

RMC - Risk Management Committee.

RTO - Regional Transmission Organization.

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.

SCR - selective catalytic reduction, a pollution control process for the removal of nitrogen oxide from exhaust gases.

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 whose primary mission is to protect investors and maintain the integrity of the securities markets.

Securities Act of 1933 - the Securities Act of 1933, 15 U.S. Code, Sections 77a-77aa, as amended.

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.

SIFMA Index - the Securities Industry and Financial Markets Association Municipal Swap Index.

SIP - PPL Corporation's 2012 Stock Incentive Plan.

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.

SMGT - Southern Montana Electric Generation & Transmission Cooperative, Inc., a Montana cooperative and purchaser of electricity under a long-term supply contract with PPL EnergyPlus that was terminated effective April 1, 2012.

SNCR - selective non-catalytic reduction, a pollution control process for the removal of nitrogen oxide from exhaust gases using ammonia.

Spark Spread - a measure of gross margin representing the price of power on a per MWh basis less the equivalent measure of the natural gas cost to produce that power. This measure is used to describe the gross margin of PPL and its subsidiaries' merchant natural gas-fired generating fleet. This term is also used to describe a derivative contract in which PPL and its subsidiaries sell power and buy natural gas on a forward basis in the same contract.

Successor - refers to the LKE, LG&E and KU post-acquisition activity covering the time period after October 31, 2010.

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

TC2 - Trimble County Unit 2, a coal-fired plant located in Kentucky with a net summer capacity of 732 MW. LKE indirectly owns a 75% interest (consists of LG&E's 14.25% and KU's 60.75% interests) in TC2, or 549 MW of the capacity.

Tolling agreement - agreement whereby the owner of an electric generating facility agrees to use that facility to convert fuel provided by a third party into electricity for delivery back to the third party.

Total shareowner return - change in market value of a share of the Company's common stock plus the value of all dividends paid on a share of the common stock during the applicable performance period, divided by the price of the common stock as of the beginning of the performance period.

TRA - Tennessee Regulatory Authority, the state agency that has jurisdiction over the regulation of rates and service of utilities in Tennessee.

Utilization Factor - a measure reflecting the percentage of electricity actually generated by a plant compared with the electricity such plant could produce at full capacity when available.

VaR - value-at-risk, 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.

VEBA - Voluntary Employee Benefit Association Trust, accounts for health and welfare plans for future benefit payments for employees, retirees or their beneficiaries.

VIE - variable interest entity.

Volumetric risk - the risk that the actual load volumes provided under full-requirement sales contracts could vary significantly from forecasted volumes.

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

VWAP - as it relates to the 2011 and 2010 Equity Units issued by PPL, the per share volume-weighted-average price as displayed under the heading Bloomberg VWAP on Bloomberg page "PPL <EQUITY> AQR" (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading on the relevant trading day until the scheduled close of trading on the relevant trading day (or if such volume-weighted-average price is unavailable, the market price of one share of PPL common stock on such trading day determined, using a volume-weighted-average method, by a nationally recognized independent investment banking firm retained for this purpose by PPL).

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FORWARD-LOOKING INFORMATION

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

- fuel supply cost and availability;
- 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 generation, customer energy use and operating costs;
- operation, availability and operating costs of existing generation facilities;
- the duration of and cost, including lost revenue, associated with scheduled and unscheduled outages at our generating facilities;
- transmission and distribution system conditions and operating costs;
- expansion of alternative sources of electricity generation;
- laws or regulations to reduce emissions of "greenhouse" gases or the physical effects of climate change;
- collective labor bargaining negotiations;
- 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;
- volatility in market demand and prices for energy, capacity, transmission services, emission allowances and RECs;
- competition in retail and wholesale power and natural gas markets;
- liquidity of wholesale power markets;
- defaults by counterparties under energy, fuel or other power product contracts;
- market prices of commodity inputs for ongoing capital expenditures;
- 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;
- volatility in the fair value of debt and equity securities and its impact on the value of assets in the NDT funds and in defined benefit plans, and the potential cash funding requirements if fair value declines;
- interest rates and their effect on pension, retiree medical and nuclear decommissioning liabilities, and interest payable on certain debt securities;
- volatility in or the impact of other changes in financial or commodity 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;
- legal, regulatory, political, market or other reactions to the 2011 incident at the nuclear generating facility at Fukushima, Japan, including additional NRC requirements;
- 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 filings by PPL Electric at the PUC or the FERC, by LG&E at the KPSC or the FERC; by KU at the KPSC, VSCC, TRA or the FERC, or by WPD at Ofgem in the U.K.;
- 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 successfully operate acquired businesses and realize expected benefits from business acquisitions, including PPL's 2011 acquisition of WPD Midlands and 2010 acquisition of LKE.

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

ITEM 1. BUSINESS

BACKGROUND

PPL Corporation , headquartered in Allentown, Pennsylvania, is an energy and utility holding company that was incorporated in 1994. Through subsidiaries, PPL generates electricity from power plants in the northeastern, northwestern and southeastern U.S.; markets wholesale or retail energy primarily in the northeastern and northwestern portions of the U.S.; delivers electricity to customers in Pennsylvania, Kentucky, Virginia, Tennessee and the U.K.; and delivers natural gas to customers in Kentucky.

PPL's overall strategy is to achieve stable, long-term growth in its regulated electricity delivery businesses through efficient operations and strong customer and regulatory relations, and disciplined optimization of energy supply margins in its energy supply business while mitigating volatility in both cash flows and earnings.

In pursuing this strategy, in 2011 and 2010, PPL completed two significant acquisitions that have reduced PPL's overall business risk profile and reapportioned the mix of PPL's regulated and competitive businesses by increasing the regulated portion of its business:

- On April 1, 2011, PPL, through an indirect, wholly owned subsidiary, PPL WEM, completed its acquisition of all the outstanding ordinary share capital of Central Networks East plc and Central Networks Limited, the sole owner of Central Networks West plc, together with certain other related assets and liabilities (collectively referred to as Central Networks and subsequently renamed WPD Midlands), from subsidiaries of E.ON AG. WPD Midlands operates two regulated distribution networks that serve five million end-users in the Midlands area of England.

- On November 1, 2010, PPL acquired all of the limited liability company interests of E.ON U.S. LLC from a wholly owned subsidiary of E.ON AG. Upon completion of the acquisition, E.ON U.S. LLC was renamed LG&E and KU Energy LLC (LKE). LKE is engaged in regulated utility operations through its subsidiaries, LG&E and KU.

See Note 10 to the Financial Statements for additional information on both acquisitions.

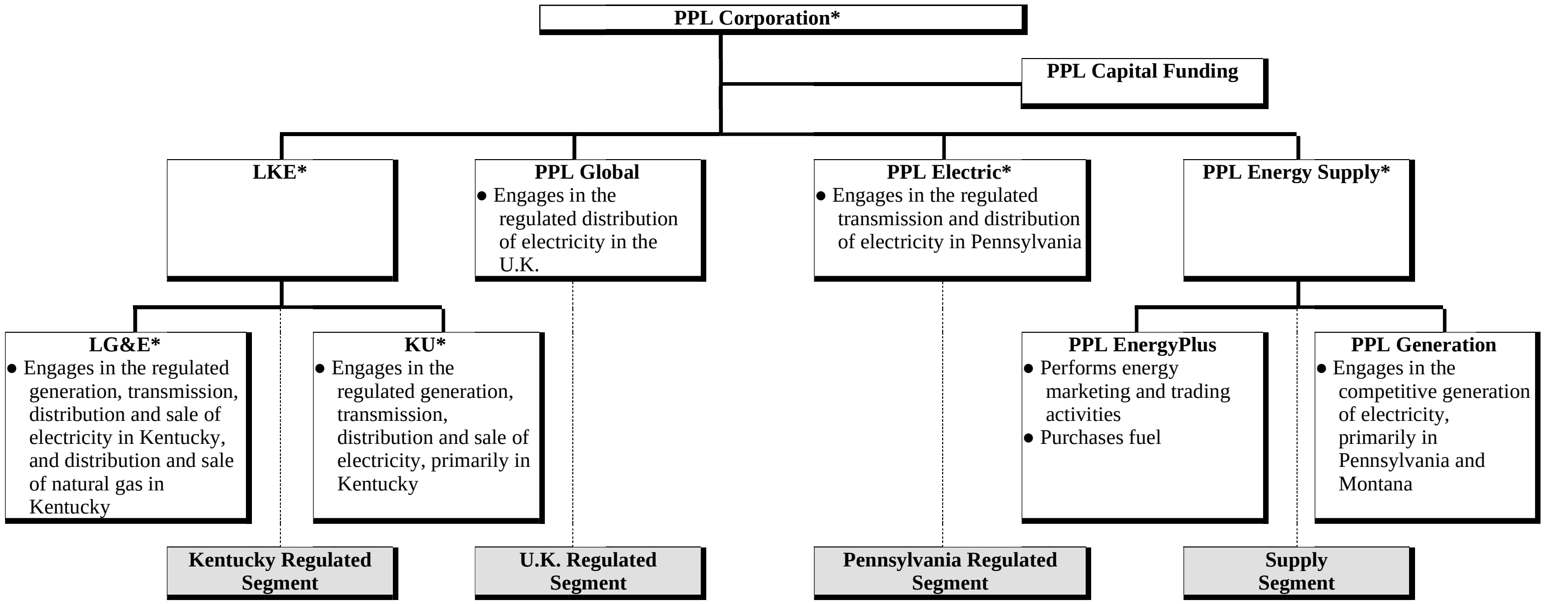
Each rate-regulated business plans to make material capital investments over the next several years to improve infrastructure and customer reliability. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition - Liquidity and Capital Resources" for information on each Registrant's capital expenditure projections.

A key objective of PPL's business strategy is to maintain a strong credit profile. PPL's recent growth in rate-regulated businesses has provided the organization with an enhanced corporate level financing alternative, through PPL Capital Funding, that further enables PPL to support targeted credit profiles cost effectively across all of PPL's rated companies. As a result, PPL plans to further utilize PPL Capital Funding in addition to continued direct financing by the operating companies, as appropriate.

At December 31, 2012, PPL had:

- $12.3 billion in operating revenues for the year (56% from regulated businesses),
- 10.5 million end-users of its utility services,
- approximately 19,000 MW of generation (44% within regulated businesses), and
- approximately 18,000 full-time employees.

PPL's principal subsidiaries at December 31, 2012 are shown below (* denotes an SEC registrant).



In addition to PPL Corporation, the other SEC registrants included in this filing are:

LG&E and KU Energy LLC, headquartered in Louisville, Kentucky, is a holding company with regulated utility operations through subsidiaries, LG&E and KU, and is a subsidiary of PPL. LKE, formed in 2003, is the successor to a Kentucky entity incorporated in 1989.

Louisville Gas and Electric Company, headquartered in Louisville, Kentucky, is a regulated utility engaged in the generation, transmission, distribution and sale of electricity and the distribution and sale of natural gas in Kentucky. LG&E was incorporated in Kentucky in 1913. At December 31, 2012, LG&E owned 3,354 MW of electric power generation capacity and is implementing capital projects at an existing generation facility to provide 141 MW of additional generating capacity by the end of 2015. LG&E also anticipates retiring 563 MW of coal-fired generating capacity by the end of 2015 to meet certain environmental regulations. LG&E and KU jointly dispatch their generation units with the lowest cost generation used to serve their retail native load.

Kentucky Utilities Company, headquartered in Lexington, Kentucky, is a regulated utility engaged in the generation, transmission, distribution and sale of electricity in Kentucky, Virginia and Tennessee. KU was incorporated in Kentucky in 1912 and Virginia in 1991. KU serves its Virginia customers under the Old Dominion Power name while its Kentucky and Tennessee customers are served under the KU name. At December 31, 2012, KU owned 4,833 MW of electric power generation capacity and is implementing capital projects at an existing generation facility owned by LG&E to provide 499 MW of additional generating capacity by the end of 2015. KU retired the remaining 71 MW unit at the Tyrone plant in February 2013. KU also anticipates retiring 163 MW of coal-fired generating capacity by the end of 2015 to meet certain environmental regulations. KU and LG&E jointly dispatch their generation units with the lowest cost generation used to serve their retail native load.

PPL Electric Utilities Corporation , headquartered in Allentown, Pennsylvania, is a direct subsidiary of PPL incorporated in Pennsylvania in 1920 and a regulated public utility. PPL Electric delivers electricity in its Pennsylvania service territory and provides electricity supply to retail customers in that territory as a PLR under the Customer Choice Act.

PPL Energy Supply, LLC , headquartered in Allentown, Pennsylvania, is an indirect subsidiary of PPL formed in 2000 and is an energy company engaged through its subsidiaries in the generation and marketing of electricity, primarily in the northeastern and northwestern power markets of the U.S. PPL Energy Supply's major operating subsidiaries are PPL EnergyPlus and PPL Generation. In January 2011, PPL Energy Supply distributed its entire membership interest in PPL Global to its parent, PPL Energy Funding (the parent holding company of PPL Energy Supply and PPL Global with no other material operations), to better align PPL's organizational structure with the manner in which it manages these businesses and reports segment information in its consolidated financial statements. The distribution separated the U.S.-based competitive energy marketing and supply business from the U.K.-based regulated electricity distribution business. See Note 9 to the Financial Statements for additional information. The 2010 operating results of PPL Global, which represented the U.K. Regulated segment (formerly International Regulated), are classified as discontinued operations. At December 31, 2012, PPL Energy Supply owned or controlled 10,591 MW of electric power generation capacity and is implementing capital projects at certain of its existing generation facilities in Pennsylvania and Montana to provide 153 MW of additional generating capacity by the end of 2013.

PPL's utility subsidiaries, and to a lesser extent, certain competitive supply subsidiaries, are subject to extensive regulation by the FERC related to wholesale power sales and related transactions, electricity transmission service, accounting practices, issuances and sales of securities, acquisitions and sales of utility properties and payments of dividends. PPL and LKE are subject to certain FERC regulations as holding companies under PUHCA and the Federal Power Act, including with respect to accounting and record-keeping, inter-system sales of non-power goods and services and acquisitions of securities in, or mergers with, certain types of electric utility companies.

Successor and Predecessor Financial Presentation *(LKE, LG&E and KU)*

LKE's, LG&E's and KU's Financial Statements and related financial and operating data include the periods before and after PPL's acquisition of LKE on November 1, 2010 and have been segregated to present pre-acquisition activity as the Predecessor and post-acquisition activity as the Successor. Certain accounting and presentation methods were changed to acceptable alternatives to conform to PPL's accounting policies, and the cost bases of certain assets and liabilities were changed as of November 1, 2010 as a result of the application of push-down accounting. Consequently, the financial position, results of operations and cash flows for the Successor periods are not comparable to the Predecessor periods; however, the core operations of LKE, LG&E and KU have not changed as a result of the acquisition.

Segment Information

(PPL)

PPL is organized into four reportable segments: Kentucky Regulated, U.K. Regulated (name changed in 2012 from International Regulated), Pennsylvania Regulated and Supply. There were no changes to reportable segments in 2012 other than the name change noted above.

A comparison of PPL's three regulated segments is shown below:

	KY Regulated (a)	U.K. Regulated (b)	PA Regulated (c)
For the year ended December 31, 2012:			
Operating Revenues (in billions)	$2.8	$2.3	$1.8
Net Income Attributable to PPL Shareowners (in millions)	$177	$803	$132
Electric energy delivered (GWh)	30,908	77,467	36,023
At December 31, 2012:			
Regulatory Asset Base (in billions) (d)	$6.7	$8.6	$3.5
Service area (in square miles)	9,400	21,400	10,000
End-users (in millions)	1.3	7.8	1.4

(a) Business activities include the generation, transmission, distribution and sale of electricity and the distribution and sale of natural gas.
(b) Business activities include the distribution of electricity.
(c) Business activities include the transmission and distribution of electricity.
(d) Represents RAV for U.K. Regulated, capitalization for KY Regulated and rate base for PA Regulated.

(PPL Energy Supply)

PPL Energy Supply has operated in a single reportable segment since 2011. Prior to 2011, PPL Energy Supply's segments consisted of Supply and U.K. Regulated (formerly International Regulated). In January 2011, PPL Energy Supply distributed its 100% membership interest in PPL Global to its parent, PPL Energy Funding, to better align PPL's organizational structure with the manner in which it manages its businesses and reports segment information in its consolidated financial statements. The distribution separated the U.S.-based competitive energy marketing and supply business from the U.K.-based regulated electricity distribution business. The 2010 operating results of PPL Global, which represented the U.K. Regulated segment, are classified as discontinued operations for PPL Energy Supply.

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

PPL Electric, LKE, LG&E and KU each operate within a single reportable segment.

(PPL)

See Note 2 to the Financial Statements for financial information about the segments.

- ***Kentucky Regulated Segment*** ***(PPL)***

  Consists of the operations of LKE, which owns and operates regulated public utilities engaged in the generation, transmission, distribution and sale of electricity and the distribution and sale of natural gas, representing primarily the activities of LG&E and KU. The Kentucky Regulated segment also includes interest expense related to the 2010 Equity Units that were issued to partially finance the acquisition of LKE.

(PPL, LKE, LG&E and KU)

LKE became a wholly owned subsidiary of PPL on November 1, 2010. LG&E and KU are engaged in the regulated generation, transmission, distribution and sale of electricity in Kentucky and, in KU's case, Virginia and Tennessee. LG&E also engages in the distribution and sale of natural gas in Kentucky. LG&E provides electric service to approximately 393,000 customers in Louisville and adjacent areas in Kentucky, covering approximately 700 square miles in 9 counties. LG&E provides natural gas service to approximately 318,000 customers in its electric service area and 7 additional counties in Kentucky. KU provides electric service to approximately 510,000 customers in 77 counties in central, southeastern and western Kentucky; approximately 29,000 customers in 5 counties in southwestern Virginia; and fewer than 10 customers in Tennessee, covering approximately 4,800 non-contiguous square miles. KU also sells wholesale electricity to 12 municipalities in Kentucky under load following contracts. In Virginia, KU operates under the name Old Dominion Power Company.

Acquisition by PPL

In September 2010, the KPSC approved a settlement agreement among PPL and all of the intervening parties to PPL's joint application to the KPSC for approval of its acquisition of ownership and control of LKE. In the settlement agreement, the parties agreed that LG&E and KU would commit that no base rate increases would take effect before January 1, 2013. Under the terms of the settlement, LG&E and KU retained the right to seek approval for the deferral of "extraordinary and uncontrollable costs." Interim rate adjustments continued to be permissible during that period through existing fuel, environmental and demand side management recovery mechanisms. In October 2010, both the VSCC and the TRA approved the transfer of control of LKE to PPL. The orders and the settlement agreement approved by the KPSC contained certain other commitments by LG&E and KU with regard to operations, workforce, community involvement and other matters.

Also in October 2010, the FERC approved the application for the transfer of control of the utilities. The approval included various conditional commitments, such as a continuation of certain existing undertakings with intervenors in prior cases, an agreement not to terminate certain KU municipal customer contracts prior to January 2017, an exclusion of any transaction-related costs from wholesale energy and tariff customer rates to the extent that LG&E and KU have agreed not to seek recovery of the same transaction-related costs from retail customers and agreements to coordinate with intervenors in certain pending matters.

See Note 10 to the Financial Statements for additional information on regulatory matters related to the acquisition.

Franchises and Licenses

LG&E and KU provide electricity delivery service, and LG&E provides natural gas distribution service, in their respective service territories pursuant to certain franchises, licenses, statutory service areas, easements and other rights or permissions granted by state legislatures, cities or municipalities or other entities.

Competition

There are currently no other electric public utilities operating within the electric service areas of LKE. From time to time, bills are introduced into the Kentucky General Assembly which seek to authorize, promote or mandate increased distributed generation, customer choice or other developments. Neither the Kentucky General Assembly nor the KPSC has adopted or approved a plan or timetable for retail electric industry competition in Kentucky. The nature or timing of any legislative or regulatory actions regarding industry restructuring and their impact on LKE, which may be significant, cannot currently be predicted. Virginia, formerly a deregulated jurisdiction, has enacted legislation that implemented a hybrid model of cost-based regulation. KU's operations in Virginia have been and remain regulated.

Alternative energy sources such as electricity, oil, propane and other fuels provide indirect competition for natural gas revenues of LKE. Marketers may also compete to sell natural gas to certain large end-users. LG&E's natural gas tariffs include gas price pass-through mechanisms relating to its sale of natural gas as a commodity; therefore, customer natural gas purchases from alternative suppliers do not generally impact profitability. However, some large industrial and commercial customers may physically bypass LG&E's facilities and seek delivery service directly from interstate pipelines or other natural gas distribution systems.

Operating Revenues

Details of operating revenues by customer class are shown below.

	Successor						Predecessor	
	Year Ended December 31, 2012		Year Ended December 31, 2011		Two Months Ended December 31, 2010		Ten Months Ended October 31, 2010	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
LKE (a)								
Commercial	$ 723	26	$ 719	26	$ 123	25	$ 573	26
Industrial	551	20	533	19	86	17	424	19
Residential	1,071	39	1,087	39	219	44	886	40
Retail - other	270	10	269	9	43	9	212	10
Wholesale - municipal	102	4	104	4	15	3	88	4
Wholesale - other (b)	42	1	81	3	8	2	31	1
Total	$ 2,759	100	$ 2,793	100	$ 494	100	$ 2,214	100
LG&E								
Commercial	$ 374	28	$ 372	27	$ 66	26	$ 287	27
Industrial	170	13	152	11	26	10	122	12
Residential	548	41	561	41	113	44	446	42
Retail - other	131	10	130	10	22	9	98	9
Wholesale - other (b) (c)	101	8	149	11	27	11	104	10
Total	$ 1,324	100	$ 1,364	100	$ 254	100	$ 1,057	100
KU								
Commercial	$ 349	23	$ 347	22	$ 57	22	$ 286	23
Industrial	381	25	381	25	60	23	302	24
Residential	523	34	526	34	106	40	440	35
Retail - other	139	9	139	9	21	8	114	9
Wholesale - municipal	102	7	104	7	15	6	88	7
Wholesale - other (b) (c)	30	2	51	3	4	1	18	2
Total	$ 1,524	100	$ 1,548	100	$ 263	100	$ 1,248	100

(a) The LKE Successor information also represents PPL's Kentucky Regulated segment.
(b) Includes wholesale and transmission revenues.
(c) Includes intercompany power sales and transmission revenues, which are eliminated upon consolidation at LKE.

Power Supply

At December 31, 2012, LKE owned, controlled or had an ownership interest in generating capacity (summer rating) of 8,187 MW, of which 3,354 MW related to LG&E and 4,833 MW related to KU, in Kentucky, Indiana, and Ohio. See "Item 2. Properties - Kentucky Regulated Segment" for a complete list of LKE's generating facilities.

The system capacity of LKE's owned or controlled generation is based upon a number of factors, including the operating experience and physical condition of the units, and may be revised periodically to reflect changes in circumstances.

During 2012, LKE's Kentucky power plants generated the following amounts of electricity.

	Thousands of MWh		
Fuel Source	**LKE**	**LG&E**	**KU**
Coal (a)	32,820	15,051	17,769
Oil / Gas	1,340	463	877
Hydro	250	212	38
Total (b)	34,410	15,726	18,684

(a) Includes 990 MWh of power generated by and purchased from OVEC for LKE, 685 MWh for LG&E and 305 MWh for KU.
(b) This generation represents a 4% decrease for LKE, a 4% decrease for LG&E and a 3% decrease for KU from 2011 output.

A significant portion of LG&E's and KU's generated electricity was used to supply its retail and municipal customer base.

LG&E and KU jointly dispatch their generation units with the lowest cost generation used to serve their retail native load. When LG&E has excess generation capacity after serving its own retail native load and its generation cost is lower than that of KU, KU purchases electricity from LG&E. When KU has excess generation capacity after serving its own retail native load and its generation cost is lower than that of LG&E, LG&E purchases electricity from KU.

See "Item 2. Properties - Kentucky Regulated Segment" for additional information regarding LG&E's and KU's plans for development of Cane Run Unit 7. KU retired the remaining 71 MW unit at the Tyrone plant in February 2013. LG&E and KU also anticipate retiring 563 MW and 163 MW of coal-fired generating capacity by the end of 2015 to meet certain environmental regulations.

Fuel Supply

Coal is expected to be the predominant fuel used by LG&E and KU for baseload generation for the foreseeable future. However, natural gas will play a more significant role starting in 2015 when Cane Run Unit 7 is expected to be placed into operation. This unit is expected to be used for baseload generation. Natural gas and oil will continue to be used for intermediate and peaking capacity and flame stabilization in coal-fired boilers.

Fuel inventory is maintained at levels estimated to be necessary to avoid operational disruptions at coal-fired generating units. Reliability of coal deliveries can be affected from time to time by a number of factors including fluctuations in demand, coal mine production issues and other supplier or transporter operating difficulties. To enhance the reliability of natural gas supply, LG&E and KU have secured long-term pipeline capacity on the interstate pipeline serving the new combined cycle unit and six simple cycle combustion turbine units.

LG&E and KU have entered into coal supply agreements with various suppliers for coal deliveries through 2017 and normally augment their coal supply agreements with spot market purchases, as needed.

For their existing units, LG&E and KU expect for the foreseeable future to purchase most of their coal from western Kentucky, southern Indiana, southern Illinois and Ohio. The use of high sulfur coal increased during 2012 due to the installation of scrubbers and the sulfuric acid mist mitigation system at KU's E.W. Brown plant. In 2013 and beyond, LG&E and KU may purchase certain quantities of ultra-low sulfur content coal from Wyoming for blending at TC2. Coal is delivered to the generating plants by barge, truck and rail.

(PPL, LKE and LG&E)

<u>Natural Gas Supply</u>

Five underground natural gas storage fields, with a current working natural gas capacity of approximately 15 Bcf, are used in providing natural gas service to LG&E's firm sales customers. By using natural gas storage facilities, LG&E avoids the costs typically associated with more expensive pipeline transportation capacity to serve peak winter heating loads. Natural gas is stored during the summer season for withdrawal during the following winter heating season. Without this storage capacity, LG&E would be required to purchase additional natural gas and pipeline transportation services during winter months when customer demand increases and the prices for natural gas supply and transportation services are typically at their highest. Several suppliers under contracts of varying duration provide competitively priced natural gas. At December 31, 2012, LG&E had a 12 Bcf inventory balance of natural gas stored underground with a carrying value of $42 million.

LG&E has a portfolio of supply arrangements of varying terms with a number of suppliers designed to meet its firm sales obligations. These natural gas supply arrangements include pricing provisions that are market-responsive. In tandem with pipeline transportation services, these natural gas supplies provide the reliability and flexibility necessary to serve LG&E's natural gas customers.

LG&E purchases natural gas supply transportation services from two pipelines. LG&E has contracts with one pipeline that are subject to termination by LG&E between 2015 and 2018. Total winter capacity under these contracts is 194,900 MMBtu/day and summer capacity is 88,000 MMBtu/day. LG&E has a contract with another pipeline that expires in October 2014. Total winter and summer capacity under this contract is 20,000 MMBtu/day during both seasons.

(PPL, LKE, LG&E and KU)

<u>Rates and Regulation</u>

LG&E is subject to the jurisdiction of the KPSC and the FERC, and KU is subject to the jurisdiction of the KPSC, the FERC, the VSCC and the TRA. LG&E and KU operate under a FERC-approved open access transmission tariff. LG&E and KU contract with the Tennessee Valley Authority to act as their transmission reliability coordinator. LG&E and KU contracted with Southwest Power Pool, Inc. (SPP), to function as their independent transmission operator, pursuant to FERC requirements under a contract that expired on August 31, 2012. After receiving FERC approval, LG&E and KU transferred from SPP to TranServ International, Inc. as their independent transmission operator beginning September 1, 2012.

In February 2013, LG&E and KU submitted a compliance filing to the FERC reflecting their participation with other utilities in the Southeastern Regional Transmission Planning relating to certain FERC Order 1000 requirements. FERC Order 1000, issued in July 2011, establishes certain procedural and substantive requirements relating to participation, cost allocation and non-incumbent developer aspects of regional and inter-regional electric transmission planning activities.

LG&E's and KU's Kentucky base rates are calculated based on a return on capitalization (common equity, long-term debt and short-term debt) including certain adjustments to exclude non-regulated investments and costs recovered separately through other rate mechanisms. As such, LG&E and KU earn a return on the net cash invested in regulatory assets and regulatory liabilities.

KU's Virginia base rates are calculated based on a return on rate base (net utility plant plus working capital less deferred taxes and miscellaneous deductions). All regulatory assets and liabilities, except the levelized fuel factor, are excluded from the return on rate base utilized in the calculation of Virginia base rates; therefore, no return is earned on the related assets.

KU's rates to municipal customers for wholesale requirements are calculated based on annual updates to a rate formula that utilizes a return on rate base (net utility plant plus working capital less deferred taxes and miscellaneous deductions). All regulatory assets and liabilities are excluded from the return on rate base utilized in the development of municipal rates; therefore, no return is earned on the related assets.

See Note 6 to the Financial Statements for additional information on cost recovery mechanisms.

2012 Kentucky Rate Case

In June 2012, LG&E and KU filed requests with the KPSC for increases in annual base electric rates of approximately $62 million at LG&E and approximately $82 million at KU and an increase in annual base gas rates of approximately $17 million at LG&E. In November 2012, LG&E and KU along with all of the parties filed a unanimous settlement agreement. Among other things, the settlement provided for increases in annual base electric rates of $34 million at LG&E and $51 million at KU and an increase in annual base gas rates of $15 million at LG&E. The settlement agreement also included revised depreciation rates that result in reduced annual electric depreciation expense of approximately $9 million for LG&E and approximately $10 million for KU. The settlement agreement included an authorized return on equity at LG&E and KU of 10.25%. On December 20, 2012, the KPSC issued orders approving the provisions in the settlement agreement. The new rates became effective on January 1, 2013. In addition to the increased base rates, the KPSC approved a gas line tracker mechanism for LG&E to provide for recovery of costs associated with LG&E's gas main replacement program, gas service lines and risers.

FERC Wholesale Rates

In May 2012, KU submitted to the FERC the annual adjustments to the formula rate which incorporated certain proposed increases. These rates became effective as of July 1, 2012.

- ***U.K. Regulated Segment*** *(PPL)*

  Includes WPD, a regulated electricity distribution business in the U.K.

WPD, through indirect wholly owned subsidiaries, operates four of the 15 regulated distribution networks providing electricity service in the U.K. With the April 2011 acquisition of WPD Midlands, the number of end-users served has more than doubled totaling 7.8 million across 21,400 square miles in Wales, southwest and central England. See Note 10 to the Financial Statements for additional information on the acquisition.

Details of revenue by category for the years ended December 31 are shown below.

	2012		2011		2010	
	Revenue	**% of Revenue**	**Revenue**	**% of Revenue**	**Revenue**	**% of Revenue**
Utility revenues (a)	$ 2,289	98	$ 1,618	98	$ 727	96
Energy-related businesses	47	2	35	2	34	4
Total	$ 2,336	100	$ 1,653	100	$ 761	100

(a) The above years are not comparable as WPD Midlands was acquired in April 2011. 2011 includes eight months of activity as WPD Midlands' results are recorded on a one-month lag.

WPD's energy-related businesses revenues include ancillary activities that support the distribution business, including telecommunications and real estate. WPD's telecommunication revenues are from the rental of fiber optic cables primarily attached to WPD's overhead electricity distribution network. WPD also provides meter services to businesses across the U.K.

Franchise and Licenses

WPD is authorized by Ofgem to provide electric distribution services within its concession areas and service territories, subject to certain conditions and obligations. For instance, WPD is subject to Ofgem regulation of the regulated revenue it can earn and the quality of service it must provide, and WPD can be fined or have its licenses revoked if it does not meet the mandated standard of service.

Competition

Although WPD operates in non-exclusive concession areas in the U.K., it currently faces little competition with respect to end-users connected to its network. WPD's four distribution businesses, WPD (South West), WPD (South Wales), WPD (West Midlands) and WPD (East Midlands), are thus regulated monopolies which operate under regulatory price controls.

Revenue and Regulation

The operations of WPD (South West), WPD (South Wales), WPD (East Midlands) and WPD (West Midlands) are regulated by Ofgem under the direction of the Gas and Electricity Markets Authority. The Electricity Act 1989 provides the fundamental legal framework of electricity companies and established licenses that required each of the DNOs to develop, maintain and operate efficient distribution networks. Ofgem has established a price control mechanism that restricts the amount of revenue that can be earned by regulated business and provides for an increase or reduction in revenues based on incentives or penalties for exceeding or underperforming against pre-established targets.

This regulatory structure is an incentive-based regulatory structure in comparison to the U.S. utility businesses which operate under a cost-based regulatory framework. Under the UK regulatory structure, electricity distribution revenues are currently set every five years, but extending to eight years in the next price control period beginning in April 2015. The revenue that DNOs can earn in each of the five years is the sum of: i) the regulator's view of efficient operating costs, ii) a return on the capital from the RAV plus an annual adjustment for the inflation determined by Retail Price Index (RPI) for the prior calendar year, iii) a return of capital from the RAV (i.e. depreciation), and iv) certain pass-through costs over which the DNO has no control. Additionally, incentives are provided for a range of activities including exceeding certain reliability and customer service targets.

WPD is currently operating under DPCR5 which was completed in December 2009 and is effective for the period from April 1, 2010 through March 31, 2015. Ofgem allowed WPD (South West) and WPD (South Wales) an average increase in total revenues, before inflationary adjustments, of 6.9% in each of the five years and WPD Midlands an average increase in total revenues, before inflationary adjustments, of 4.5% in each of the five years. The revenue increase includes reimbursement for higher operating and capital costs to be incurred driven by additional requirements. In DPCR5, Ofgem decoupled WPD's allowed revenue from volume delivered over the five-year price control period. However, in any fiscal period WPD's revenue could be negatively affected if its tariffs and the volume delivered do not fully recover the allowed revenue for a given period. Under recoveries are recovered in the next regulatory year, however, PPL does not record a receivable for under recoveries in the current period. Over recoveries are reflected in the current period as a liability and are not included in revenue.

In addition to providing a base regulated revenue allowance, Ofgem has established incentive mechanisms to provide significant opportunities to enhance overall returns by improving network efficiency, reliability and customer service. Some of the more significant incentive mechanisms under DPCR5 include:

- Interruptions Incentive Scheme (IIS) - This incentive has two major components: 1) Customer interruptions and 2) Customer minutes lost and is designed to incentivize the DNOs to invest and operate their networks to manage and reduce both the frequency and duration of power outages experienced by customers. The target for each DNO is based on a benchmark of data from the last four years of the prior price control period.

  Effective April 1, 2012, an additional customer satisfaction incentive mechanism was implemented that includes a customer satisfaction survey, a complaints metric and a measure of stakeholder engagement. This incentive replaced the customer response telephone performance incentive that was effective April 1, 2010.

- Line Loss Incentive - This incentive existed in the prior price control review, DPCR4, and was designed to incentivize DNOs to invest in lower loss equipment, to change the way they operate their systems to reduce losses, and to detect theft and unregistered meters. In November 2012, Ofgem issued a decision not to activate the DPCR5 line loss incentive. See Note 6 to the Financial Statements for information on Ofgem's review of line loss calculations.

- Information Quality Incentive (IQI) - The IQI is designed to incentivize the DNOs to provide good quality information when they submit their business plans to Ofgem during the price control process and to execute the plan they submitted. The IQI eliminates the distinction between capital expenditure and operating expense and instead looks at total expenditure. Total expenditure is allocated 85% to "slow pot" which is added to RAV and recovered over 20 years through the regulatory depreciation of the RAV and 15% to "fast pot" which is recovered during the current price control review period. The IQI then provides for incentives or penalties at the end of DPCR5 based on the ratio of actual expenditures to the expenditures submitted to Ofgem that were the basis for the revenues allowed during the five-year price control review period.

At the beginning of DPCR5, WPD was awarded $301 million in incentive revenue of which $222 million will be included in revenue throughout the current price control period with the balance recovered over subsequent price control periods. Since the beginning of DPCR5, WPD earned additional incentive revenue, primarily from IIS of $83 million and $30 million for the regulatory years ended March 31, 2012 and 2011, which will be included in revenue for the 2013-14 and 2012-13 regulatory years.

In October 2010, Ofgem announced a new pricing model that will be effective for the U.K. electricity distribution sector, including WPD, beginning April 2015. The model, known as RIIO (Revenues = Incentives + Innovation + Outputs), is intended to encourage investment in regulated infrastructure. The next electricity distribution price control review is referred to as RIIO-ED1. In September 2012, Ofgem published a strategy consultation document providing an overview of its approach for RIIO-ED1 and is expected to publish a policy decision document in February 2013. Key components of the RIIO-ED1 are: an extension of the price review period to eight years, increased emphasis on outputs and incentives, enhanced stakeholder engagement including network customers, a stronger incentive framework to encourage more efficient investment and innovation, expansion of the current Low Carbon Network Fund to stimulate innovation and continued use of a single weighted average cost of capital. Ofgem has also indicated that the depreciation of the RAV for RAV additions after April 1, 2015 will change from 20 years to 45 years. Management is in the process of creating the "well-justified business plans" required by Ofgem for WPD's four DNOs. These plans are expected to be submitted to Ofgem in July 2013 as part of the RIIO-ED1 review process. Once the business plans are complete, management will be in a better position to determine the effect of RIIO-ED1 on future financial results. See "Item 1A. Risk Factors - Risks Related to U.K. Regulated Segment."

Customers

The majority of WPD's revenue is known as DUoS and is derived from charging energy suppliers for the delivery of electricity to end-users and thus its customers are the suppliers to those end-users. Ofgem requires that all licensed electricity distributors and suppliers become parties to the Distribution Connection and Use of System Agreement. This agreement sets out how creditworthiness will be determined and, as a result, whether the supplier needs to provide collateral.

- ***Pennsylvania Regulated Segment*** *(PPL)*

  Includes the regulated electric delivery operations of PPL Electric.

(PPL and PPL Electric)

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 to approximately 1.4 million customers in a 10,000-square mile territory in 29 counties of eastern and central Pennsylvania. PPL Electric also provides electricity supply in this territory as a PLR.

Details of electric revenues by customer class for the years ended December 31, are shown below.

	2012		2011		2010	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
Residential	$ 1,108	63	$ 1,266	67	$ 1,469	60
Industrial	53	3	62	3	123	5
Commercial	366	21	431	23	588	24
Other (a) (b)	236	13	133	7	275	11
Total	$ 1,763	100	$ 1,892	100	$ 2,455	100

(a) Includes regulatory over- or under-recovery reconciliation mechanisms, pole attachment revenues, street lighting and net transmission revenues.
(b) Included in these amounts for 2012, 2011 and 2010 are $3 million, $11 million and $7 million of retail and wholesale electric to affiliate revenue which is eliminated in consolidation for PPL.

Franchise, Licenses and Other Regulations

PPL Electric is authorized to provide electric public utility service throughout its service area as a result of grants by the Commonwealth of Pennsylvania in corporate charters to PPL Electric and companies to which it has succeeded and as a result of certification by the PUC. PPL Electric is granted the right to enter the streets and highways by the Commonwealth subject to certain conditions. In general, such conditions have been met by ordinance, resolution, permit, acquiescence or other action by an appropriate local political subdivision or agency of the Commonwealth.

Competition

Pursuant to authorizations from the Commonwealth of Pennsylvania and the PUC, PPL Electric operates a regulated distribution monopoly in its service area. Accordingly, PPL Electric does not face competition in its electric distribution business.

The PPL Electric transmission business, operating under the purview of the FERC-approved PJM Open Access Transmission Tariff, is subject to competition from entities that are not incumbent PJM transmission owners with respect to building and ownership of transmission facilities within PJM. No authority has yet been promulgated that sets forth the parameters of non-incumbent competition.

Rates and Regulation

Transmission and Distribution

PPL Electric's transmission facilities are within PJM, which operates the electric transmission network and electric energy market in the Mid-Atlantic and Midwest regions of the U.S.

PJM serves as a FERC-approved RTO to promote greater participation and competition in the region it serves. In addition to operating the electric transmission network, PJM also administers regional markets for energy, capacity and ancillary services. A primary objective of any RTO is to separate the operation of, and access to, the transmission grid from market participants that buy or sell electricity in the same markets. Electric utilities continue to own the transmission assets and to receive their share of transmission revenues, but the RTO directs the control and operation of the transmission facilities.

As a transmission owner, PPL Electric's transmission revenues are billed to PJM in accordance with a FERC tariff that allows recovery of transmission costs incurred, a return on transmission-related plant and an automatic annual update. As a PLR, PPL Electric also purchases transmission services from PJM. See "PLR" below.

In April 2010, the FERC issued an order concluding that under the PJM Open Access Transmission Tariff, PJM may, but is not required to, designate an entity other than the incumbent PJM transmission owner to own and construct economic expansion projects and receive cost-of-service based compensation for the use of its facilities. Additionally, the FERC directed PJM to file tariff changes necessary for non-incumbent transmission owners to be provided opportunity to propose and construct transmission projects in accordance with exclusions specified in the April 2010 order and consistent with state and local laws and regulations. PJM tariff changes are currently under review by the FERC.

PPL Electric's distribution base rates are calculated based on a return on rate base (net utility plant plus a cash working capital allowance less plant-related deferred taxes and other miscellaneous additions and deductions such as materials and supplies inventories and customer deposits and advances) plus certain operating expenses. Operating expenses included in PPL Electric's distribution base rates include wages and benefits, other operation and maintenance expenses, depreciation, and taxes.

In November 2004, Pennsylvania enacted the AEPS, which requires electricity distribution companies and electricity generation suppliers to obtain a portion of the electricity sold to retail customers in Pennsylvania from alternative energy sources. Under the default service procurement plans approved by the PUC, PPL Electric purchases all of the alternative energy generation supply it needs to comply with the AEPS.

Act 129 creates an energy efficiency and conservation program, a demand side management program, smart metering technology requirements, new PLR generation supply procurement rules, remedies for market misconduct, and changes to the existing AEPS.

Act 11 authorizes the PUC to approve two specific ratemaking mechanisms - the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, a DSIC. In August 2012, the PUC issued a final implementation order adopting procedures, guidelines and a model tariff for implementation of Act 11. Act 11 requires utilities to file an LTIIP as a prerequisite to filing for recovery through the DSIC. The LTIIP is mandated to be a five- to ten-year plan describing projects eligible for inclusion in the DSIC. PPL Electric filed its LTIIP in September 2012 and the PUC subsequently approved the LTIIP on January 10, 2013. PPL Electric filed a petition requesting permission to establish a DSIC on January 15, 2013 with rates proposed to be effective beginning May 1, 2013.

See "Regulatory Matters - Pennsylvania Activities" in Note 6 to the Financial Statements for additional information regarding Act 129, Act 11 and other legislative and regulatory impacts.

PLR

The Customer Choice Act requires Electric Distribution Companies (EDCs), including PPL Electric, to act as a PLR of electricity supply for customers who do not choose to shop for supply with a competitive supplier and provides that electricity supply costs will be recovered by the PLR pursuant to regulations established by the PUC. As of December 31, 2012, the following percentages of PPL Electric's customer load were provided by competitive suppliers: 46% of residential, 84% of small commercial and industrial and 99% of large commercial and industrial customers. The PUC continues to be interested in expanding the competitive market for electricity. See "Regulatory Matters - Pennsylvania Activities" in Note 6 to the Financial Statements for additional information.

PPL Electric's cost of electricity generation is based on a competitive solicitation process. The PUC approved PPL Electric's default service plan for the period January 2011 through May 2013, which includes 14 solicitations for electricity supply beginning January 1, 2011 with a portion extending beyond May 2013. Pursuant to this plan, PPL Electric contracts for all of the electricity supply for residential, small commercial and small industrial customers, large commercial and large industrial customers who elect to take that service from PPL Electric. These solicitations include a mix of spot market purchases and long-term and short-term purchases ranging from five months to ten years to fulfill PPL Electric's obligation to provide customer electricity supply as a PLR. To date, PPL Electric has concluded all of its planned competitive solicitations under the plan.

The PUC has directed all EDCs to file default service procurement plans for the period June 1, 2013 through May 31, 2015. PPL Electric filed its plan in May 2012. In that plan, PPL Electric proposed a process to obtain supply for its default service customers and a number of initiatives designed to encourage more customers to purchase electricity supply from the competitive retail market. In its January 24, 2013 final order, the PUC approved PPL Electric's plan with modifications and directed PPL Electric to establish collaborative processes to address several retail competition issues.

Numerous alternative suppliers have offered to provide generation supply in PPL Electric's service territory. Whether its customers purchase electricity supply from these alternative suppliers or from PPL Electric as a PLR, the purchase of such supply has no impact on the financial results of PPL Electric. The costs to purchase PLR supply, including charges paid to PJM for related transmission services, are passed directly by PPL Electric to its PLR customers without markup. See "Energy Purchase Commitments" in Note 15 to the Financial Statements for additional information regarding PPL Electric's solicitations.

Rate Cases

2012 Rate Case

In March 2012, PPL Electric filed a request with the PUC to increase distribution rates by approximately $105 million, effective January 1, 2013. On December 28, 2012, in its final order, the PUC approved a 10.4% return on equity and a total distribution revenue increase of about $71 million. The approved rates became effective January 1, 2013.

Also in its December 28, 2012 final order, the PUC directed PPL Electric to file a proposed Storm Damage Expense Rider within 90 days following the order. PPL Electric plans to file a proposed Storm Damage Expense Rider with the PUC and, as part of that filing, request recovery of the $28 million of qualifying storm costs incurred as a result of the October 2012 landfall of Hurricane Sandy.

See "Regulatory Matters - Pennsylvania Activities - Storm Costs" in Note 6 to the Financial Statements for additional information on Hurricane Sandy.

FERC Formula Rates

Transmission rates are regulated by the FERC. PPL Electric's transmission revenues are billed in accordance with a FERC-approved PJM open access transmission tariff that utilizes a formula-based rate recovery mechanism.

PPL Electric has initiated its formula rate 2012, 2011 and 2010 Annual Updates. Each update has been subsequently challenged by a group of municipal customers. In August 2011, the FERC issued an order substantially rejecting the 2010 formal challenge and the municipal customers filed a request for rehearing of that order. In September 2012, the FERC issued an order setting for evidentiary hearings and settlement judge procedures a number of issues raised in the 2010 and 2011 formal challenges. Settlement conferences were held in late 2012 and early 2013. In February 2013, the FERC set for evidentiary hearings and settlement judge procedures a number of issues in the 2012 formal challenge and consolidated that challenge with the 2010 and 2011 challenges. PPL Electric anticipates that there will be additional settlement conferences held in 2013. PPL and PPL Electric cannot predict the outcome of the foregoing proceedings, which remain pending before the FERC.

In March 2012, PPL Electric filed a request with the FERC seeking recovery of its regulatory asset related to the deferred state tax liability that existed at the time of the transition from the flow-through treatment of state income taxes to full normalization. This change in tax treatment occurred in 2008 as a result of prior FERC initiatives that transferred regulatory jurisdiction of certain transmission assets from the PUC to FERC. At December 31, 2012 and December 31, 2011, $52 million and $53 million are classified as taxes recoverable through future rates and included on the Balance Sheets in "Other Noncurrent Assets - Regulatory assets." In May 2012, the FERC issued an order approving PPL Electric's request to recover the deferred tax regulatory asset over a 34-year period beginning June 1, 2012.

See Note 6 to the Financial Statements for additional information on rate mechanisms.

(PPL and PPL Energy Supply)

- ***Supply Segment***

  Owns and operates competitive domestic power plants to generate electricity; markets and trades this electricity, purchased power, and other energy-related products to competitive wholesale and retail markets; and acquires and develops competitive domestic generation projects. Consists primarily of the activities of PPL Generation and PPL EnergyPlus.

PPL Energy Supply has generation assets that are located in the northeastern and northwestern U.S. markets. The northeastern generating capacity is located primarily in Pennsylvania within PJM and northwestern generating capacity is located in Montana. PPL Energy Supply enters into energy and energy-related contracts to hedge the variability of expected cash flows associated with its generating units and marketing activities, as well as for trading purposes. PPL EnergyPlus sells the electricity produced by PPL Energy Supply's generation plants based on prevailing market rates. PPL Energy Supply's total expected generation in 2013 is anticipated to be used to meet its committed contractual sales. PPL Energy Supply has entered into commitments of varying quantities and terms for 2014 and beyond.

Details of revenue by category for the years ended December 31, are shown below.

	2012		2011		2010	
	Revenue	**% of Revenue**	**Revenue**	**% of Revenue**	**Revenue**	**% of Revenue**
Energy						
Wholesale (a)	$ 4,200	76	$ 5,240	82	$ 4,347	85
Retail	848	16	727	11	415	8
Trading	4		(2)		2	
Total energy	5,052	92	5,965	93	4,764	93
Energy-related businesses (b)	448	8	464	7	364	7
Total	$ 5,500	100	$ 6,429	100	$ 5,128	100

(a) Included in these amounts for 2012, 2011, and 2010 are $78 million, $26 million and $320 million of wholesale electricity sales to an affiliate, PPL Electric, which are eliminated in consolidation for PPL.

(b) Energy-related businesses primarily support the generation, marketing and trading businesses of PPL Energy Supply. Their activities include developing renewable energy projects and providing energy-related products and services to commercial and industrial customers through their mechanical contracting and services subsidiaries. Energy-related businesses for PPL's Supply segment had additional revenues not related to PPL Energy Supply of $13 million, $8 million and $11 million for 2012, 2011 and 2010, which are not included in this table.

Power Supply

PPL Energy Supply owned or controlled generating capacity (summer rating) of 10,591 MW at December 31, 2012. The system capacity of PPL Energy Supply's owned or controlled generation is based upon a number of factors, including the operating experience and physical condition of the units, and may be revised periodically to reflect changes in circumstances. Generating capacity controlled by PPL Generation and other PPL Energy Supply subsidiaries includes power obtained through PPL EnergyPlus' power purchase agreements. See "Item 2. Properties - Supply Segment" for a complete listing of PPL Energy Supply's generating capacity.

During 2012, PPL Energy Supply owned or controlled power plants that generated the following amounts of electricity.

Fuel Source	Thousands of MWhs Northeastern	Northwestern	Total
Nuclear	15,224		15,224
Oil / Gas	9,383		9,383
Coal	16,857	3,232	20,089
Hydro	552	3,443	3,995
Renewables (a)	342		342
Total	42,358	6,675	49,033

(a) PPL Energy Supply subsidiaries own or control renewable energy projects located in Pennsylvania, New Jersey, Vermont, Connecticut and New Hampshire with a generating capacity (summer rating) of 70 MW. PPL EnergyPlus sells the energy, capacity and RECs produced by these plants into the wholesale market as well as to commercial, industrial and institutional customers.

PPL Energy Supply's generation subsidiaries are EWGs that sell electricity into wholesale markets. EWGs are subject to regulation by the FERC, which has authorized these EWGs to sell the electricity generated at market-based prices. This electricity is sold to PPL EnergyPlus under FERC-jurisdictional power purchase agreements. PPL Susquehanna is subject to the jurisdiction of the NRC in connection with the operation of the Susquehanna nuclear units. Certain of PPL Energy Supply's other subsidiaries are subject to the jurisdiction of the NRC in connection with the operation of their fossil plants with respect to certain level and density monitoring devices. Certain operations of PPL Generation's subsidiaries are also subject to OSHA and comparable state statutes.

See Note 9 to the Financial Statements for information on the 2011 sale of certain non-core generation facilities, the 2010 sale of the Long Island generation business and the 2010 completion of the sale of the Maine hydroelectric generation business.

See "Item 2. Properties - Supply Segment" for additional information regarding PPL Generation's plans for capital projects in Pennsylvania and Montana that are expected to provide 153 MW of additional electric generating capacity by the end of 2013.

Fuel Supply

PPL EnergyPlus acts as agent for PPL Generation to procure and optimize its various fuels.

Coal

Pennsylvania

PPL EnergyPlus actively manages PPL Energy Supply's coal requirements by purchasing coal principally from mines located in northern Appalachia.

During 2012, PPL Generation purchased 5.6 million tons of coal required for its wholly owned Pennsylvania plants under short-term and long-term contracts. The amount of coal in inventory varies from time to time depending on market conditions and plant operations.

PPL Generation, by and through its agent PPL EnergyPlus, has agreements in place that will provide more than 23 million tons of PPL Generation's projected coal needs for the Pennsylvania power plants from 2013 through 2018.

A PPL Generation subsidiary owns a 12.34% interest in the Keystone plant and a 16.25% interest in the Conemaugh plant. PPL Generation owns a 12.34% interest in Keystone Fuels, LLC and a 16.25% interest in Conemaugh Fuels, LLC. The Keystone plant contracts with Keystone Fuels, LLC for its coal requirements, which provided 4.3 million tons of coal to the Keystone plant in 2012. The Conemaugh plant requirements are purchased under contract from Conemaugh Fuels, LLC, which provided 4.1 million tons of coal to the Conemaugh plant in 2012.

All PPL Generation coal plants within Pennsylvania are equipped with scrubbers, which use limestone in their operations. Acting as agent for PPL Generation, PPL EnergyPlus has entered into contracts with limestone suppliers that will provide for those plants' limestone requirements through 2014. During 2012, 382,000 tons of limestone were delivered to Brunner Island and Montour under these contracts. Annual limestone requirements approximate 400,000-500,000 tons.

Montana

PPL Montana has a 50% leasehold interest in Colstrip Units 1 and 2, and a 30% leasehold interest in Colstrip Unit 3. NorthWestern owns a 30% interest in Colstrip Unit 4. PPL Montana and NorthWestern have a sharing agreement that governs each party's responsibilities and rights relating to the operation of Colstrip Units 3 and 4. Under the terms of that agreement, each party is responsible for 15% of the total non-coal operating and construction costs of Colstrip Units 3 and 4, regardless of whether a particular cost is specific to Colstrip Unit 3 or 4 and is entitled to take up to 15% of the available generation from Units 3 and 4. Each party is responsible for its own coal costs. PPL Montana, along with the other Colstrip owners, is party to contracts to purchase 100% of its coal requirements with defined coal quality characteristics and specifications. PPL Montana, along with the other Colstrip Units 1 and 2 owner, has a long-term purchase and supply agreement with the current supplier for Units 1 and 2, which provides these units 100% of their coal requirements through December 2014, and at least 85% of such requirements from January 2015 through December 2019. PPL Montana, along with the other Colstrip Units 3 and 4 owners, has a long-term coal supply contract for Units 3 and 4, which provides these units 100% of their coal requirements through December 2019.

These units were originally built with scrubbers and PPL Montana has entered into a long-term contract to purchase the limestone requirements for these units. The contract extends through December 2030.

Coal supply contracts are in place to purchase low-sulfur coal with defined quality characteristics and specifications for PPL Montana's Corette plant. The contracts covered 100% of the plant's coal requirements in 2012 and similar contracts are in place to supply 100% of the expected coal requirements through 2014.

Oil and Natural Gas

Pennsylvania

PPL Generation's Martins Creek Units 3 and 4 burn both oil and natural gas. During 2012, 100% of the physical gas requirements for the Martins Creek units were purchased on the spot market while oil requirements were supplied from inventory. At December 31, 2012, there were no long-term agreements for oil or natural gas for these units.

Short-term and long-term gas transportation contracts are in place for approximately 38% of the maximum daily requirements of the Lower Mt. Bethel facility. During 2012, 100% of the physical gas requirements were purchased on the spot market.

In 2008, PPL EnergyPlus acquired the rights to an existing long-term tolling agreement associated with the capacity and energy of the Ironwood Facility. In April 2012, an indirect, wholly owned subsidiary of PPL Energy Supply completed the acquisition of the equity interests in the owner and operator of the Ironwood Facility. See Note 10 to the Financial Statements for additional information. Beginning in 2010, PPL EnergyPlus has long-term transportation contracts that can deliver up to approximately 25% of Ironwood's maximum daily gas requirements. Daily gas requirements can also be met through a combination of short-term transportation capacity release transactions coupled with upstream supply. PPL EnergyPlus currently has no long-term physical gas contracts. During 2012, 100% of the physical gas requirements were purchased on the spot market.

Nuclear

The nuclear fuel cycle consists of several material and service components: the mining and milling of uranium ore to produce uranium concentrates; the conversion of these concentrates into uranium hexafluoride, a gas component; the enrichment of the hexafluoride gas; the fabrication of fuel assemblies for insertion and use in the reactor core; and the temporary storage and final disposal of spent nuclear fuel.

PPL Susquehanna has a portfolio of supply contracts, with varying expiration dates, for nuclear fuel materials and services. These contracts are expected to provide sufficient fuel to permit Unit 1 to operate into the first quarter of 2016 and Unit 2 to operate into the first quarter of 2017. PPL Susquehanna anticipates entering into additional contracts to ensure continued operation of the nuclear units.

Federal law requires the U.S. government to provide for the permanent disposal of commercial spent nuclear fuel, but there is no definitive date by which a repository will be operational. As a result, it was necessary to expand Susquehanna's on-site spent fuel storage capacity. To support this expansion, PPL Susquehanna contracted for the design and construction of a spent fuel storage facility employing dry cask fuel storage technology. The facility is modular, so that additional storage capacity can be added as needed. The facility began receiving spent nuclear fuel in 1999. PPL Susquehanna estimates, under current operating conditions, that there is sufficient storage capacity in the spent nuclear fuel pools and the on-site spent fuel storage facility at Susquehanna to accommodate spent fuel discharged through approximately 2017. If necessary, the on-site spent fuel storage facility can be expanded, assuming appropriate regulatory approvals are obtained, such that, together, the spent fuel pools and the expanded dry fuel storage facility will accommodate all of the spent fuel expected to be discharged through the current licensed life of the plant.

In 1996, the U.S. Court of Appeals for the District of Columbia Circuit ruled that the Nuclear Waste Policy Act imposed on the DOE an unconditional obligation to begin accepting spent nuclear fuel on or before January 31, 1998. In January 2004, PPL Susquehanna filed suit in the U.S. Court of Federal Claims for unspecified damages suffered as a result of the DOE's breach of its contract to accept and dispose of spent nuclear fuel. In May 2011, the parties entered into a settlement agreement which resolved all claims of PPL Susquehanna through December 2013. PPL Susquehanna has received payments for claims through 2011. PPL Susquehanna is eligible to receive payment of annual claims for allowed costs, as set forth in the settlement agreement, that are incurred through December 31, 2013. In exchange, PPL Susquehanna has waived any claims against the United States government for costs paid or injuries sustained related to storing spent nuclear fuel at the Susquehanna plant through December 31, 2013.

Energy Marketing

PPL EnergyPlus sells the capacity and electricity produced by PPL Generation subsidiaries, along with purchased power, FTRs, natural gas, oil, uranium, emission allowances and RECs in competitive wholesale and competitive retail markets.

Purchases and sales at the wholesale level are made at competitive prices under FERC market-based prices. PPL EnergyPlus is licensed to provide retail electric supply to customers in Delaware, the District of Columbia, Maryland, New Jersey, Montana and Pennsylvania and licensed to provide retail natural gas supply to customers in Delaware, Maryland, New Jersey, New York and Pennsylvania. Within the constraints of its hedging policy, PPL EnergyPlus actively manages its portfolios of energy and energy-related products to optimize their value and to limit exposure to price fluctuations. See "Commodity Volumetric Activity" in Note 19 to the Financial Statements for the strategies PPL Energy Supply employs to optimize the value of its wholesale and retail energy portfolio.

Competition

Since the early 1990s, there has been increased competition in U.S. energy markets because of federal and state competitive market initiatives. While some states, such as Pennsylvania and Montana, have created a competitive market for electricity generation, other states continue to consider different types of regulatory initiatives concerning competition in the power and gas industry. Some states that were considering creating competitive markets have slowed their plans or postponed further consideration. In addition, states that have created competitive markets have, from time to time, considered new market rules and re-regulation measures that could result in more limited opportunities for competitive energy suppliers. Interest in re-regulation, however, has slowed due to the current environment of declining power prices. As such, the markets in which PPL Energy Supply participates are highly competitive.

PPL Energy Supply faces competition in wholesale markets for available energy, capacity and ancillary services. Competition is impacted by electricity and fuel prices, congestion along the power grid, new market entrants, construction by others of generating assets, technological advances in power generation, the actions of environmental and other regulatory authorities and other factors. PPL Energy Supply primarily competes with other electricity suppliers based on its ability to aggregate generation supply at competitive prices from different sources and to efficiently utilize transportation from third-party pipelines and transmission from electric utilities and ISOs. Competitors in wholesale power markets include regulated utilities, industrial companies, NUGs, competitive subsidiaries of regulated utilities and other energy marketers. See "Item 1A. Risk Factors - Risks Related to Supply Segment" and PPL's and PPL Energy Supply's "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview" and Note 15 to the Financial Statements for more information concerning the risks faced with respect to competitive energy markets.

Franchise and Licenses

See "Energy Marketing" above for a discussion of PPL EnergyPlus' licenses in various states. PPL EnergyPlus also has an export license from the DOE to sell capacity and/or energy to electric utilities in Canada.

PPL Susquehanna operates Units 1 and 2 pursuant to NRC operating licenses that expire in 2042 for Unit 1 and in 2044 for Unit 2.

In 2008, a PPL Energy Supply subsidiary, PPL Bell Bend, LLC, submitted a COLA to the NRC for a new nuclear generating unit (Bell Bend) to be built adjacent to the Susquehanna plant. Also in 2008, the COLA was formally docketed and accepted for review by the NRC. PPL Bell Bend, LLC does not expect to complete the COLA review process with the NRC prior to 2015. See Note 8 to Financial Statements for additional information.

PPL Holtwood operates the Holtwood hydroelectric generating plant pursuant to a FERC-granted license that expires in 2030. In October 2009, the FERC approved the request to expand the Holtwood plant. See Note 8 to the Financial Statements for additional information. PPL Holtwood operates the Wallenpaupack hydroelectric generating plant pursuant to a FERC-granted license that expires in 2044.

PPL's 11 hydroelectric facilities and one storage reservoir in Montana are licensed by the FERC. The Thompson Falls and Kerr licenses expire in 2025 and 2035, the licenses for the nine Missouri-Madison facilities expire in 2040, and the license for the Mystic facility expires in 2050.

In connection with the relicensing of these generating facilities, applicable law permits the FERC to relicense the original licensee or license a new licensee or allow the U.S. government to take over the facility. If the original licensee is not relicensed, it is compensated for its net investment in the facility, not to exceed the fair value of the property taken, plus reasonable damages to other property affected by the lack of relicensing. See Note 15 to the Financial Statements for additional information on the Kerr Dam license.

- ***Other Corporate Functions*** *(PPL)*

PPL Services provides corporate functions such as financial, legal, human resources and information technology services. Most of PPL Services' costs are charged directly to the respective PPL subsidiaries for the services provided or are indirectly charged to applicable subsidiaries based on an average of the subsidiaries' relative invested capital, operation and maintenance expenses and number of employees.

PPL Capital Funding, PPL's financing subsidiary, provides financing for the operations of PPL and certain subsidiaries, but PPL Capital Funding's costs are not charged to any Registrant other than PPL. PPL Capital Funding participated significantly in the financing for the acquisitions of LKE and WPD Midlands. The associated financing costs, as well as the financing costs associated with prior issuances of certain other PPL Capital Funding securities, have been and will continue to be assigned to the appropriate segments for purposes of PPL management's assessment of segment performance. PPL's recent growth in rate-regulated businesses provides the organization with an enhanced corporate level financing alternative, through PPL Capital Funding, that further enables PPL to support targeted credit profiles cost effectively across all of PPL's rated companies. As a result, PPL plans to further utilize PPL Capital Funding in addition to continued direct financing by the operating companies, as appropriate. Beginning in 2013, the proceeds and the financing costs associated primarily with PPL Capital Funding's future securities issuances are not expected to be directly assignable or allocable to any segment.

Also, the costs of certain other miscellaneous corporate level activities are not charged to any subsidiaries or allocated or assigned to any segment for purposes of assessing performance by PPL management.

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

SEASONALITY

The demand for and market prices of electricity and natural gas are affected by weather. As a result, the Registrants' operating results in the future may fluctuate substantially on a seasonal basis, especially when more severe weather conditions such as heat waves or extreme winter weather make such fluctuations more pronounced. The pattern of this fluctuation may change depending on the type and location of the facilities owned and the terms of contracts to purchase or sell electricity. See "Financial Condition - Liquidity and Capital Resources - Environmental Matters" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information regarding climate change.

FINANCIAL CONDITION

See the Registrants' "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for this information.

CAPITAL EXPENDITURE REQUIREMENTS

See "Financial Condition - Liquidity and Capital Resources - Forecasted Uses of Cash - Capital Expenditures" in the Registrants' "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for information concerning projected capital expenditure requirements for 2013 through 2017. See Note 15 to the Financial Statements for additional information concerning the potential impact on capital expenditures from environmental matters.

ENVIRONMENTAL MATTERS

The Registrants are subject to certain existing and developing federal, regional, state and local laws and regulations with respect to air and water quality, land use and other environmental matters. The EPA is in the process of proposing and finalizing an unprecedented number of environmental regulations that will directly affect the electricity industry. These initiatives cover air, water and waste. See "Financial Condition - Liquidity and Capital Resources - Forecasted Uses of Cash - Capital Expenditures" in the Registrants' "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for information concerning environmental capital expenditures during 2012 and projected environmental capital expenditures for the years 2013-2017. Also, see "Environmental Matters" in Note 15 to the Financial Statements for additional information. To comply with primarily air-related environmental requirements, PPL's forecast for capital expenditures reflects a best estimate projection of expenditures that may be required within the next five years. Such projections are $1.1 billion for LG&E, $1.2 billion for KU and $246 million for PPL Energy Supply. Actual costs (including capital, allowance purchases and operational modifications) may be significantly lower or higher depending on the final requirements and market conditions. Environmental compliance costs incurred by LG&E and KU are subject to recovery through a rate recovery mechanism. See Note 6 to the Financial Statements for additional information.

The Registrants are unable to predict the ultimate effect of evolving environmental laws and regulations upon their existing and proposed facilities and operations and competitive positions. In complying with statutes, regulations and actions by regulatory bodies involving environmental matters, including, among other things, air and water quality, GHG emissions, hazardous and solid waste management and disposal, and regulation of toxic substances, PPL's and LKE's subsidiaries may be required to modify, replace or cease operating certain of their facilities. PPL's and LKE's subsidiaries may also incur significant capital expenditures and operating expenses in amounts which are not now determinable but could be significant.

EMPLOYEE RELATIONS

At December 31, 2012, PPL and its subsidiaries had the following full-time employees.

PPL Energy Supply (a)	4,733
PPL Electric	2,311
LKE	
KU	931
LG&E	991
LKS	1,380
Total LKE	3,302
PPL Global (primarily WPD)	6,116
PPL Services and other	1,267
Total PPL	17,729

(a) Includes labor union employees of mechanical contracting subsidiaries, whose numbers tend to fluctuate due to the nature of this business.

Approximately 5,600 employees, or 48%, of PPL's domestic workforce are members of labor unions, with four IBEW labor unions representing approximately 4,300 employees. The bargaining agreement with the largest IBEW labor union, which expires in May 2014, covers approximately 1,500 PPL Electric, 1,600 PPL Energy Supply and 400 other employees. Approximately 700 employees of LG&E and 70 employees of KU are represented by an IBEW labor union. Both LG&E and KU have three-year labor agreements with the IBEW, which expire in November 2014 and August 2015. The KU IBEW agreement includes a wage reopener in 2014. Approximately 70 employees of KU are represented by a United Steelworkers of America (USWA) labor union, under an agreement that expires in August 2014. PPL Montana's largest bargaining unit, an IBEW labor union, represents approximately 260 employees at the Colstrip plant. The four-year labor agreement expires in April 2016. PPL Montana's second largest bargaining unit, also an IBEW labor union, represents approximately 80 employees at hydroelectric facilities and the Corette plant, under an agreement that expires in April 2013.

Approximately 3,900, or 64%, of PPL's U.K. workforce are members of labor unions. WPD recognizes four unions, the largest of which represents 41% of its union workforce. WPD's Electricity Business Agreement, which covers approximately 3,850 union employees, may be amended by agreement between WPD and the unions and is terminable with 12 months' notice by either side.

AVAILABLE INFORMATION

PPL's Internet website is www.pplweb.com. On the Investor Center page of that website, PPL provides access to all SEC filings of the Registrants (including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(d) or 15(d)) free of charge, as soon as reasonably practicable after filing with the SEC. Additionally, the Registrants' filings are available at the SEC's website (www.sec.gov) and at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549, or by calling 1-800-SEC-0330.

ITEM 1A. RISK FACTORS

The Registrants face various risks associated with their businesses. Our businesses, financial condition, cash flows or results of operations could be materially adversely affected by any of these risks. In addition, this report also contains forward-looking and other statements about our businesses that are subject to numerous risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 15 to the Financial Statements for more information concerning the risks described below and for other risks, uncertainties and factors that could impact our businesses and financial results.

As used in this Item 1A., the terms "we," "our" and "us" generally refer to PPL and its consolidated subsidiaries taken as a whole, or to PPL Energy Supply and its consolidated subsidiaries taken as a whole within the Supply segment discussions, or PPL Electric and its consolidated subsidiaries taken as a whole within the Pennsylvania Regulated segment discussion, or LKE and its consolidated subsidiaries taken as a whole within the Kentucky Regulated segment discussion.

Risks Related to All Segments

(*PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU*)

We plan to selectively pursue growth of generation, transmission and distribution capacity, which involves a number of uncertainties and may not achieve the desired financial results.

We plan to pursue expansion of our generation, transmission and distribution capacity over the next several years through power uprates at certain of our existing power plants, the potential construction of new power plants, the potential acquisition of existing plants, the potential construction or acquisition of transmission and distribution projects and capital investments to upgrade transmission and distribution infrastructure. We will rigorously scrutinize opportunities to expand our generating capability and may determine not to proceed with any expansion. These types of projects involve numerous risks. Any planned power uprates could result in cost overruns, reduced plant efficiency and higher operating and other costs. With respect to the construction of new plants, the acquisition of existing plants, or the construction or acquisition of transmission and distribution projects, we may be required to expend significant sums for preliminary engineering, permitting, resource exploration, legal and other expenses before it can be established whether a project is feasible, economically attractive or capable of being financed. Expansion in our regulated businesses is dependent on future load or service requirements and subject to applicable regulatory processes. The success of both a new or acquired project would likely be contingent, among other things, upon the negotiation of satisfactory operating contracts, obtaining acceptable financing and maintaining acceptable credit ratings, as well as receipt of required and appropriate governmental approvals. If we were unable to complete construction or expansion of a project, we may not be able to recover our investment in the project. Furthermore, we might be unable to operate any new or acquired plants as efficiently as projected, which could result in higher than projected operating and other costs and reduced earnings.

Adverse conditions in the economic and financial markets in which we operate could adversely affect our financial condition and results of operations.

Adverse conditions in the financial markets during 2008 and the associated contraction of liquidity in the wholesale energy markets contributed significantly to declines in wholesale energy prices, and has significantly impacted our earnings since the second half of 2008. The breadth and depth of these negative economic conditions had a wide-ranging impact on the U.S. and U.K. business environment, including our businesses. As a result of the economic downturn, demand for energy commodities declined significantly. This reduced demand continues to impact the key domestic wholesale energy markets we serve (such as PJM) and our Pennsylvania and Kentucky utility businesses. The combination of lower demand for power and increased supply of natural gas has put downward price pressure on wholesale energy markets in general, further impacting our energy marketing results. In general, current economic and commodity market conditions will continue to challenge predictability regarding our unhedged future energy margins, liquidity and overall financial condition.

Our businesses are heavily dependent on credit and capital, among other things, for capital expenditures and providing collateral to support hedging in our energy marketing business. Global bank credit capacity declined and the cost of renewing or establishing new credit facilities increased significantly in 2008, primarily as a result of general credit concerns nationwide, introducing uncertainties as to our businesses' ability to enter into long-term energy commitments or reliably estimate the longer-term cost and availability of credit. Although bank credit conditions have improved since mid-2009, and we currently expect to have adequate access to needed credit and capital based on current conditions, deterioration in the financial markets could adversely affect our financial condition and liquidity. Additionally, regulations to be adopted to implement the Dodd-Frank Act and Basel III in Europe may impose requirements on our businesses and the businesses of others with whom we contract such as banks or other counterparties, or simply result in increased costs to conduct our business or access sources of capital and liquidity upon which the conduct of our businesses is dependent.

Our operating revenues could fluctuate on a seasonal basis, especially as a result of extreme weather conditions.

Our businesses are subject to seasonal demand cycles. For example, in some markets demand for, and market prices of, electricity peak during hot summer months, while in other markets such peaks occur in cold winter months. As a result, our overall operating results in the future may fluctuate substantially on a seasonal basis if weather conditions such as heat waves, extreme cold, unseasonably mild weather or severe storms occur. The patterns of these fluctuations may change depending on the type and location of our facilities and the terms of our contracts to sell electricity.

Operating expenses could be affected by weather conditions, including storms, as well as by significant man-made or accidental disturbances, including terrorism or natural disasters.

Weather and these other factors can significantly affect our profitability or operations by causing outages, damaging infrastructure and requiring significant repair costs. Storm outages and damage often either or both directly decrease revenues and increase expenses, due to reduced usage and higher restoration charges. In addition, weather and other disturbances may affect capital markets and general economic conditions and impact future growth.

Our businesses are subject to physical, market and economic risks relating to potential effects of climate change.

Climate change may produce changes in weather or other environmental conditions, including temperature or precipitation levels, and thus may impact consumer demand for electric power. Temperature increases could result in increased summer or decreased winter overall electricity consumption and precipitation changes could result in altered availability of water for hydro generation or plant cooling operations. These or other meteorological changes could lead to increased operating costs, capital expenses or power purchase costs. Greenhouse gas regulation could increase the cost of electric power, particularly power generated by fossil fuels, and such increases could have a depressive effect on regional economies. Reduced economic and consumer activity in our service areas -- both generally and specific to certain industries and consumers accustomed to previously lower cost power -- could reduce demand for the power we generate, market and deliver. Also, demand for our energy-related services could be similarly lowered should consumers' preferences or market factors move toward favoring energy efficiency, low-carbon power sources or reduced electric usage.

We cannot predict the outcome of the legal proceedings and investigations currently being conducted with respect to our current and past business activities. An adverse determination could have a material adverse effect on our financial condition, results of operations or cash flows.

We are involved in legal proceedings, claims and litigation and subject to ongoing state and federal investigations arising out of our business operations, the most significant of which are summarized in "Legal Matters," "Regulatory Issues" and "Environmental Matters - Domestic" in Note 15 to the Financial Statements. We cannot predict the ultimate outcome of these matters, nor can we reasonably estimate the costs or liabilities that could potentially result from a negative outcome in each case.

We could be negatively affected by rising interest rates, downgrades to our bond credit ratings or other negative developments in our ability to access capital markets.

In the ordinary course of business, we are reliant upon adequate long-term and short-term financing to fund our significant capital expenditures, debt service and operating needs. As a capital-intensive business, we are sensitive to developments in interest rate levels; credit rating considerations; insurance, security or collateral requirements; market liquidity and credit availability and refinancing opportunities necessary or advisable to respond to credit market changes. Changes in these conditions could result in increased costs and decreased liquidity to our regulated utility businesses.

A downgrade in our credit ratings could negatively affect our ability to access capital and increase the cost of maintaining our credit facilities and any new debt.

Credit ratings assigned by Moody's, Fitch and S&P to our businesses and their financial obligations have a significant impact on the cost of capital incurred by our businesses. Although we do not expect these ratings to limit our ability to fund short-term liquidity needs or access new long-term debt, any ratings downgrade could increase our short-term borrowing costs and negatively affect our ability to fund short-term liquidity needs and access new long-term debt. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition - Liquidity and Capital Resources - Ratings Triggers" for additional information on the impact of a downgrade in our credit rating.

Significant increases in our operation and maintenance expenses, including health care and pension costs, could adversely affect our future earnings and liquidity.

We continually focus on limiting and reducing where possible our operation and maintenance expenses. However, we expect to continue to face increased cost pressures in our operations. Increased costs of materials and labor may result from general inflation, increased regulatory requirements (especially in respect of environmental regulations), the need for higher-cost expertise in the workforce or other factors. In addition, pursuant to collective bargaining agreements, we are contractually committed to provide specified levels of health care and pension benefits to certain current employees and retirees. We provide a similar level of benefits to our management employees. These benefits give rise to significant expenses. Due to general inflation with respect to such costs, the aging demographics of our workforce and other factors, we have experienced significant health care cost inflation in recent years, and we expect our health care costs, including prescription drug coverage, to continue to increase despite measures that we have taken and expect to take to require employees and retirees to bear a higher portion of the costs of their health care benefits. In addition, we expect to continue to incur significant costs with respect to the defined benefit pension plans for our employees and retirees. The measurement of our expected future health care and pension obligations, costs and liabilities is highly dependent on a variety of assumptions, most of which relate to factors beyond our control. These assumptions include investment returns, interest rates, health care cost trends, inflation rates, benefit improvements, salary increases and the demographics of plan participants. If our assumptions prove to be inaccurate, our future costs and cash contribution requirements to fund these benefits could increase significantly.

We may be required to record impairment charges in the future for certain of our investments, which could adversely affect our earnings.

Under GAAP, we are required to test our recorded goodwill for impairment on an annual basis, or more frequently if events or circumstances indicate that these assets may be impaired. Although no goodwill impairments were recorded based on our annual review in the fourth quarter of 2012, we are unable to predict whether future impairment charges may be necessary.

We also review our long-lived assets, including equity investments, for impairment when events or circumstances indicate that the carrying value of these assets may not be recoverable. See Notes 1, 9 and 18 to the Financial Statements for additional information on impairment charges taken during the reporting periods. We are unable to predict whether impairment charges, or other losses on sales of other assets or businesses, may occur in future years.

We may incur liabilities in connection with discontinued operations.

In connection with various divestitures, we have indemnified or guaranteed parties against certain liabilities and with respect to certain transactions. These indemnities and guarantees relate, among other things, to liabilities which may arise with respect to the period during which we or our subsidiaries operated the divested business, and to certain ongoing contractual relationships and entitlements with respect to which we or our subsidiaries made commitments in connection with the divestiture.

We are subject to liability risks relating to our generation, transmission and distribution businesses.

The conduct of our physical and commercial operations subjects us to many risks, including risks of potential physical injury, property damage or other financial liability, caused to or by employees, customers, contractors, vendors, contractual or financial counterparties and other third parties.

Our facilities may not operate as planned, which may increase our expenses and decrease our revenues and have an adverse effect on our financial performance.

Operation of power plants, transmission and distribution facilities, information technology systems and other assets and activities subjects us to a variety of risks, including the breakdown or failure of equipment, accidents, security breaches, viruses or outages affecting information technology systems, labor disputes, obsolescence, delivery/transportation problems and disruptions of fuel supply and performance below expected levels. These events may impact our ability to conduct our businesses efficiently and lead to increased costs, expenses or losses. Operation of our delivery systems below our expectations may result in lost revenue and increased expense, including higher maintenance costs which may not be recoverable from customers. Planned and unplanned outages at our power plants may require us to purchase power at then-current market prices to satisfy our commitments or, in the alternative, pay penalties and damages for failure to satisfy them.

Although we maintain customary insurance coverage for certain of these risks, no assurance can be given that such insurance coverage will be sufficient to compensate us fully in the event losses occur.

The operation of our businesses is subject to cyber-based security and integrity risk.

Numerous functions affecting the efficient operation of our businesses are dependent on the secure and reliable storage, processing and communication of electronic data and the use of sophisticated computer hardware and software systems. The operation of our generation plants, including the Susquehanna nuclear plant, and of our energy and fuel trading businesses, as well as our transmission and distribution operations are all reliant on cyber-based technologies and, therefore, subject to the risk that such systems could be the target of disruptive actions, principally by terrorists or vandals, or otherwise be compromised by unintentional events. As a result, operations could be interrupted, property could be damaged and customer information lost or stolen, causing us to incur significant losses of revenues, other substantial liabilities and damages and costs to replace or repair damaged equipment.

We are subject to risks associated with federal and state tax laws and regulations.

Changes in tax law as well as the inherent difficulty in quantifying potential tax effects of business decisions could negatively impact our results of operations. We are required to make judgments in order to estimate our obligations to taxing authorities. These tax obligations include income, property, sales and use, employment-related and other taxes. We also estimate our ability to utilize tax benefits and tax credits. Due to the revenue needs of the jurisdictions in which our businesses operate, various tax and fee increases may be proposed or considered. We cannot predict whether such tax legislation or regulation will be introduced or enacted or the effect of any such changes on our businesses. If enacted, any changes could increase tax expense and could have a significant negative impact on our results of operations and cash flows.

We are subject to the risk that our workforce and its knowledge base may become depleted in coming years.

PPL is experiencing an increase in attrition due primarily to the number of retiring employees. Over the period from 2014 through 2018, 23.5% of PPL's total workforce is projected to leave the company, with the risk that critical knowledge will be lost and that it may be difficult to replace departed personnel due to a declining trend in the number of available skilled workers and an increase in competition for such workers.

(PPL, PPL Energy Supply and LKE)

Risk Related to Registrant Holding Companies

PPL's, PPL Energy Supply's and LKE's cash flows and ability to meet their obligations with respect to indebtedness and under guarantees, and PPL's ability to pay dividends, largely depends on the financial performance of their subsidiaries and, as a result, is effectively subordinated to all existing and future liabilities of those subsidiaries.

PPL, PPL Energy Supply and LKE are holding companies and conduct their operations primarily through subsidiaries. Substantially all of the consolidated assets of these Registrants are held by such subsidiaries. Accordingly, their cash flows and ability to meet their debt and guaranty obligations, as well as PPL's ability to pay dividends, are largely dependent upon the earnings of those subsidiaries and the distribution or other payment of such earnings in the form of dividends, distributions, loans or advances or repayment of loans and advances. The subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts due from their parents or to make any funds available for such a payment. The ability of the subsidiaries of the Registrants to pay dividends or distributions to such Registrants in the future will depend on the subsidiaries' future earnings and cash flows and the needs of their businesses, and may be restricted by their obligations to holders of their outstanding debt and other creditors, as well as any contractual or legal restrictions in effect at such time, including the requirements of state corporate law applicable to payment of dividends and distributions, and regulatory requirements, including restrictions on the ability of PPL Electric, LG&E and KU to pay dividends under Section 305(a) of the Federal Power Act.

Because PPL, PPL Energy Supply and LKE are holding companies, their debt and guaranty obligations are effectively subordinated to all existing and future liabilities of their subsidiaries. Therefore, PPL's, PPL Energy Supply's and LKE's rights and the rights of their creditors, including rights of any debt holders, to participate in the assets of any of their subsidiaries, in the event that such a subsidiary is liquidated or reorganized, will be subject to the prior claims of such subsidiary's creditors. Although certain agreements to which certain subsidiaries are parties limit their ability to incur additional indebtedness, PPL, PPL Energy Supply and LKE and their subsidiaries retain the ability to incur substantial additional indebtedness and other liabilities. In addition, if PPL elects to receive distributions of earnings from its foreign operations, PPL may incur U.S. income taxes, net of any available foreign tax credits, on such amounts.

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

Risks Related to Domestic Regulated Utility Operations

Our domestic regulated utility businesses face many of the same risks, in addition to those risks that are unique to the Kentucky Regulated segment and the Pennsylvania Regulated segment. Set forth below are risk factors common to both domestic regulated segments, followed by sections identifying separately the risks specific to each of these segments.

Our profitability is highly dependent on our ability to recover the costs of providing energy and utility services to our customers and earn an adequate return on our capital investments. Regulators may not approve the rates we request.

We currently provide services to our utility customers at rates approved by one or more federal or state regulatory commissions, including those commissions referred to below. While such regulation is generally premised on the recovery of prudently incurred costs and a reasonable rate of return on invested capital, the rates that we may charge our regulated generation, transmission and distribution customers are subject to authorization of the applicable regulatory authorities. There can be no assurance that such regulatory authorities will consider all of our costs to have been prudently incurred or that the regulatory process by which rates are determined will always result in rates that achieve full recovery of our costs or an adequate return on our capital investments. While our rates are generally regulated based on an analysis of our costs incurred in a base year or based on future projected costs, the rates we are allowed to charge may or may not match our costs at any given time. Our regulated utility businesses are subject to substantial capital expenditure requirements over the next several years, which will likely require rate increase requests to the regulators. If our costs are not adequately recovered through rates, it could have an adverse effect on our business, results of operations, cash flows and financial condition.

Our domestic utility businesses are subject to significant and complex governmental regulation.

Various federal and state entities, including but not limited to the FERC, KPSC, VSCC, TRA and PUC regulate many aspects of the domestic utility operations of PPL, including:

- the rates that we may charge and the terms and conditions of our service and operations;
- financial and capital structure matters;
- siting, construction and operation of facilities;
- mandatory reliability and safety standards and other standards of conduct;
- accounting, depreciation and cost allocation methodologies;
- tax matters;
- affiliate restrictions;
- acquisition and disposal of utility assets and securities; and
- various other matters.

Such regulations or changes thereto may subject us to higher operating costs or increased capital expenditures and failure to comply could result in sanctions or possible penalties. In any rate-setting proceedings, federal or state agencies, intervenors and other permitted parties may challenge our rate requests, and ultimately reduce, alter or limit the rates we seek.

We could be subject to higher costs and/or penalties related to mandatory reliability standards.

Under the Energy Policy Act of 2005, owners and operators of the bulk power electricity system are now subject to mandatory reliability standards promulgated by the NERC and enforced by the FERC. Compliance with reliability standards may subject us to higher operating costs and/or increased capital expenditures, and violations of these standards could result in substantial penalties which may not be recoverable from customers.

Changes in transmission and wholesale power market structures could increase costs or reduce revenues.

Wholesale revenues fluctuate with regional demand, fuel prices and contracted capacity. Changes to transmission and wholesale power market structures and prices may occur in the future, are not predictable and may result in unforeseen effects on energy purchases and sales, transmission and related costs or revenues. These can include commercial or regulatory changes affecting power pools, exchanges or markets in which PPL participates.

Our domestic regulated businesses undertake significant capital projects and these activities are subject to unforeseen costs, delays or failures, as well as risk of inadequate recovery of resulting costs.

The domestic regulated utility businesses are capital intensive and require significant investments in energy generation (in the case of LG&E and KU) and transmission, distribution and other infrastructure projects, such as projects for environmental compliance and system reliability. The completion of these projects without delays or cost overruns is subject to risks in many areas, including:

- approval, licensing and permitting;
- land acquisition and the availability of suitable land;
- skilled labor or equipment shortages;
- construction problems or delays, including disputes with third party intervenors;
- increases in commodity prices or labor rates;
- contractor performance;
- environmental considerations and regulations;
- weather and geological issues; and
- political, labor and regulatory developments.

Failure to complete our capital projects on schedule or on budget, or at all, could adversely affect our financial performance, operations and future growth if such expenditures are not granted rate recovery by our regulators.

Risks Specific to Kentucky Regulated Segment

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

The costs of compliance with, and liabilities under, environmental laws are significant and are subject to continuing changes.

Extensive federal, state and local environmental laws and regulations are applicable to LG&E's and KU's generation business, including its air emissions, water discharges and the management of hazardous and solid waste, among other business-related activities; and the costs of compliance or alleged non-compliance cannot be predicted but could be material. In addition, our costs may increase significantly if the requirements or scope of environmental laws, regulations or similar rules are expanded or changed. Costs may take the form of increased capital expenditures or operating and maintenance expenses, monetary fines, penalties or forfeitures or other restrictions. Many of these environmental law considerations are also applicable to the operations of our key suppliers, or customers, such as coal producers and industrial power users, and may impact the costs of their products and demand for our services.

Ongoing changes in environmental regulations or their implementation requirements and our compliance strategies relating thereto entail a number of uncertainties.

The environmental standards governing LG&E's and KU's businesses, particularly as applicable to coal-fired generation and related activities, continue to be subject to uncertainties due to ongoing rulemakings and other regulatory developments, legislative activities and litigation. The uncertainties associated with these developments introduce risks to our management of operations and regulatory compliance. Environmental developments, including revisions to applicable standards, changes in compliance deadlines and invalidation of rules on appeal may require major changes in compliance strategies, operations or assets and adjustments to prior plans. Depending on the extent, frequency and timing of such changes, the companies may be subject to inconsistent requirements under multiple regulatory programs, compressed windows for decision-making and short compliance deadlines that may require aggressive schedules for construction, permitting, and other regulatory approvals. Under such circumstances, the companies may face higher risks of unsuccessful implementation of environmental-related business plans, noncompliance with applicable environmental rules, or increased costs of implementation.

Risks Specific to Pennsylvania Regulated Segment

(*PPL and PPL Electric*)

We may be subject to higher transmission costs and other risks as a result of PJM's regional transmission expansion plan (RTEP) process.

PJM and the FERC have the authority to require upgrades or expansion of the regional transmission grid, which can result in substantial expenditures for transmission owners. As discussed in Note 8 to the Financial Statements, we expect to make substantial expenditures to construct the Susquehanna-Roseland transmission line that PJM has determined is necessary for the reliability of the regional transmission grid. Although the FERC has granted our request for incentive rate treatment of such facilities, we cannot be certain that all costs that we may incur will be recoverable. In addition, the date when these facilities will be in service, which can be significantly impacted by delays related to public opposition or other factors, is subject to the outcome of future events that are not all within our control. As a result, we cannot predict the ultimate financial or operational impact of this project or other RTEP projects on PPL Electric.

We could be subject to higher costs and/or penalties related to Pennsylvania Conservation and Energy Efficiency Programs.

PPL Electric is subject to Act 129 which contains requirements for energy efficiency and conservation programs and for the use of smart metering technology, imposes new PLR electricity supply procurement rules, provides remedies for market misconduct, and made changes to the existing AEPS. The law also requires electric utilities to meet specified goals for reduction in customer electricity usage and peak demand by specified dates (2011 and 2013 for Phase 1 and by 2016 for Phase 2). Utilities not meeting these requirements of Act 129 are subject to significant penalties that cannot be recovered in rates. Numerous factors outside of our control could prevent compliance with these requirements and result in penalties to us.

(*PPL*)

Risks Related to U.K. Regulated Segment

Our U.K. delivery business is subject to risks with respect to rate regulation and operational performance.

Our U.K. delivery business is rate-regulated and operates under an incentive-based regulatory framework. In addition, its ability to manage operational risk is critical to its financial performance. Disruption to the distribution network could reduce profitability both directly through the higher costs for network restoration and also through the system of penalties and rewards that Ofgem has in place relating to customer service levels.

In December 2009, Ofgem completed its rate review for the five-year period from April 1, 2010 through March 31, 2015, reducing regulatory rate uncertainty in the U.K. Regulated segment until the next rate review which will be effective April 1, 2015. The regulated income of the U.K. Regulated segment and also the RAV are to some extent linked to movements in the Retail Price Index (RPI), a measure of inflation. Reductions in the RPI would adversely impact revenues and the debt-to-RAV ratio.

Our U.K. distribution business exposes us to risks related to U.K. laws and regulations, taxes, economic conditions, foreign currency exchange rate fluctuations, and political conditions and policies of the U.K. government. These risks may reduce the results of operations from our U.K. distribution business:

- changes in laws or regulations relating to U.K. operations, including tax laws and regulations;
- changes in government policies, personnel or approval requirements;
- changes in general economic conditions affecting the U.K.;
- regulatory reviews of tariffs for distribution companies;
- severe weather and natural disaster impacts on the electric sector and our assets;
- changes in labor relations;
- limitations on foreign investment or ownership of projects and returns or distributions to foreign investors;
- limitations on the ability of foreign companies to borrow money from foreign lenders and lack of local capital or loans;
- fluctuations in foreign currency exchange rates and in converting U.K. revenues to U.S. dollars, which can increase our expenses and/or impair our ability to meet such expenses, and difficulty moving funds out of the country in which the funds were earned; and
- compliance with U.S. foreign corrupt practices laws.

The WPD Midlands acquisition may not achieve its intended results, including anticipated cost savings, efficiencies and other benefits.

Although we completed the WPD Midlands acquisition with the expectation that it will result in various benefits, including a significant amount of cost savings and other financial and operational benefits, there can be no assurance regarding the extent to which we will be able to realize these cost-savings or other benefits. Achieving the anticipated benefits, including cost savings, is subject to a number of uncertainties, including whether the businesses acquired can be operated in the manner we intend. Events outside of our control, including but not limited to regulatory changes or developments in the U.K., could also adversely affect our ability to realize the anticipated benefits from the WPD Midlands acquisition.

The WPD Midlands acquisition exposes us to additional risks and uncertainties with respect to the acquired businesses and their operations.

Although the WPD Midlands acquisition increased our relative investment in regulated operations, which we believe should help mitigate our exposure to downturns in the wholesale power markets, it will increase our dependence on rate-of-return regulation.

The WPD businesses generally are subject to risks similar to those to which we were subject in our pre-acquisition U.K. businesses. These include:

- There are various changes being contemplated by Ofgem to the current electricity distribution, gas transmission and gas distribution regulatory frameworks in the U.K. and there can be no assurance as to the effects such changes will have on our U.K. regulated businesses in the future, including the acquired businesses. In particular, in October 2010, Ofgem announced a new regulatory framework that is expected to become effective in April 2015 for the electricity distribution sector in the U.K. The framework, known as RIIO (Revenues = Incentives + Innovation + Outputs), focuses on sustainability, environmental-focused output measures, promotion of low carbon energy networks and financing of new investments. The new regulatory framework is expected to have a wide-ranging effect on electricity distribution companies operating in the U.K., including changes to price controls and price review periods. Our U.K. regulated businesses' compliance with this new regulatory framework may result in significant additional capital expenditures, increases in operating and compliance costs and adjustments to our pricing models.

- Ofgem has formal powers to propose modifications to each distribution license. We are not currently aware of any planned modification to any of our U.K. regulated businesses distribution licenses that would result in a material adverse change to the U.K. regulated businesses and PPL. There can, however, be no assurance that a restrictive modification will not be introduced in the future, which could have an adverse effect on the operations and financial condition of the U.K. regulated businesses and PPL.

- A failure to operate our U.K. networks properly could lead to compensation payments or penalties, or a failure to make capital expenditures in line with agreed investment programs could lead to deterioration of the network. While our U.K. regulated businesses' investment programs are targeted to maintain asset conditions over a five-year period and reduce customer interruptions and customer minutes lost over that period, no assurance can be provided that these regulatory requirements will be met.

- A failure by any of our U.K. regulated businesses to comply with the terms of a distribution license may lead to the issuance of an enforcement order by Ofgem that could have an adverse impact on PPL. Ofgem has powers to levy fines of up to 10 percent of revenue for any breach of a distribution license or, in certain circumstances, such as insolvency, the distribution license itself may be revoked. Unless terminated in the circumstances mentioned above, a distribution license continues indefinitely until revoked by Ofgem following no less than 25 years' written notice.

- We will be subject to increased foreign currency exchange rate risks because a greater portion of our cash flows and reported earnings will be generated by our U.K. business operations. These risks relate primarily to changes in the relative value of the British pound sterling and the U.S. dollar between the time we initially invest U.S. dollars in our U.K. businesses and the time that cash is repatriated to the U.S. from the U.K., including cash flows from our U.K. businesses that may be distributed as future dividends to our shareholders or repayments of intercompany loans. In addition, our consolidated reported earnings on a U.S. GAAP basis may be subject to increased earnings translation risk, which is the result of the conversion of earnings as reported in our U.K. businesses on a British pound sterling basis to a U.S. dollar basis in accordance with U.S. GAAP requirements.

- Environmental costs and liabilities associated with aspects of the acquired businesses may differ from those of our existing business.

Risks Related to Supply Segment

(*PPL and PPL Energy Supply*)

We face intense competition in our energy supply business, which may adversely affect our ability to operate profitably.

Unlike our regulated utility businesses, our energy supply business is dependent on our ability to operate in a competitive environment and is not assured of any rate of return on capital investments through a predetermined rate structure. Competition is impacted by electricity and fuel prices, new market entrants, construction by others of generating assets and transmission capacity, technological advances in power generation, the actions of environmental and other regulatory authorities and other factors. These competitive factors may negatively impact our ability to sell electricity and related products and services, as well as the prices that we may charge for such products and services, which could adversely affect our results of operations and our ability to grow our business.

We sell our available energy and capacity into the competitive wholesale markets through contracts of varying duration. Competition in the wholesale power markets occurs principally on the basis of the price of products and, to a lesser extent, on the basis of reliability and availability. We believe that the commencement of commercial operation of new electricity generating facilities in the regional markets where we own or control generation capacity and the evolution of demand side management resources will continue to increase competition in the wholesale electricity market in those regions, which could have an adverse effect on capacity prices and the prices we receive for electricity.

We also face competition in the wholesale markets for electricity capacity and ancillary services. We primarily compete with other electricity suppliers based on our ability to aggregate supplies at competitive prices from different sources and to efficiently utilize transportation from third-party pipelines and transmission from electric utilities and ISOs. We also compete against other energy marketers on the basis of relative financial condition and access to credit sources, and our competitors may have greater financial resources than we have.

Competitors in the wholesale power markets in which PPL Generation subsidiaries and PPL EnergyPlus operate include regulated utilities, industrial companies, non-utility generators, competitive subsidiaries of regulated utilities and financial institutions.

Adverse changes in commodity prices and related costs may decrease our future energy margins, which could adversely affect our earnings and cash flows.

Our energy margins, or the amount by which our revenues from the sale of power exceed our costs to supply power, are impacted by changes in market prices for electricity, fuel, fuel transportation, emission allowances, RECs, electricity transmission and related congestion charges and other costs. Unlike most commodities, the limited ability to store electric power requires that it must be consumed at the time of production. As a result, wholesale market prices for electricity may fluctuate substantially over relatively short periods of time and can be unpredictable. Among the factors that influence such prices are:

- demand for electricity;
- supply and demand for electricity available from current or new generation resources;
- variable production costs, primarily fuel (and the associated fuel transportation costs) and emission allowance expense for the generation resources used to meet the demand for electricity;
- transmission capacity and service into, or out of, markets served;
- changes in the regulatory framework for wholesale power markets;
- liquidity in the wholesale electricity market, as well as general creditworthiness of key participants in the market; and
- weather and economic conditions impacting demand for or the price of electricity or the facilities necessary to deliver electricity.

We do not always hedge against risks associated with electricity and fuel price volatility.

We attempt to mitigate risks associated with satisfying our contractual electricity sales obligations by either reserving generation capacity to deliver electricity or purchasing the necessary financial or physical products and services through competitive markets to satisfy our net firm sales contracts. We also routinely enter into contracts, such as fuel and electricity purchase and sale commitments, to hedge our exposure to fuel requirements and other electricity-related commodities. However, based on economic and other considerations, we may decide not to hedge the entire exposure of our operations from commodity price risk. To the extent we do not hedge against commodity price risk, our results of operations and financial position may be adversely affected.

We are exposed to operational, price and credit risks associated with selling and marketing products in the wholesale and retail electricity markets.

We purchase and sell electricity in wholesale markets under market-based tariffs authorized by FERC throughout the U.S. and also enter into short-term agreements to market available electricity and capacity from our generation assets with the expectation of profiting from market price fluctuations. If we are unable to deliver firm capacity and electricity under these agreements, we could be required to pay damages. These damages would generally be based on the difference between the market price to acquire replacement capacity or electricity and the contract price of any undelivered capacity or electricity. Depending on price volatility in the wholesale electricity markets, such damages could be significant. Extreme weather conditions, unplanned generation facility outages, environmental compliance costs, transmission disruptions, and other factors could affect our ability to meet our obligations, or cause significant increases in the market price of replacement capacity and electricity.

Our wholesale power agreements typically include provisions requiring us to post collateral for the benefit of our counterparties if the market price of energy varies from the contract prices in excess of certain pre-determined amounts. We currently believe that we have sufficient credit to fulfill our potential collateral obligations under these power contracts. However, our obligation to post collateral could exceed the amount of our facilities or our ability to increase our facilities could be limited by financial markets or other factors. See Note 7 to the Financial Statements for a discussion of PPL's credit facilities.

We also face credit risk that parties with whom we contract in both the wholesale and retail markets will default in their performance, in which case we may have to sell our electricity into a lower-priced market or make purchases in a higher-priced market than existed at the time of contract. Whenever feasible, we attempt to mitigate these risks using various means, including agreements that require our counterparties to post collateral for our benefit if the market price of energy varies from the contract price in excess of certain pre-determined amounts. However, there can be no assurance that we will avoid counterparty nonperformance risk, including bankruptcy, which could adversely impact our ability to meet our obligations to other parties, which could in turn subject us to claims for damages.

The load following contracts that PPL EnergyPlus is awarded do not provide for specific levels of load and actual load significantly below or above our forecasts could adversely affect our energy margins.

We generally hedge our load following obligations with energy purchases from third parties, and to a lesser extent with our own generation. If the actual load is significantly lower than the expected load, we may be required to resell power at a lower price than was contracted for to supply the load obligation, resulting in a financial loss. Alternatively, a significant increase in load could adversely affect our energy margins because we are required under the terms of the load following contracts to provide the energy necessary to fulfill increased demand at the contract price, which could be lower than the cost to procure additional energy on the open market. Therefore, any significant decrease or increase in load compared with our forecasts could have a material adverse effect on our results of operations and financial position.

We may experience disruptions in our fuel supply, which could adversely affect our ability to operate our generation facilities.

We purchase fuel from a number of suppliers. Disruption in the delivery of fuel and other products consumed during the production of electricity (such as coal, natural gas, oil, water, uranium, lime, limestone and other chemicals), including disruptions as a result of weather, transportation difficulties, global demand and supply dynamics, labor relations, environmental regulations or the financial viability of our fuel suppliers, could adversely affect our ability to operate our facilities, which could result in lower sales and/or higher costs and thereby adversely affect our results of operations.

Unforeseen changes in the price of coal and natural gas could cause us to incur excess coal inventories and contract termination costs.

Extraordinarily low natural gas prices during 2012 caused natural gas to be the more cost competitive fuel compared to coal for generating electricity. Because we enter into guaranteed supply contracts to provide for the amount of coal needed to operate our base load coal-fired generating facilities, we may experience periods where we hold excess amounts of coal if fuel pricing results in our reducing or idling coal-fired generating facilities in favor of operating available alternative natural gas-fired generating facilities. In addition, we may incur costs to terminate supply contracts for coal in excess of our generating requirements.

Our risk management policy and programs relating to electricity and fuel prices, interest rates and counterparty credit and non-performance risks may not work as planned, and we may suffer economic losses despite such programs.

We actively manage the market risk inherent in our generation and energy marketing activities, as well as our debt and counterparty credit positions. We have implemented procedures to monitor compliance with our risk management policy and programs, including independent validation of transaction and market prices, verification of risk and transaction limits, portfolio stress tests, sensitivity analyses and daily portfolio reporting of various risk management metrics. Nonetheless, our risk management programs may not work as planned. For example, actual electricity and fuel prices may be significantly different or more volatile than the historical trends and assumptions upon which we based our risk management calculations. Additionally, unforeseen market disruptions could decrease market depth and liquidity, negatively impacting our ability to enter into new transactions. We enter into financial contracts to hedge commodity basis risk, and as a result are exposed to the risk that the correlation between delivery points could change with actual physical delivery. Similarly, interest rates or foreign currency exchange rates could change in significant ways that our risk management procedures were not designed to address. As a result, we cannot always predict the impact that our risk management decisions may have on us if actual events result in greater losses or costs than our risk models predict or greater volatility in our earnings and financial position.

In addition, our trading, marketing and hedging activities are exposed to counterparty credit risk and market liquidity risk. We have adopted a credit risk management policy and program to evaluate counterparty credit risk. However, if counterparties fail to perform, we may be forced to enter into alternative arrangements at then-current market prices. In that event, our financial results are likely to be adversely affected.

Our costs to comply with existing and new environmental laws are expected to continue to be significant, and we plan to incur significant capital expenditures for pollution control improvements that, if delayed, would adversely affect our profitability and liquidity.

Our business is subject to extensive federal, state and local statutes, rules and regulations relating to environmental protection. To comply with existing and future environmental requirements and as a result of voluntary pollution control measures we may take, we have spent and expect to spend substantial amounts in the future on environmental control and compliance.

In order to comply with existing and previously proposed federal and state environmental laws and regulations primarily governing air emissions from coal-fired plants, since 2005 PPL has spent more than $1.6 billion to install scrubbers and other pollution control equipment (primarily aimed at sulfur dioxide, particulate matter and nitrogen oxides with co-benefits for mercury emissions reduction) in its competitive generation fleet. Many states and environmental groups have challenged certain federal laws and regulations relating to air emissions as not being sufficiently strict. As a result, state and federal regulations have been adopted that would impose more stringent restrictions than are currently in effect, which could require us significantly to increase capital expenditures for additional pollution control equipment.

We may not be able to obtain or maintain all environmental regulatory approvals necessary for our planned capital projects which are necessary to our business. If there is a delay in obtaining any required environmental regulatory approval or if we fail to obtain, maintain or comply with any such approval, operations at our affected facilities could be halted, reduced or subjected to additional costs. Furthermore, at some of our older generating facilities it may be uneconomic for us to install necessary pollution control equipment, which could cause us to retire those units.

For more information regarding environmental matters, including existing and proposed federal, state and local statutes, rules and regulations to which we are subject, see "Environmental Matters - Domestic" in Note 15 to the Financial Statements.

We rely on transmission and distribution assets that we do not own or control to deliver our wholesale electricity. If transmission is disrupted, or not operated efficiently, or if capacity is inadequate, our ability to sell and deliver power may be hindered.

We depend on transmission and distribution facilities owned and operated by utilities and other energy companies to deliver the electricity and natural gas we sell in the wholesale market, as well as the natural gas we purchase for use in our electricity generation facilities. If transmission is disrupted (as a result of weather, natural disasters or other reasons) or not operated efficiently by ISOs and RTOs, in applicable markets, or if capacity is inadequate, our ability to sell and deliver products and satisfy our contractual obligations may be hindered, or we may be unable to sell products at the most favorable terms.

The FERC has issued regulations that require wholesale electric transmission services to be offered on an open-access, non-discriminatory basis. Although these regulations are designed to encourage competition in wholesale market transactions for electricity, there is the potential that fair and equal access to transmission systems will not be available or that transmission capacity will not be available in the amounts we require. We cannot predict the timing of industry changes as a result of these initiatives or the adequacy of transmission facilities in specific markets or whether ISOs and RTOs in applicable markets will efficiently operate transmission networks and provide related services.

Despite federal and state deregulation initiatives, our supply business is still subject to extensive regulation, which may increase our costs, reduce our revenues, or prevent or delay operation of our facilities.

Our generation subsidiaries sell electricity into the wholesale market. Generally, our generation subsidiaries and our marketing subsidiaries are subject to regulation by the FERC. The FERC has authorized us to sell generation from our facilities and power from our marketing subsidiaries at market-based prices. The FERC retains the authority to modify or withdraw our market-based rate authority and to impose "cost of service" rates if it determines that the market is not competitive, that we possess market power or that we are not charging just and reasonable rates. Any reduction by the FERC in the rates we may receive or any unfavorable regulation of our business by state regulators could materially adversely affect our results of operations. See "FERC Market-Based Rate Authority" in Note 15 to the Financial Statements for information regarding recent court decisions that could impact the FERC's market-based rate authority program.

In addition, the acquisition, construction, ownership and operation of electricity generation facilities require numerous permits, approvals, licenses and certificates from federal, state and local governmental agencies. We may not be able to obtain or maintain all required regulatory approvals. If there is a delay in obtaining any required regulatory approvals or if we fail to obtain or maintain any required approval or fail to comply with any applicable law or regulation, the operation of our assets and our sales of electricity could be prevented or delayed or become subject to additional costs.

If market deregulation is reversed or discontinued, our business prospects and financial condition could be materially adversely affected.

In some markets, state legislators, government agencies and other interested parties have made proposals to change the use of market-based pricing, re-regulate areas of these markets that have previously been competitive or permit electricity delivery companies to construct, contract for, or acquire generating facilities. The ISOs that oversee the transmission systems in certain wholesale electricity markets have from time to time been authorized to impose price limitations and other mechanisms to address extremely high prices in the power markets. These types of price limitations and other mechanisms may reduce profits that our wholesale power marketing and trading business would have realized under competitive market conditions absent such limitations and mechanisms. Although we generally expect electricity markets to continue to be competitive, other proposals to re-regulate our industry may be made, and legislative or other actions affecting the electric power restructuring process may cause the process to be delayed, discontinued or reversed in states in which we currently, or may in the future, operate. See "New Jersey Capacity Legislation" and "Maryland Capacity Order" in Note 15 to the Financial Statements.

Changes in technology may negatively impact the value of our power plants.

A basic premise of our generation business is that generating electricity at central power plants achieves economies of scale and produces electricity at relatively low prices. There are alternate technologies to produce electricity, most notably fuel cells, micro turbines, windmills and photovoltaic (solar) cells, the development of which has been expanded due to global climate change concerns. Research and development activities are ongoing to seek improvements in alternate technologies. It is possible that advances will reduce the cost of alternate methods of electricity production to a level that is equal to or below that of certain central station production. Also, as new technologies are developed and become available, the quantity and pattern of electricity usage (the "demand") by customers could decline, with a corresponding decline in revenues derived by generators. These alternative energy sources could result in a decline to the dispatch and capacity factors of our plants. As a result of all of these factors, the value of our generation facilities could be significantly reduced.

We are subject to certain risks associated with nuclear generation, including the risk that our Susquehanna nuclear plant could become subject to increased security or safety requirements that would increase capital and operating expenditures, uncertainties regarding spent nuclear fuel, and uncertainties associated with decommissioning our plant at the end of its licensed life.

Nuclear generation accounted for about 31% of our 2012 generation output. The risks of nuclear generation generally include:

- the potential harmful effects on the environment and human health from the operation of nuclear facilities and the storage, handling and disposal of radioactive materials;
- limitations on the amounts and types of insurance commercially available to cover losses and liabilities that might arise in connection with nuclear operations; and
- uncertainties with respect to the technological and financial aspects of decommissioning nuclear plants at the end of their licensed lives. The licenses for our two nuclear units expire in 2042 and 2044. See Note 21 to the Financial Statements for additional information on the ARO related to the decommissioning.

The NRC has broad authority under federal law to impose licensing requirements, including security, safety and employee-related requirements for the operation of nuclear generation facilities. In the event of noncompliance, the NRC has authority to impose fines or shut down a unit, or both, depending upon its assessment of the severity of the situation, until compliance is achieved. In addition, revised security or safety requirements promulgated by the NRC could necessitate substantial capital or operating expenditures at our Susquehanna nuclear plant. There also remains substantial uncertainty regarding the temporary storage and permanent disposal of spent nuclear fuel, which could result in substantial additional costs to PPL that cannot be predicted. In addition, although we have no reason to anticipate a serious nuclear incident at our Susquehanna plant, if an incident did occur, any resulting operational loss, damages and injuries could have a material adverse effect on our results of operations, cash flows and financial condition. See Note 15 to the Financial Statements for a discussion of nuclear insurance.

ITEM 1B. UNRESOLVED STAFF COMMENTS

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

None.

ITEM 2. PROPERTIES

(PPL, LKE, LG&E and KU)

Kentucky Regulated Segment

LG&E's and KU's properties consist primarily of regulated generation facilities, electric transmission and distribution assets and natural gas transmission and distribution assets in Kentucky. The electric generating capacity at December 31, 2012 was:

		LKE	LG&E		KU	
Primary Fuel/Plant (a)	**Total MW Capacity (b) Summer**	**Ownership or Lease Interest in MW**	**% Ownership**	**Ownership or Lease Interest in MW**	**% Ownership**	**Ownership or Lease Interest in MW**
Coal						
Ghent	1,932	1,932			100.00	1,932
Mill Creek	1,472	1,472	100.00	1,472		
E.W. Brown - Units 1-3	684	684			100.00	684
Cane Run - Units 4-6	563	563	100.00	563		
Trimble County - Unit 1 (c)	511	383	75.00	383		
Trimble County - Unit 2 (c)	732	549	14.25	104	60.75	445
Green River	163	163			100.00	163
OVEC - Clifty Creek (d)	1,304	106	5.63	73	2.50	33
OVEC - Kyger Creek (d)	1,086	88	5.63	61	2.50	27
Tyrone (e)	71	71			100.00	71
	8,518	6,011		2,656		3,355
Natural Gas/Oil						
E.W. Brown Unit 5 (f)(g)	132	132	53.00	69	47.00	63
E.W. Brown Units 6-7 (f)	292	292	38.00	111	62.00	181
E.W. Brown Units 8-11 (g)	486	486			100.00	486
Trimble County Units 5-6	314	314	29.00	91	71.00	223
Trimble County Units 7-10	628	628	37.00	232	63.00	396
Paddy's Run Units 11-12	35	35	100.00	35		
Paddy's Run Unit 13	147	147	53.00	78	47.00	69
Haefling	36	36			100.00	36
Zorn	14	14	100.00	14		
Cane Run Unit 11	14	14	100.00	14		
	2,098	2,098		644		1,454
Hydro						
Ohio Falls	54	54	100.00	54		
Dix Dam	24	24			100.00	24
	78	78		54		24
Total	10,694	8,187		3,354		4,833

(a) LG&E and KU's properties are primarily located in Kentucky, with the exception of the units owned by OVEC. Clifty Creek is located in Indiana and Kyger Creek is located in Ohio.
(b) The capacity of generation units is based on a number of factors, including the operating experience and physical conditions of the units, and may be revised periodically to reflect changed circumstances.
(c) TC1 and TC2 are jointly owned with Illinois Municipal Electric Agency and Indiana Municipal Power Agency. Each owner is entitled to its proportionate share of the units' total output and funds its proportionate share of capital, fuel and other operating costs. See Note 14 to the Financial Statements for additional information.
(d) This unit is owned by OVEC. LKE has a power purchase agreement that entitles LKE to its proportionate share of the unit's total output and LKE funds its proportionate share of fuel and other operating costs. See Note 15 to the Financial Statements for additional information.
(e) This unit was retired in February 2013. See Note 8 to the Financial Statements for additional information.
(f) Includes a leasehold interest. See Note 11 to the Financial Statements for additional information.
(g) There is an inlet air cooling system attributable to these units. This inlet air cooling system is not jointly owned; however, it is used to increase production on the units to which it relates, resulting in an additional 10 MW of capacity for LG&E and an additional 88 MW of capacity for KU.

For a description of LG&E's and KU's service areas, see "Item 1. Business - Background." At December 31, 2012, LG&E's transmission system included in the aggregate, 45 substations (32 of which are shared with the distribution system) with a total capacity of 7 million kVA and 917 circuit miles of lines. LG&E's distribution system included 97 substations (32 of which are shared with the transmission system) with a total capacity of 5 million kVA, 3,908 miles of overhead lines and 2,390 miles of underground wires. KU's transmission system included 134 substations (55 of which are shared with the distribution system) with a total capacity of 13 million kVA and 4,079 circuit miles of lines. KU's distribution system included 480 substations (55 of which are shared with the transmission system) with transformer capacity of 7 million kVA, 14,134 miles of overhead lines and 2,299 miles of underground conduit.

LG&E's natural gas transmission system includes 4,272 miles of gas distribution mains and 388 miles of gas transmission mains, consisting of 255 miles of gas transmission pipeline, 124 miles of gas transmission storage lines, 6 miles of gas combustion turbine lines and 3 miles of gas transmission pipeline in regulator facilities. Five underground natural gas storage fields, with a total working natural gas capacity of approximately 15 Bcf, are used in providing natural gas service to ultimate consumers. KU's service area includes an additional 11 miles of gas transmission pipeline providing gas supply to natural gas combustion turbine electrical generating units.

Substantially all of LG&E's and KU's respective real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity and, in the case of LG&E, the storage and distribution of natural gas, is subject to the lien of either the LG&E 2010 Mortgage Indenture or the KU 2010 Mortgage Indenture. See Note 7 to the Financial Statements for additional information.

LG&E and KU continuously reexamine development projects based on market conditions and other factors to determine whether to proceed with the projects, sell, cancel or expand them or pursue other options. At December 31, 2012, LG&E and KU planned to implement the following incremental capacity increases and decreases at the following plants located in Kentucky.

		LG&E		KU		
Primary Fuel/Plant	**Total Net Summer MW Capacity (a) Increase / (Decrease)**	**% Ownership**	**Ownership or Lease Interest in MW**	**% Ownership**	**Ownership or Lease Interest in MW**	**Date of Incremental Capacity Increase / Decrease**
Coal						
Cane Run - Units 4-6 - (b)	(563)	100.00	(563)			2015
Green River - (b)	(163)			100.00	(163)	2015
Tyrone - (c)	(71)			100.00	(71)	2013
Total Capacity Decreases	(797)		(563)		(234)	
Natural Gas						
Cane Run - Unit 7 (d)	640	22.00	141	78.00	499	2015

(a) The capacity of generating units is based on a number of factors, including the operating experience and physical condition of the units, and may be revised periodically to reflect changed circumstances.
(b) LG&E and KU anticipate retiring these units by the end of 2015. See Notes 8 and 15 to the Financial Statements for additional information.
(c) KU retired this unit in February 2013. See Note 8 to the Financial Statements for additional information.
(d) In May 2012, LG&E and KU received approval to build this unit at the existing Cane Run site. See Note 8 to the Financial Statements for additional information.

(PPL)

U.K. Regulated Segment

For a description of WPD's service territory, see "Item 1. Business - Background." At December 31, 2012, WPD had electric distribution lines in public streets and highways pursuant to legislation and rights-of-way secured from property owners. WPD's distribution system in the U.K. includes 1,592 substations with a total capacity of 68 million kVA, 57,472 circuit miles of overhead lines and 79,755 cable miles of underground conductors.

(PPL and PPL Electric)

Pennsylvania Regulated Segment

For a description of PPL Electric's service territory, see "Item 1. Business - Background." At December 31, 2012, PPL Electric had electric transmission and distribution lines in public streets and highways pursuant to franchises and rights-of-way secured from property owners. PPL Electric's transmission system includes 61 substations with a total capacity of 18 million kVA and 3,973 pole miles in service. PPL Electric's distribution system includes 339 substations with a total capacity of 12 million kVA, 37,031 circuit miles of overhead lines and 8,098 cable miles of underground conductors in service. All of PPL Electric's facilities are located in Pennsylvania. Substantially all of PPL Electric's distribution properties and certain transmission properties are subject to the lien of the PPL Electric 2001 Mortgage Indenture.

See Note 8 to the Financial Statements for information on the Regional Transmission Line Expansion Plan.

(PPL and PPL Energy Supply)

Supply Segment

PPL Energy Supply's electric generating capacity (summer rating) at December 31, 2012 was:

Primary Fuel/Plant	Total MW Capacity (a)	% Ownership	PPL Energy Supply's Ownership or Lease Interest in MW (a)	Location
Natural Gas/Oil				
Martins Creek	1,745	100.00	1,745	Pennsylvania
Ironwood	665	100.00	665	Pennsylvania
Lower Mt. Bethel	543	100.00	543	Pennsylvania
Combustion turbines	363	100.00	363	Pennsylvania
	3,316		3,316	
Coal				
Montour	1,518	100.00	1,518	Pennsylvania
Brunner Island	1,455	100.00	1,455	Pennsylvania
Colstrip Units 1 & 2 (b)	614	50.00	307	Montana
Conemaugh (c)	1,749	16.25	284	Pennsylvania
Colstrip Unit 3 (b)	740	30.00	222	Montana
Keystone (c)	1,714	12.34	212	Pennsylvania
Corette	153	100.00	153	Montana
	7,943		4,151	
Nuclear				
Susquehanna (c)	2,528	90.00	2,275	Pennsylvania
Hydro				
Various	604	100.00	604	Montana
Various	175	100.00	175	Pennsylvania
	779		779	
Qualifying Facilities				
Renewables (d)	61	100.00	61	Pennsylvania
Renewables	9	100.00	9	Various
	70		70	
Total	14,636		10,591	

(a) The capacity of generation units is based on a number of factors, including the operating experience and physical conditions of the units, and may be revised periodically to reflect changed circumstances.
(b) Represents the leasehold interest held by PPL Montana. See Note 11 to the Financial Statements for additional information.
(c) This unit is jointly owned. Each owner is entitled to its proportionate share of the unit's total output and funds its proportionate share of fuel and other operating costs. See Note 14 to the Financial Statements for additional information.
(d) Includes facilities owned, controlled or for which PPL Energy Supply has the rights to the output.

Amounts guaranteed by PPL Montour and PPL Brunner Island in connection with an $800 million secured energy marketing and trading facility are secured by liens on the generating facilities owned by PPL Montour and PPL Brunner Island. See Note 7 to the Financial Statements for additional information.

PPL Energy Supply from time to time reexamines development projects based on market conditions and other factors to determine whether to proceed with the projects, sell, cancel or expand them, execute tolling agreements or pursue other options. See Note 15 to the Financial Statements for information on PPL Energy Supply's intention, beginning in April 2015, to place its Corette plant in long-term reserve status. At December 31, 2012, PPL Energy Supply subsidiaries planned to implement the following incremental capacity increases.

Primary Fuel/Plant	Location	Total MW Capacity (a)	PPL Energy Supply Ownership or Lease Interest in MW		Expected In-Service Date (b)
Hydro					
Holtwood (c)	Pennsylvania	125	125	(100%)	2013
Great Falls (d)	Montana	28	28	(100%)	2013
Total		153	153		

(a) The capacity of generating units is based on a number of factors, including the operating experience and physical condition of the units, and may be revised periodically to reflect changed circumstances.
(b) The expected in-service dates are subject to receipt of required approvals, permits and other contingencies.
(c) This project includes installation of two additional large turbine-generators and the replacement of four existing runners.
(d) This project involves construction of a new powerhouse and retirement of the exiting powerhouse.

ITEM 3. LEGAL PROCEEDINGS

See Notes 5, 6 and 15 to the Financial Statements for information regarding legal, tax litigation, regulatory and environmental proceedings and matters.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition - Liquidity and Capital Resources - Forecasted Uses of Cash" for information regarding certain restrictions on the ability to pay dividends for PPL, LKE, LG&E and KU.

PPL Corporation

Additional information for this item is set forth in the sections entitled "Quarterly Financial, Common Stock Price and Dividend Data," "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" and "Shareowner and Investor Information" of this report. At January 31, 2013, there were 66,130 common stock shareowners of record.

Issuer Purchase of Equity Securities during the Fourth Quarter of 2012:

	(a)	(b)	(c)	(d)
Period	Total Number of Shares (or Units) Purchased (1)	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans of Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1)
October 1 to October 31, 2012				
November 1 to November 30, 2012	4,665	$29.35		
December 1 to December 31, 2012				
Total	4,665	$29.35		

(1) Represents shares of common stock withheld by PPL at the request of its executive officers to pay income taxes upon the vesting of the officers' restricted stock awards, as permitted under the terms of PPL's ICP and ICPKE.

PPL Energy Supply, LLC

There is no established public trading market for PPL Energy Supply's membership interests. PPL Energy Funding, a direct wholly owned subsidiary of PPL, owns all of PPL Energy Supply's outstanding membership interests. Distributions on the membership interests will be paid as determined by PPL Energy Supply's Board of Managers.

PPL Energy Supply made cash distributions to PPL Energy Funding of $787 million in 2012 and $316 million in 2011. See Note 9 to the Financial Statements regarding the distribution, including $325 million of cash, of PPL Energy Supply's membership interests in PPL Global to PPL Energy Funding in January 2011.

PPL Electric Utilities Corporation

There is no established public trading market for PPL Electric's common stock, as PPL owns 100% of the outstanding common shares. Dividends paid to PPL on those common shares are determined by PPL Electric's Board of Directors. PPL Electric paid common stock dividends to PPL of $95 million in 2012 and $92 million in 2011.

LG&E and KU Energy LLC

There is no established public trading market for LKE's membership interests. PPL owns all of LKE's outstanding membership interests. Distributions on the membership interests will be paid as determined by LKE's Board of Directors. LKE made cash distributions to PPL of $155 million in 2012 and $533 million in 2011 (including $248 million from the proceeds of a note issuance).

Louisville Gas and Electric Company

There is no established public trading market for LG&E's common stock, as LKE owns 100% of the outstanding common shares. Dividends paid to LKE on those common shares are determined by LG&E's Board of Directors. LG&E paid common stock dividends to LKE of $75 million in 2012 and $83 million in 2011.

Kentucky Utilities Company

There is no established public trading market for KU's common stock, as LKE owns 100% of the outstanding common shares. Dividends paid to LKE on those common shares are determined by KU's Board of Directors. KU paid common stock dividends to LKE of $100 million in 2012 and $124 million in 2011.

ITEM 6. SELECTED FINANCIAL AND OPERATING DATA

PPL Corporation (a) (b)	2012 (c)	2011 (c)	2010 (c)	2009	2008
Income Items (in millions)					
Operating revenues	**$ 12,286**	$ 12,737	$ 8,521	$ 7,449	$ 7,857
Operating income	**3,109**	3,101	1,866	896	1,703
Income from continuing operations after income taxes attributable to PPL shareowners	**1,532**	1,493	955	414	857
Net income attributable to PPL shareowners	**1,526**	1,495	938	407	930
Balance Sheet Items (in millions) (d)					
Total assets	**43,634**	42,648	32,837	22,165	21,405
Short-term debt	**652**	578	694	639	679
Long-term debt	**19,476**	17,993	12,663	7,143	7,838
Noncontrolling interests	**18**	268	268	319	319
Common equity	**10,480**	10,828	8,210	5,496	5,077
Total capitalization	**30,626**	29,667	21,835	13,597	13,913
Financial Ratios					
Return on average common equity - %	**13.76**	14.93	13.26	7.48	16.88
Ratio of earnings to fixed charges (e)	**2.9**	3.1	2.7	1.9	3.1
Common Stock Data					
Number of shares outstanding - Basic (in thousands)					
Year-end	**581,944**	578,405	483,391	377,183	374,581
Weighted-average	**580,276**	550,395	431,345	376,082	373,626
Income from continuing operations after income taxes available to PPL common shareowners - Basic EPS	**$ 2.62**	$ 2.70	$ 2.21	$ 1.10	$ 2.28
Income from continuing operations after income taxes available to PPL common shareowners - Diluted EPS	**$ 2.61**	$ 2.70	$ 2.20	$ 1.10	$ 2.28
Net income available to PPL common shareowners - Basic EPS	**$ 2.61**	$ 2.71	$ 2.17	$ 1.08	$ 2.48
Net income available to PPL common shareowners - Diluted EPS	**$ 2.60**	$ 2.70	$ 2.17	$ 1.08	$ 2.47
Dividends declared per share of common stock	**$ 1.44**	$ 1.40	$ 1.40	$ 1.38	$ 1.34
Book value per share (d)	**$ 18.01**	$ 18.72	$ 16.98	$ 14.57	$ 13.55
Market price per share (d)	**$ 28.63**	$ 29.42	$ 26.32	$ 32.31	$ 30.69
Dividend payout ratio - % (f)	**55**	52	65	128	54
Dividend yield - % (g)	**5.03**	4.76	5.32	4.27	4.37
Price earnings ratio (f) (g)	**11.01**	10.89	12.13	29.92	12.43
Sales Data - GWh					
Domestic - Electric energy supplied - retail (h)	**42,379**	40,147	14,595	38,912	40,374
Domestic - Electric energy supplied - wholesale (h) (i)	**56,302**	65,681	75,489	38,988	42,712
Domestic - Electric energy delivered - retail (j)	**66,931**	67,806	42,463	36,689	38,013
U.K. - Electric energy delivered (k)	**77,467**	58,245	26,820	26,358	27,724

(a) The earnings each year were affected by several items that management considers special. See "Results of Operations - Segment Results" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for a description of special items in 2012, 2011 and 2010. The earnings were also affected by the sales of various businesses. See Note 9 to the Financial Statements for a discussion of discontinued operations in 2012, 2011 and 2010.
(b) See "Item 1A. Risk Factors" and Notes 6 and 15 to the Financial Statements for a discussion of uncertainties that could affect PPL's future financial condition.
(c) Includes WPD Midlands activity since its April 1, 2011 acquisition date. Includes LKE activity since its November 1, 2010 acquisition date.
(d) As of each respective year-end.
(e) Computed using earnings and fixed charges of PPL and its subsidiaries. Fixed charges consist of interest on short- and long-term debt, amortization of debt discount, expense and premium - net, other interest charges, the estimated interest component of operating rentals and preferred securities distributions of subsidiaries. See Exhibit 12(a) for additional information.
(f) Based on diluted EPS.
(g) Based on year-end market prices.
(h) The electric energy supplied changes in 2010 reflect the expiration of the PLR contract between PPL EnergyPlus and PPL Electric as of December 31, 2009.
(i) GWh are included until the transaction closing for facilities that were sold.
(j) Prior period volumes were restated to include unbilled volumes.
(k) Year 2011 includes eight months of deliveries associated with the acquisition of WPD Midlands as volumes are reported on a one-month lag.

ITEM 6. SELECTED FINANCIAL AND OPERATING DATA

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

Item 6 is omitted as PPL Energy Supply, PPL Electric, LKE, LG&E and KU meet the conditions set forth in General Instructions (I)(1)(a) and (b) of Form 10-K.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information provided in this Item 7 should be read in conjunction with PPL's Consolidated Financial Statements and the accompanying Notes. Capitalized terms and abbreviations are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted.

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

- "Overview" provides a description of PPL and its business strategy, a summary of Net Income Attributable to PPL Shareowners and a discussion of certain events related to PPL's results of operations and financial condition.

- "Results of Operations" provides a summary of PPL's earnings, a review of results by reportable segment and a description of key factors by segment expected to impact future earnings. This section ends with explanations of significant changes in principal items on PPL's Statements of Income, comparing 2012 with 2011 and 2011 with 2010.

- "Financial Condition - Liquidity and Capital Resources" provides an analysis of PPL's liquidity position and credit profile. This section also includes a discussion of forecasted sources and uses of cash and rating agency actions.

- "Financial Condition - Risk Management - Energy Marketing & Trading and Other" provides an explanation of PPL's risk management programs relating to market and credit risk.

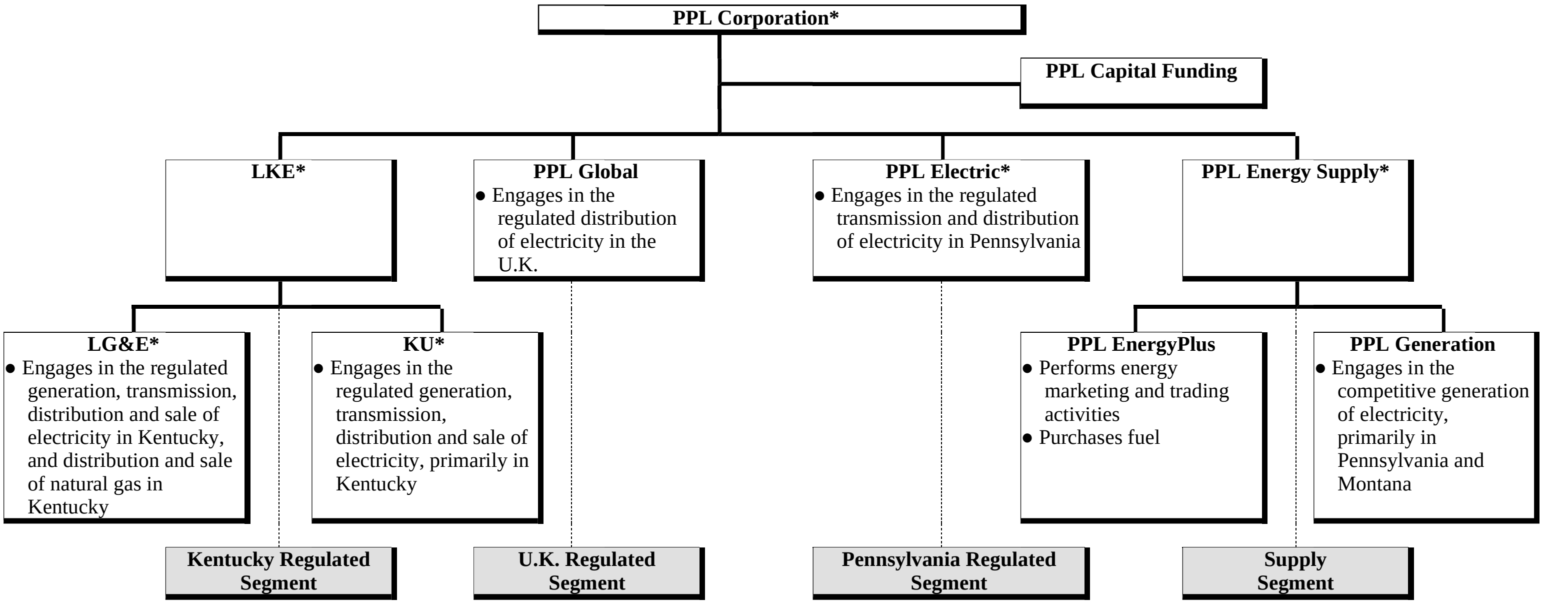
- "Application of Critical Accounting Policies" provides an overview of the accounting policies that are particularly important to the results of operations and financial condition of PPL and that require its management to make significant estimates, assumptions and other judgments of matters inherently uncertain.

Overview

Introduction

PPL is an energy and utility holding company with headquarters in Allentown, Pennsylvania. Through subsidiaries, PPL generates electricity from power plants in the northeastern, northwestern and southeastern U.S., markets wholesale and retail energy primarily in the northeastern and northwestern portions of the U.S., delivers electricity to customers in Pennsylvania, Kentucky, Virginia, Tennessee and the U.K. and delivers natural gas to customers in Kentucky.

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



Business Strategy

PPL's overall strategy is to achieve stable, long-term growth in its regulated electricity delivery businesses through efficient operations and strong customer and regulatory relations, and disciplined optimization of energy supply margins in its energy supply business while mitigating volatility in both cash flows and earnings. In pursuing this strategy, PPL acquired LKE in November 2010 and WPD Midlands in April 2011. These acquisitions have reduced PPL's overall business risk profile and reapportioned the mix of PPL's regulated and competitive businesses by increasing the regulated portion of its business. Each of the rate-regulated businesses plans to make material capital investments over the next several years to improve infrastructure and customer reliability. As a result of these acquisitions, approximately 71% of PPL's assets were in its regulated businesses at December 31, 2012 and approximately 73% of "Net Income Attributable to PPL Shareowners" was from regulated businesses for the year ended December 31, 2012.

The increase in regulated assets is expected to provide earnings stability through regulated returns on equity and the ability to recover costs of capital investments, in contrast to the competitive energy supply business where earnings and cash flows are subject to commodity market volatility.

Results for periods prior to the acquisitions of LKE and WPD Midlands are not comparable with, or indicative of, results for periods subsequent to the acquisitions.

With the acquisition of WPD Midlands, PPL has a higher proportion of overall earnings subject to foreign currency translation risk. The U.K. subsidiaries also have currency exposure to the U.S. dollar to the extent they have 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.

PPL's strategy for its energy supply business is to optimize the value from its competitive generation and marketing portfolio. PPL endeavors to do this by matching energy supply with load, or customer demand, under contracts of varying durations with creditworthy counterparties to capture profits while effectively managing exposure to energy and fuel price volatility, counterparty credit risk and operational risk.

To manage financing costs and access to credit markets, a key objective of PPL's business strategy is to maintain a strong credit profile and strong liquidity position. In addition, PPL has financial and operational risk management programs that, among other things, are designed to monitor and manage its exposure to earnings and cash flow volatility related to changes in energy and fuel prices, interest rates, counterparty credit quality and the operating performance of its generating units.

Financial and Operational Developments

Net Income Attributable to PPL Shareowners

Net Income Attributable to PPL Shareowners for the years ended December 31 by segment and in total was:

	2012	2011	2010
Kentucky Regulated (a)	$ 177	$ 221	$ 26
U.K. Regulated (b)	803	325	261
Pennsylvania Regulated	132	173	115
Supply	414	776	612
Corporate and Other (c)			(76)
Net Income Attributable to PPL Shareowners	$ 1,526	$ 1,495	$ 938
EPS - basic	$ 2.61	$ 2.71	$ 2.17
EPS - diluted	$ 2.60	$ 2.70	$ 2.17

(a) LKE was acquired on November 1, 2010. Therefore, 2012 and 2011 include a full year of LKE results, while 2010 includes two months of LKE results.
(b) WPD Midlands was acquired on April 1, 2011 and its results are recorded on a one-month lag. Therefore, 2012 includes a full year of WPD Midlands' results, while 2011 includes eight months of WPD Midlands' results. 2011 was also impacted by certain acquisition related costs. These costs are considered special items by management and are discussed in further detail in "Results of Operations - Earnings - U.K. Regulated Segment." See Notes 7 and 10 to the Financial Statements for additional information on the acquisition and related financing.
(c) Includes $22 million, after tax ($31 million, pre-tax), of certain third-party acquisition-related costs, including advisory, accounting, and legal fees associated with the acquisition of LKE that are recorded in "Other Income (Expense) - net" on the Statement of Income. Also includes $52 million, after tax ($80 million, pre-tax), of 2010 Bridge Facility costs that are recorded in "Interest Expense" on the Statement of Income. These costs are considered special items by management. See Notes 7 and 10 to the Financial Statements for additional information on the acquisition and related financing.

Earnings in 2012 increased 2% over 2011 and earnings in 2011 increased 59% over 2010. The changes in Net Income Attributable to PPL Shareowners from year to year were, in part, attributable to the acquisition of LKE and WPD Midlands and certain items that management considers special. See "Results of Operations" for further discussion of PPL's business segments, details of special items and analysis of the consolidated results of operations.

Economic and Market Conditions

Unregulated Gross Energy Margins associated with PPL Energy Supply's competitive generation and marketing business are impacted by changes in market prices and demand for electricity and natural gas, power plant availability, competition in the markets for retail customers, fuel costs and availability, fuel transportation costs and other costs. Current depressed wholesale market prices for electricity and natural gas have resulted from general weak economic conditions and other factors, including the impact of expanded domestic shale gas development and production. As a result of these factors, PPL Energy Supply has experienced a shift in the dispatching of its competitive generation from coal-fired to combined-cycle gas-fired generation as illustrated in the following table:

	Average Utilization Factors (a)	
	2012	2009 - 2011
Pennsylvania coal plants	69%	87%
Montana coal plants	67%	89%
Combined-cycle gas plants	98%	72%

(a) All periods reflect the year ended December 31.

This reduction in coal-fired generation output had resulted in a surplus of coal inventory at certain of PPL Energy Supply's Pennsylvania coal plants. To mitigate the risk of exceeding available coal storage, PPL Energy Supply incurred pre-tax charges of $29 million in 2012 to reduce its 2012 and 2013 contracted coal deliveries. PPL Energy Supply will continue to manage its coal inventory to mitigate the financial impact and physical implications of an oversupply; however, no additional coal contract modifications are expected at this time.

In addition, current economic and commodity market conditions indicate a lower value of unhedged future energy margins (primarily in 2014 and forward years) compared to the energy margins in 2012. As has been PPL Energy Supply's practice in periods of changing business conditions, PPL Energy Supply continues to review its future business and operational plans, including capital and operation and maintenance expenditures, as well as its hedging strategies, to help counter the financial effects of low commodity prices.

PPL's businesses are subject to extensive federal, state and local environmental laws, rules and regulations. Although PPL Energy Supply's competitive generation assets are well positioned to meet these requirements, certain regulated generation assets at LG&E and KU will require substantial capital investment. LG&E and KU project $2.3 billion of capital investment over the next five years to satisfy certain of these requirements. See Note 15 to the Financial Statements for additional information on these requirements. These requirements have resulted in LKE's anticipated retirement of five coal-fired units with a combined summer capacity rating of 726 MW by 2015. KU retired the 71 MW unit at the Tyrone plant in February 2013. See Note 8 to the Financial Statements for additional information regarding the anticipated retirement of these units as well as plans to build a combined-cycle natural gas facility in Kentucky. Also, in 2012 KU recorded a $25 million pre-tax impairment of its EEI investment as a result of environmental regulations and low energy prices. Finally, in September 2012 PPL announced its intention, beginning in April 2015, to place its Corette plant in long-term reserve status, suspending the plant's operation due to expected market conditions and the costs to comply with MATS. The Corette plant asset group's carrying amount at December 31, 2012 was approximately $68 million. Although the Corette plant asset group was not determined to be impaired at December 31, 2012, it is reasonably possible that an impairment could occur in future periods, as higher priced sales contracts settle, adversely impacting projected cash flows.

In light of these economic and market conditions, as well as current and projected environmental regulatory requirements, PPL considered whether certain of its other generating assets were impaired, and determined that no impairment charges were required at December 31, 2012. PPL is unable to predict whether future environmental requirements or market conditions will result in impairment charges for other generating assets or other retirements.

PPL and its subsidiaries may also be impacted in future periods by the uncertainty in the worldwide financial and credit markets. In addition, PPL may be impacted by reductions in the credit ratings of financial institutions and evolving regulations in the financial sector. Collectively, these factors could reduce availability or restrict PPL and its subsidiaries' ability to maintain sufficient levels of liquidity, reduce capital market activities, change collateral posting requirements and increase the associated costs to PPL and its subsidiaries.

PPL cannot predict the future impact that these economic and market conditions and regulatory requirements may have on its financial condition or results of operations.

Susquehanna Turbine Blade Inspection

During 2012, PPL Energy Supply performed inspections of the Unit 1 and Unit 2 turbine blades at the PPL Susquehanna nuclear power plant in order to further address the issue of turbine blade cracking that was first identified in 2011. The after-tax earnings impact of these 2012 inspections, including reduced energy-sales margins and repair expenses, was approximately $53 million. The after-tax earnings impact of turbine blade related outages in 2011 was approximately $63 million.

Ironwood Acquisition

In April 2012, an indirect, wholly owned subsidiary of PPL Energy Supply completed the acquisition of the equity interests in the owner and operator of the Ironwood Facility. The Ironwood Facility began operation in 2001 and, since 2008, PPL EnergyPlus has supplied natural gas for the facility and received the facility's full electricity output and capacity value pursuant to a tolling agreement that expires in 2021. The acquisition provides PPL Energy Supply, through its subsidiaries, operational control of additional combined-cycle gas generation in PJM. See Note 10 to the Financial Statements for additional information.

Bankruptcy of SMGT

In October 2011, SMGT, a Montana cooperative and purchaser of electricity under a long-term supply contract with PPL EnergyPlus expiring in June 2019 (SMGT Contract), filed for protection under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Montana. At the time of the bankruptcy filing, SMGT was PPL EnergyPlus' largest unsecured credit exposure. This contract was accounted for as NPNS by PPL EnergyPlus.

The SMGT Contract provided for fixed volume purchases on a monthly basis at established prices. Pursuant to a court order and subsequent stipulations entered into between the SMGT bankruptcy trustee and PPL EnergyPlus, since the date of its Chapter 11 filing through January 2012, SMGT continued to purchase electricity from PPL EnergyPlus at the price specified in the SMGT Contract, and made timely payments for such purchases, but at lower volumes than as prescribed in the SMGT Contract. In January 2012, the trustee notified PPL EnergyPlus that SMGT would not purchase electricity under the SMGT Contract for the month of February. In March 2012, the U.S. Bankruptcy Court for the District of Montana issued an order approving the request of the SMGT bankruptcy trustee and PPL EnergyPlus to terminate the SMGT Contract. As a result, the SMGT Contract was terminated effective April 1, 2012, allowing PPL EnergyPlus to resell to other customers the electricity previously contracted to SMGT under the SMGT Contract.

PPL EnergyPlus' receivable under the SMGT Contract totaled approximately $21 million at December 31, 2012, which has been fully reserved.

In July 2012, PPL EnergyPlus filed its proof of claim in the SMGT bankruptcy proceeding. The total claim is approximately $375 million, including the above receivable, predominantly an unsecured claim representing the value for energy sales that will not occur as a result of the termination of the SMGT Contract. No assurance can be given as to the collectability of the claim, thus no amounts have been recorded in the 2012 financial statements.

PPL Energy Supply cannot predict any amounts that it may recover in connection with the SMGT bankruptcy or the prices and other terms on which it will be able to market to third parties the power that SMGT will not purchase from PPL EnergyPlus due to the termination of the SMGT Contract.

Tax Litigation

In 1997, the U.K. imposed a Windfall Profits Tax (WPT) on privatized utilities, including WPD. PPL filed its federal tax returns for years subsequent to its 1997 and 1998 claims for refund on the basis that the U.K. WPT was creditable. In September 2010, the U.S. Tax Court (Tax Court) ruled in PPL's favor in a dispute with the IRS, concluding that the U.K. WPT is a creditable tax for U.S. tax purposes. As a result, and with finalization of other issues, PPL recorded a $42 million tax benefit in 2010. In January 2011, the IRS appealed the Tax Court's decision to the U.S. Court of Appeals for the Third Circuit (Third Circuit). In December 2011, the Third Circuit issued its opinion reversing the Tax Court's decision, holding that the U.K. WPT is not a creditable tax. As a result of the Third Circuit's adverse determination, PPL recorded a $39 million expense in 2011. In February 2012, PPL filed its petition for rehearing of the Third Circuit's opinion. In March 2012, the Third Circuit denied PPL's petition. In June 2012, the U.S. Court of Appeals for the Fifth Circuit issued a contrary opinion in an identical case involving another company. In July 2012, PPL filed a petition for a writ of certiorari seeking U.S. Supreme Court review of the Third Circuit's opinion. The Supreme Court granted PPL's petition on October 29, 2012, and oral argument was held on February 20, 2013. PPL expects the case to be decided before the end of the Supreme Court's current term in June 2013 and cannot predict the outcome of this matter.

Terminated Bluegrass CTs Acquisition

In September 2011, LG&E and KU entered into an asset purchase agreement with Bluegrass Generation for the purchase of the Bluegrass CTs, aggregating approximately 495 MW, plus limited associated contractual arrangements required for operation of the units, for a purchase price of $110 million, pending receipt of applicable regulatory approvals. In May 2012, the KPSC issued an order approving the request to purchase the Bluegrass CTs. In November 2011, LG&E and KU filed an application with the FERC under the Federal Power Act requesting approval to purchase the Bluegrass CTs. In May 2012, the FERC issued an order conditionally authorizing the acquisition of the Bluegrass CTs, subject to approval by the FERC of satisfactory mitigation measures to address market-power concerns. After a review of potentially available mitigation options, LG&E and KU determined that the options were not commercially justifiable. In June 2012, LG&E and KU terminated the asset purchase agreement for the Bluegrass CTs in accordance with its terms and made applicable filings with the KPSC and FERC.

Cane Run Unit 7 Construction

In September 2011, LG&E and KU filed a CPCN with the KPSC requesting approval to build Cane Run Unit 7. In May 2012, the KPSC issued an order approving the request. A formal request for recovery of the costs associated with the construction was not included in the CPCN filing with the KPSC but is expected to be included in future rate case proceedings. LG&E and KU commenced preliminary construction activities in the third quarter of 2012 and project construction is expected to be completed by May 2015. The project, which includes building a natural gas supply pipeline and related transmission projects, has an estimated cost of approximately $600 million.

Future Capacity Needs

In addition to the construction of a combined cycle gas unit at the Cane Run station, LG&E and KU continue to assess future capacity needs. As a part of the assessment, LG&E and KU issued an RFP in September 2012 for up to 700 MW of capacity beginning as early as 2015.

Storm Costs

During 2012, PPL Electric experienced several PUC-reportable storms, including Hurricane Sandy, resulting in total restoration costs of $81 million, of which $61 million were initially recorded in "Other operation and maintenance" on the Statement of Income. In particular, in late October 2012, PPL Electric experienced widespread significant damage to its distribution network from Hurricane Sandy resulting in total restoration costs of $66 million, of which $50 million were initially recorded in "Other operation and maintenance" on the Statement of Income. However, a PPL subsidiary has a $10 million reinsurance policy with a third party insurer, for which a receivable was recorded with an offsetting credit to "Other operation and maintenance" on the Statement of Income. PPL Electric recorded a regulatory asset of $28 million in December 2012 (offset to "Other operation and maintenance" on the Statement of Income). In February 2013, PPL Electric received an order from the PUC granting permission to defer qualifying storm costs in excess of insurance recoveries associated with Hurricane Sandy.

See "Regulatory Matters - Pennsylvania Activities - Storm Costs" in Note 6 to the Financial Statements for information on $84 million of storm costs incurred in 2011.

Rate Case Proceedings

Pennsylvania

In March 2012, PPL Electric filed a request with the PUC to increase distribution rates by approximately $105 million, effective January 1, 2013. In its December 28, 2012 final order, the PUC approved a 10.4% return on equity and a total distribution revenue increase of about $71 million. The approved rates became effective January 1, 2013.

Also, in its December 28, 2012 final order, the PUC ordered PPL Electric to file a proposed Storm Damage Expense Rider within 90 days following the order. PPL Electric plans to file a proposed Storm Damage Expense Rider with the PUC and, as part of that filing, request recovery of the $28 million of qualifying storm costs incurred as a result of the October 2012 landfall of Hurricane Sandy.

Kentucky

In June 2012, LG&E and KU filed requests with the KPSC for increases in annual base electric rates of approximately $62 million at LG&E and approximately $82 million at KU and an increase in annual base gas rates of approximately $17 million at LG&E. In November 2012, LG&E and KU along with all of the parties filed a unanimous settlement agreement. Among other things, the settlement provided for increases in annual base electric rates of $34 million at LG&E and $51 million at KU and an increase in annual base gas rates of $15 million at LG&E. The settlement agreement also included revised depreciation rates that result in reduced annual electric depreciation expense of approximately $9 million for LG&E and approximately $10 million for KU. The settlement agreement included an authorized return on equity at LG&E and KU of 10.25%. On December 20, 2012, the KPSC issued orders approving the provisions in the settlement agreement. The new rates became effective on January 1, 2013. In addition to the increased base rates, the KPSC approved a gas line tracker mechanism for LG&E to provide for recovery of costs associated with LG&E's gas main replacement program, gas service lines and risers.

Regional Transmission Line Expansion Plan

Susquehanna-Roseland

In 2007, PJM directed the construction of a new 150-mile, 500-kilovolt transmission line between the Susquehanna substation in Pennsylvania and the Roseland substation in New Jersey that it identified as essential to long-term reliability of the Mid-Atlantic electricity grid. PJM determined that the line was needed to prevent potential overloads that could occur on several existing transmission lines in the interconnected PJM system. PJM directed PPL Electric to construct the portion of the Susquehanna-Roseland line in Pennsylvania and Public Service Electric & Gas Company to construct the portion of the line in New Jersey.

On October 1, 2012, the National Park Service (NPS) issued its Record of Decision (ROD) on the proposed Susquehanna-Roseland transmission line affirming the route chosen by PPL Electric and Public Service Electric & Gas Company as the preferred alternative under the NPS's National Environmental Policy Act review. On October 15, 2012, a complaint was filed in the United States District Court for the District of Columbia by various environmental groups, including the Sierra Club, challenging the ROD and seeking to prohibit its implementation; and on December 6, 2012, the groups filed a petition for injunctive relief seeking to prohibit all construction activities until the court issues a final decision on the complaint. PPL Electric has intervened in the lawsuit. The chosen route had previously been approved by the PUC and New Jersey Board of Public Utilities.

On December 13, 2012, PPL Electric received federal construction and right of way permits to build on National Park Service lands.

Construction activities have begun on portions of the 101-mile route in Pennsylvania. The line is expected to be completed before the peak summer demand period of 2015. At December 31, 2012, PPL Electric's estimated share of the project cost was $560 million.

PPL and PPL Electric cannot predict the ultimate outcome or timing of any legal challenges to the project or what additional actions, if any, PJM might take in the event of a further delay to its scheduled in-service date for the new line.

Northeast/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, three new substations and upgrades to adjacent facilities). The incentives were specifically tailored to address the risks and challenges PPL Electric will face in building the project. The FERC granted the incentive for inclusion of all prudently incurred construction work in progress (CWIP) costs in rate base and denied the request for a 100 basis point adder to the return on equity incentive. The order required a follow-up compliance filing from PPL Electric to ensure proper accounting treatment of AFUDC and CWIP for the project, which PPL Electric will submit to the FERC in March 2013. PPL Electric expects the project to be completed in 2017. At December 31, 2012, PPL Electric estimates the total project costs to be approximately $200 million with approximately $190 million qualifying for the CWIP incentive.

Legislation - Regulatory Procedures and Mechanisms

Act 11 authorizes the PUC to approve two specific ratemaking mechanisms - the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, the use of a DSIC. Such alternative ratemaking procedures and mechanisms provide opportunity for accelerated cost-recovery and, therefore, are important to PPL Electric as it begins a period of significant capital investment to maintain and enhance the reliability of its delivery system, including the replacement of aging distribution assets. In August 2012, the PUC issued a final implementation order adopting procedures, guidelines and a model tariff for the implementation of Act 11. Act 11 requires utilities to file an LTIIP as a prerequisite to filing for recovery through the DSIC. The LTIIP is mandated to be a five- to ten-year plan describing projects eligible for inclusion in the DSIC. In September 2012, PPL Electric filed its LTIIP describing projects eligible for inclusion in the DSIC. The PUC approved the LTIIP on January 10, 2013 and PPL Electric filed a petition requesting permission to establish a DSIC on January 15, 2013, with rates proposed to be effective beginning May 1, 2013.

FERC Formula Rates

In March 2012, PPL Electric filed a request with the FERC seeking recovery of its regulatory asset related to the deferred state tax liability that existed at the time of the transition from the flow-through treatment of state income taxes to full normalization. This change in tax treatment occurred in 2008 as a result of prior FERC initiatives that transferred regulatory jurisdiction of certain transmission assets from the PUC to FERC. At December 31, 2012 and December 31, 2011, $52 million and $53 million respectively, are classified as taxes recoverable through future rates and included on the Balance Sheets in "Other Noncurrent Assets - Regulatory assets." In May 2012, the FERC issued an order approving PPL Electric's request to recover the deferred tax regulatory asset over a 34 year period beginning June 1, 2012.

U.K. Tax Rate Change

In July 2012, the U.K.'s Finance Act of 2012 (the Act) became effective. The Act reduced the U.K. statutory income tax rate from 25% to 24%, retroactive to April 1, 2012 and from 24% to 23%, effective April 1, 2013. As a result of these changes, PPL recognized a deferred tax benefit of $75 million in 2012.

Ofgem Review of Line Loss Calculation

WPD had a $94 million liability recorded at December 31, 2012, compared with $170 million at December 31, 2011, related to the close-out of line losses for the prior price control period, DPCR4. Ofgem is currently consulting on the methodology to be used by all network operators to calculate the final line loss incentive/penalty for the DPCR4. In October 2011, Ofgem issued a consultation paper citing two potential changes to the methodology, both of which would result in a reduction of the liability. In March 2012, Ofgem issued a decision regarding the preferred methodology. In July 2012, Ofgem issued a consultation paper regarding certain aspects of the preferred methodology as it relates to the DPCR4 line loss incentive/penalty and a proposal to delay the target date for making a final decision until April 2013. In October 2012, a license modification was issued to allow Ofgem to publish the final decisions on these matters by April 2013. In November 2012, Ofgem issued an additional consultation on the final DPCR4 line loss close-out that published values for each DNO and further indicated the preferred methodology that would replace the methodology under WPD's licenses. Based on applying the preferred methodology for DPCR4, the liability was reduced by $79 million, with a credit recorded in "Utility" on the Statement of Income, to reflect what WPD expects to be the final close-out settlement under Ofgem's preferred methodology. This consultation also confirmed the final decisions will be published by April 2013. In February 2013, Ofgem issued additional consultation proposing to delay the April 2013 decision date. PPL cannot predict when this matter will be resolved.

Ofgem also stated in the November 2012 consultation that the line loss incentive implemented at the last rate review will be withdrawn and no incentive will apply for the DPCR5 period. That decision resulted in the elimination of the DPCR5 liability of $11 million, with a credit recorded in "Utility" on the Statement of Income.

Equity Forward Contract

In April 2012, PPL made a registered underwritten public offering of 9.9 million shares of its common stock. In conjunction with that offering, the underwriters exercised an option to purchase 591 thousand additional shares of PPL common stock solely to cover over-allotments.

In connection with the registered public offering, PPL entered into forward sale agreements with two counterparties covering the 9.9 million shares of PPL's common stock. Settlement of these initial forward sale agreements will occur no later than April 2013. As a result of the underwriters' exercise of the overallotment option, PPL entered into additional forward sale agreements covering the additional 591 thousand shares of PPL common stock. Settlement of the subsequent forward sale agreements will occur no later than July 2013.

PPL will not receive any proceeds or issue any shares of common stock until settlement of the forward sale agreements. PPL intends to use any net proceeds that it receives upon settlement to repay short-term debt obligations and for other general corporate purposes.

The forward sale agreements are classified as equity transactions. As a result, no amounts will be recorded in the consolidated financial statements until the settlement of the forward sale agreements. Prior to those settlements, the only impact to the financial statements will be the inclusion of incremental shares within the calculation of diluted EPS using the treasury stock method. See Note 7 to the Financial Statements for additional information.

2010 Equity Units

During 2013, two events will occur related to the components of the 2010 Equity Units. PPL will receive proceeds of $1.150 billion through the issuance of PPL common stock to settle the 2010 Purchase Contracts and PPL Capital Funding expects to remarket the 4.625% Junior Subordinated Notes due 2018. See Note 7 to the Financial Statements for additional information.

Redemption of PPL Electric Preference Stock

In June 2012, PPL Electric redeemed all 2.5 million shares of its 6.25% Series Preference Stock, par value $100 per share. The price paid for the redemption was the par value, without premium ($250 million in the aggregate). At December 31, 2011, the preference stock was reflected in "Noncontrolling Interests" on PPL's Balance Sheet.

Results of Operations

The "Statement of Income Analysis" explains the year-to-year changes in significant earnings components, including certain income statement line items, Kentucky Gross Margins, Pennsylvania Gross Delivery Margins and Unregulated Gross Energy Margins.

On April 1, 2011, PPL completed its acquisition of WPD Midlands. As PPL is consolidating WPD Midlands on a one-month lag, consistent with its accounting policy on consolidation of foreign subsidiaries, a full year of WPD Midlands' results of operations are included in PPL's results for 2012, and eight months of WPD Midlands' results of operations are included in PPL's results for 2011, with no comparable amounts for 2010. When discussing PPL's results of operations for 2012 compared with 2011 and 2011 compared with 2010, the results of WPD Midlands are isolated for purposes of comparability. WPD Midlands' results are included within "Segment Results - U.K. Regulated Segment (formerly the International Regulated Segment, renamed in 2012)." See Note 10 to the Financial Statements for additional information regarding the acquisition.

On November 1, 2010, PPL completed its acquisition of LKE. LKE's results of operations are included in PPL's results for the full year of 2012 and 2011, while 2010 includes LKE's operating results for the two months ended December 31, 2010. When discussing PPL's results of operations for 2011 compared with 2010, the results of LKE are isolated for purposes of comparability. LKE's results are shown separately within "Segment Results - Kentucky Regulated Segment." See Note 10 to the Financial Statements for additional information regarding the acquisition.

Tables analyzing changes in amounts between periods within "Segment Results" and "Statement of Income Analysis" 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.

Earnings

	2012	2011	2010
Net Income Attributable to PPL Shareowners	$ 1,526	$ 1,495	$ 938
EPS - basic	$ 2.61	$ 2.71	$ 2.17
EPS - diluted	$ 2.60	$ 2.70	$ 2.17

<u>Kentucky Regulated Segment</u>

The Kentucky Regulated segment consists primarily of LKE's results from the operation of regulated electricity generation, transmission and distribution assets, primarily in Kentucky, as well as in Virginia and Tennessee. This segment also includes LKE's results from the regulated distribution and sale of natural gas in Kentucky.

Net Income Attributable to PPL Shareowners includes the following results:

	2012	2011	% Change	2010 (a)
Utility revenues	$ 2,759	$ 2,793	(1)	$ 493
Fuel	872	866	1	139
Energy purchases	195	238	(18)	68
Other operation and maintenance	778	751	4	139
Depreciation	346	334	4	49
Taxes, other than income	46	37	24	2
Total operating expenses	2,237	2,226		397
Other Income (Expense) - net	(15)	(1)	1,400	(1)
Other-Than-Temporary Impairments	25		n/a	
Interest Expense (b)	219	217	1	55
Income Taxes	80	127	(37)	16
Income (Loss) from Discontinued Operations (net of income taxes)	(6)	(1)	500	2
Net Income Attributable to PPL Shareowners	$ 177	$ 221	(20)	$ 26

(a) Represents the results of operations for the two-month period from November 1, 2010 through December 31, 2010.
(b) Includes allocated interest expense of $68 million in 2012, $70 million in 2011 and $31 million in 2010 related to the 2010 Equity Units and interest rate swaps.

The changes in the components of the Kentucky Regulated segment's results between 2012 and 2011 were due to the following factors, which reflect reclassifications for items included in Kentucky Gross Margins and certain items that management considers special. See additional detail of these special items in the table below. The 2011 and 2010 comparison has not been included as the periods are not comparable (2010 includes two months of activity as LKE was acquired on November 1, 2010).

	2012 vs. 2011
Kentucky Gross Margins	$ (8)
Other operation and maintenance	(16)
Depreciation	(10)
Taxes, other than income	(9)
Other Income (Expense) - net	(14)
Interest Expense	(2)
Income Taxes	31
Special items, after-tax	(16)
Total	$ (44)

- See "Statement of Income Analysis - Margins - Changes in Non-GAAP Financial Measures" for an explanation of Kentucky Gross Margins.
- Higher other operation and maintenance in 2012 compared with 2011 primarily due to $11 million of expenses related to an increased scope of scheduled outages and a $6 million credit to establish a regulatory asset recorded when approved in 2011 related to 2009 storm costs.
- Higher depreciation in 2012 compared with 2011 due to PP&E additions.
- Lower other income (expense) - net in 2012 compared with 2011 primarily due to losses from the EEI investment.
- Lower income taxes in 2012 compared with 2011 primarily due to lower pre-tax income.

The following after-tax gains (losses), which management considers special items, also impacted the Kentucky Regulated segment's results.

	Income Statement Line Item	2012	2011	2010
Adjusted energy-related economic activity, net, net of tax of $0, ($1), $1	Utility Revenues		$ 1	$ (1)
Impairments:				
Other asset impairments, net of tax of $10, $0, $0 (a)	Other-Than-Temporary-Impairments	$ (15)		
LKE acquisition-related adjustments:				
Net operating loss carryforward and other tax-related adjustments	Income Taxes and Other O&M	4		
Other:				
LKE discontinued operations, net of tax of $4, $1, ($2) (b)	Disc. Operations	(5)	(1)	2
Total		$ (16)	$	$ 1

(a) KU recorded an impairment of its equity method investment in EEI. See Note 18 to the Financial Statements for additional information.
(b) 2012 includes an adjustment to an indemnification liability.

2013 Outlook

Excluding special items, PPL projects higher segment earnings in 2013 compared with 2012, primarily driven by electric and gas base rate increases effective January 1, 2013, returns on additional environmental capital investments and retail load growth, partially offset by higher operation and maintenance.

Earnings in future periods are subject to various risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 1A. Risk Factors," the rest of this Item 7 and Notes 6 and 15 to the Financial Statements for a discussion of the risks, uncertainties and factors that may impact future earnings.

U.K. Regulated Segment

The U.K. Regulated segment consists primarily of the regulated electric distribution operations in the U.K. As a result of the WPD Midlands acquisition on April 1, 2011, the U.K. Regulated segment includes eight months of WPD Midlands' results in 2011. Similar to PPL WW, WPD Midlands' results are recorded on a one-month lag.

Net Income Attributable to PPL Shareowners includes the following results (includes PPL WW and WPD Midlands on a consolidated basis, except for 2012 and 2011 acquisition-related adjustments, which are shown separately):

	2012	2011	2010
Utility revenues (a)	$ 2,289	$ 1,618	$ 727
Energy-related businesses	47	35	34
Total operating revenues	2,336	1,653	761
Other operation and maintenance	439	374	182
Depreciation	279	211	117
Taxes, other than income	147	113	52
Energy-related businesses	34	17	17
Total operating expenses	899	715	368
Other Income (Expense) - net	(51)	13	3
Interest Expense (b)	421	336	135
Income Taxes	153	98	
WPD Midlands acquisition-related adjustments, net of tax	(9)	(192)	
Net Income Attributable to PPL (c)	$ 803	$ 325	$ 261

(a) Includes $1,423 million in 2012 and $790 million in 2011 for WPD Midlands.
(b) Includes allocated interest expense of $47 million and $38 million for 2012 and 2011 related primarily to the 2011 Equity Units.
(c) Includes $570 million in 2012 and $137 million in 2011 for WPD Midlands, net of acquisition-related adjustments.

The changes in the components of the U.K. Regulated segment's results between these periods were due to the following factors, which reflect reclassifications for certain items that management considers special and with WPD Midlands isolated for comparability purposes. See additional detail of special items in the table below. The amounts for PPL WW and WPD Midlands are presented on a constant U.K. foreign currency exchange rate basis in order to isolate the impact of the change in the exchange rate.

	2012 vs. 2011	2011 vs. 2010
PPL WW		
Utility revenues	$ 49	$ 77
Other operation and maintenance	(26)	(10)
Interest expense	16	(14)
Depreciation	(8)	(2)
Other	(4)	5
Income taxes	17	(55)
WPD Midlands, after-tax	224	240
U.S.		
Interest expense and other	(15)	(41)
Income taxes	(25)	37
Foreign currency exchange rates, after-tax	(14)	15
Special items, after-tax	264	(188)
Total	$ 478	$ 64

PPL WW

- The increase in utility revenues in 2012 compared with 2011 was due to the impact of the April 2012 and 2011 price increases which resulted in $78 million of higher utility revenues, partially offset by $13 million of lower volumes due primarily to a downturn in the economy and weather.

  The increase in utility revenues in 2011 compared with 2010 was due to the impact of the April 2011 and 2010 price increases that resulted in $76 million of additional revenue.

- The increases in other operation and maintenance in 2012 compared with 2011 and 2011 compared with 2010 were due to higher pension expense resulting from an increase in amortization of actuarial losses.

- The decrease in interest expense in 2012 compared with 2011 was due to lower interest expense on index-linked notes.

  The increase in interest expense in 2011 compared with 2010 was due to $11 million of higher interest expense arising from a March 2010 debt issuance.

- The increase in depreciation expense in 2012 compared with 2011 was due to $10 million of depreciation related to PP&E additions.

- The decrease in income taxes in 2012 compared with 2011 was due to the tax deductibility of interest on acquisition financing of $12 million and $9 million from a benefit relating to customer contributions for capital expenditures.

  The increase in income taxes in 2011 compared with 2010 was due to a $46 million benefit recorded in 2010 for realized capital losses that offset a gain relating to a business activity sold in 1999 and $15 million due to higher 2011 pre-tax income.

WPD Midlands

- Earnings in 2012 compared with 2011 were affected by an additional four months of results in 2012 totaling $171 million, after-tax.

- The comparable eight month period was affected by higher utility revenue of $125 million resulting from the April 1, 2012 price increase and $26 million of lower pension expense, partially offset by $26 million of higher taxes due to higher pre-tax income, $25 million of additional interest expense on debt issuances in 2011 and 2012 and $25 million of higher taxes due to a U.K./U.S. intercompany tax transaction.

U.S.

- The increase in interest expense and other in 2012 compared with 2011 was due to $9 million of higher interest expense primarily associated with the 2011 Equity Units issued to finance the WPD Midlands acquisition.

  The increase in interest expense and other in 2011 compared with 2010 was due to $38 million of higher interest expense primarily associated with the 2011 Equity Units issued to finance the WPD Midlands acquisition.

- The increase in income taxes in 2012 compared with 2011 was due to $28 million of tax benefits recorded in 2011 as a result of U.K. pension plan contributions and a $20 million adjustment primarily related to the recalculation of 2010 U.K. earnings and profits, partially offset by $25 million from the U.K./U.S. intercompany tax transaction.

  The decrease in income taxes in 2011 compared with 2010 was due to a $41 million tax benefit resulting from changes in the taxable amount of planned U.K. cash repatriations, a tax benefit of $28 million from U.K. pension plan contributions and lower income taxes due to lower 2011 pre-tax income. These tax benefits were partially offset by $24 million of favorable 2010 adjustments to uncertain tax benefits primarily related to Windfall Profits Tax and $11 million of higher income taxes on interest income related to acquisition financing.

Foreign Currency Exchange Rates

- Changes in foreign currency exchange rates negatively affected the segment's earnings for 2012 compared with 2011 and positively affected 2011 compared with 2010. The weighted-average exchange rates for the British pound sterling, including the effects of currency hedges, were approximately $1.58 in 2012, $1.61 in 2011, and $1.57 in 2010.

The following after-tax gains (losses), which management considers special items, also impacted the U.K. Regulated segment's results.

	Income Statement Line Item	2012	2011	2010
Foreign currency-related economic hedges, net of tax of $18, ($2), $0 (a)	Other Income-net	$ (33)	$ 5	$ 1
WPD Midlands acquisition-related adjustments:				
2011 Bridge Facility costs, net of tax of $0, $14, $0 (b)	Interest Expense		(30)	
Foreign currency loss on 2011 Bridge Facility, net of tax of $0, $19, $0 (c)	Other Income-net		(38)	
Net hedge gains, net of tax of $0, ($17), $0 (c)	Other Income-net		38	
Hedge ineffectiveness, net of tax of $0, $3, $0 (d)	Interest Expense		(9)	
U.K. stamp duty tax, net of tax of $0, $0, $0 (e)	Other Income-net		(21)	
Separation benefits, net of tax of $4, $26, $0 (f)	Other O&M	(11)	(75)	
Other acquisition-related adjustments, net of tax of ($1), $20, $0	(g)	2	(57)	
Other:				
Change in U.K. tax rate (h)	Income Taxes	75	69	18
Windfall profits tax litigation (i)	Income Taxes		(39)	12
Line loss adjustment, net of tax of ($23), $0, $0 (j)	Utility Revenues	74		
Total		$ 107	$ (157)	$ 31

(a) Represents unrealized gains (losses) on contracts that economically hedge anticipated earnings denominated in GBP.
(b) Represents fees incurred in connection with establishing the 2011 Bridge Facility.
(c) Represents the foreign currency loss on the repayment of the 2011 Bridge Facility, including a pre-tax foreign currency loss of $15 million associated with proceeds received on the U.S. dollar-denominated senior notes issued by PPL WEM in April 2011 that were used to repay a portion of PPL WEM's borrowing under the 2011 Bridge Facility. The foreign currency risk was economically hedged with forward contracts to purchase GBP, which resulted in pre-tax gains of $55 million.
(d) Represents a combination of ineffectiveness associated with closed out interest rate swaps and a charge recorded as a result of certain interest rate swaps failing hedge effectiveness testing.
(e) Tax on the transfer of ownership of property in the U.K., which is not tax deductible for income tax purposes.
(f) 2012 represents severance compensation and early retirement deficiency costs. 2011 primarily represents severance compensation, early retirement deficiency costs and outplacement services for employees separating from the WPD Midlands companies as a result of a reorganization to transition the WPD Midlands companies to the same operating structure as WPD (South West) and WPD (South Wales). 2011 also includes severance compensation and early retirement deficiency costs associated with certain employees who separated from the WPD Midlands companies, but were not part of the reorganization.
(g) 2011 primarily includes $34 million, pre-tax, of advisory, accounting and legal fees which are recorded in "Other Income (Expense) - net" on the Statement of Income; $37 million, pre-tax, of costs, primarily related to the termination of certain contracts, rebranding costs and relocation costs that were recorded to "Other operation and maintenance" expense on the Statement of Income; and $6 million, pre-tax, of costs associated with the integration of certain information technology assets, that were recorded in "Depreciation" on the Statement of Income.
(h) The U.K. Finance Act of 2012, enacted in July 2012, reduced the U.K. statutory income tax rate from 25% to 24% retroactive to April 1, 2012 and from 24% to 23% effective April 1, 2013. The U.K. Finance Act of 2011, enacted in July 2011, reduced the U.K. statutory income tax rate from 27% to 26% retroactive to April 1, 2011 and reduced the rate from 26% to 25% effective April 1, 2012. The U.K. Finance Act of 2010, enacted in July 2010, reduced the U.K. statutory income tax rate from 28% to 27% effective April 1, 2011. As a result, WPD reduced its net deferred tax liabilities and recognized deferred tax benefits in 2012, 2011 and 2010. WPD Midlands' portion of the deferred tax benefit was $43 million and $35 million for 2012 and 2011.
(i) In 2010, the U.S. Tax Court ruled in PPL's favor in a pending dispute with the IRS concluding that the 1997 U.K. Windfall Profits Tax (WPT) imposed on all U.K. privatized utilities, including PPL's U.K. subsidiary, is a creditable tax for U.S. Federal income tax purposes. As a result, PPL recorded an income tax benefit in 2010. In January 2011, the IRS appealed the U.S. Tax Court's decision to the U.S. Court of Appeals for the Third Circuit (Third Circuit). In December 2011, the Third Circuit issued its opinion reversing the Tax Court's decision and holding that the WPT is not a creditable tax. As a result of the Third Circuit's adverse determination, PPL recorded a $39 million expense in 2011. See Note 5 to the Financial Statements for information on 2012 activities related to this case, including the U.S. Supreme Court's decision to grant PPL's petition for a writ of certiorari to review the Third Circuit's opinion.
(j) In November 2012, Ofgem issued additional consultation on the final DPCR4 line loss close-out that published values for each DNO and further indicated the preferred methodology that would replace the methodology under WPD's licenses. Based on applying the preferred methodology for DPCR4, WPD Midlands reduced its line loss liability by $86 million, pre-tax. Ofgem also indicated that the line loss incentive implemented at the last rate review will be withdrawn and no incentive will apply for the DPCR5 period. As a result, WPD Midlands reduced their line loss accrual by $11 million, pre-tax. This represents WPD Midlands' portion of the adjustment as the original liability was primarily established through purchase accounting.

2013 Outlook

Excluding special items, PPL projects higher segment earnings in 2013 compared with 2012, primarily driven by higher electricity delivery revenue and lower income taxes, partially offset by higher operation and maintenance, higher depreciation and higher interest expense.

Earnings in future periods are subject to various risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 1A. Risk Factors," the rest of this Item 7 and Notes 6 and 15 to the Financial Statements for a discussion of the risks, uncertainties and factors that may impact future earnings.

Pennsylvania Regulated Segment

The Pennsylvania Regulated segment includes the regulated electric delivery operations of PPL Electric.

Net Income Attributable to PPL Shareowners includes the following results:

	2012	2011	% Change	2011	2010	% Change
Operating revenues						
External	$ 1,760	$ 1,881	(6)	$ 1,881	$ 2,448	(23)
Intersegment	3	11	(73)	11	7	57
Total operating revenues	1,763	1,892	(7)	1,892	2,455	(23)
Energy purchases						
External	550	738	(25)	738	1,075	(31)
Intersegment	78	26	200	26	320	(92)
Other operation and maintenance	576	530	9	530	502	6
Amortization of recoverable transition costs			n/a			n/a
Depreciation	160	146	10	146	136	7
Taxes, other than income	105	104	1	104	138	(25)
Total operating expenses	1,469	1,544	(5)	1,544	2,171	(29)
Other Income (Expense) - net	9	7	29	7	7	-
Interest Expense	99	98	1	98	99	(1)
Income Taxes	68	68	-	68	57	19
Net Income	136	189	(28)	189	135	40
Net Income Attributable to Noncontrolling Interests (Note 3)	4	16	(75)	16	20	(20)
Net Income Attributable to PPL Shareowners	$ 132	$ 173	(24)	$ 173	$ 115	50

The changes in the components of the Pennsylvania Regulated segment's results between these periods were due to the following factors, which reflect reclassifications for items included in Pennsylvania Gross Delivery Margins.

	2012 vs. 2011	2011 vs. 2010
Pennsylvania Gross Delivery Margins	$ 19	$ 66
Other operation and maintenance	(50)	4
Depreciation	(14)	(10)
Taxes, other than income	(9)	4
Other	1	1
Income Taxes		(11)
Noncontrolling Interests	12	4
Total	$ (41)	$ 58

- See "Statement of Income Analysis - Margins - Changes in Non-GAAP Financial Measures" for an explanation of Pennsylvania Gross Delivery Margins.

- Higher other operation and maintenance for 2012 compared with 2011, primarily due to $17 million in higher payroll-related costs due to less project costs being capitalized in 2012, higher support group costs of $11 million and $10 million for increased vegetation management.

- Higher depreciation for 2012 compared with 2011 and 2011 compared with 2010 primarily due to PP&E additions.

- Higher taxes, other than income for 2012 primarily due to a $10 million tax provision related to gross receipts tax.

- Income taxes were flat in 2012 compared with 2011 primarily due to the $22 million impact of lower 2012 pre-tax income primarily offset by $9 million of depreciation not normalized and $9 million of income tax return adjustments, largely related to changes in flow-through regulated tax depreciation.

  Income taxes were higher in 2011 compared with 2010, due to the $26 million impact of higher 2011 pre-tax income, partially offset by a $14 million tax benefit related to changes in flow-through regulated tax depreciation.

- Lower noncontrolling interests in 2012 compared with 2011 due to PPL Electric's redemption of preference securities in June 2012.

2013 Outlook

PPL projects higher segment earnings in 2013 compared with 2012, due to higher distribution revenues from a distribution base rate increase effective January 1, 2013, and higher transmission margins, partially offset by higher depreciation.

Earnings in future periods are subject to various risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 1A. Risk Factors," the rest of this Item 7 and Notes 6 and 15 to the Financial Statements for a discussion of the risks, uncertainties and factors that may impact future earnings.

Supply Segment

The Supply segment primarily consists of the energy marketing and trading activities, as well as the competitive generation and development operations of PPL Energy Supply. In 2011 and 2010, PPL Energy Supply subsidiaries completed the sale of several businesses, which have been classified as Discontinued Operations. See Note 9 to the Financial Statements for additional information.

Net Income Attributable to PPL Shareowners includes the following results:

	2012	2011	% Change	2011	2010	% Change
Energy revenues						
External (a)	$ 4,970	$ 5,938	(16)	$ 5,938	$ 4,444	34
Intersegment	79	26	204	26	320	(92)
Energy-related businesses	461	472	(2)	472	375	26
Total operating revenues	5,510	6,436	(14)	6,436	5,139	25
Fuel (a)	965	1,080		1,080	1,096	
Energy Purchases						
External (a)	1,810	2,277	(21)	2,277	1,344	69
Intersegment	2	4	(50)	4	3	33
Other operation and maintenance	1,032	882	17	882	934	(6)
Depreciation	315	262	20	262	254	3
Taxes, other than income	68	72	(6)	72	46	57
Energy-related businesses	450	467	(4)	467	366	28
Total operating expenses	4,642	5,044	(8)	5,044	4,043	25
Other Income (Expense) - net	18	43	(58)	43	(9)	(578)
Other-Than-Temporary Impairments	2	6	(67)	6	3	100
Interest Expense	222	192	16	192	224	(14)
Income Taxes	247	463	(47)	463	228	103
Income (Loss) from Discontinued Operations		3	(100)	3	(19)	(116)
Net Income	415	777	(47)	777	613	27
Net Income Attributable to Noncontrolling Interests	1	1		1	1	
Net Income Attributable to PPL Shareowners	$ 414	$ 776	(47)	$ 776	$ 612	27

(a) Includes the impact from energy-related economic activity. See "Commodity Price Risk (Non-trading) - Economic Activity" in Note 19 to the Financial Statements for additional information.

The changes in the components of the Supply segment's results between these periods were due to the following factors, which reflect reclassifications for items included in Unregulated Gross Energy Margins and certain items that management considers special. See additional detail of these special items in the table below.

	2012 vs. 2011	2011 vs. 2010
Unregulated Gross Energy Margins	$ (197)	$ (405)
Other operation and maintenance	(91)	(63)
Depreciation	(53)	(8)
Taxes, other than income	8	(10)
Other Income (Expense) - net	(26)	22
Interest Expense	(20)	(12)
Other	5	(4)
Income Taxes	136	107
Discontinued operations, after-tax - excluding certain revenues and expenses included in margins		17
Special items, after-tax	(124)	520
Total	$ (362)	$ 164

- See "Statement of Income Analysis - Margins - Changes in Non-GAAP Financial Measures" for an explanation of Unregulated Gross Energy Margins.

- Higher other operation and maintenance in 2012 compared with 2011 due to higher costs at PPL Susquehanna of $27 million including refueling outage costs, payroll-related costs and project costs, $18 million due to the Ironwood Acquisition, $13 million due to eastern fossil and hydroelectric unit outages, $11 million of higher pension expense and $10 million of higher charges from support groups.

  Higher other operation and maintenance in 2011 compared with 2010 primarily due to higher costs at PPL Susquehanna of $27 million largely due to unplanned outages, the refueling outage and payroll-related costs, $23 million higher costs at eastern fossil and hydroelectric units largely due to outages, and $12 million higher net costs at western fossil and hydroelectric units, largely resulting from insurance recoveries received in 2010.

- Higher depreciation in 2012 compared with 2011 primarily due to a $24 million impact from PP&E additions and $17 million due to the Ironwood Acquisition.

- Lower taxes other than income in 2012 compared with 2011 primarily due to lower capital stock tax.

  Higher taxes other than income in 2011 compared with 2010 primarily due to higher capital stock tax.

- Lower other income (expense) - net in 2012 compared with 2011 and higher other income (expense) - net in 2011 compared with 2010 primarily due to a $22 million gain on the July 2011 redemption of Senior Secured Bonds.

- Higher interest expense in 2012 compared with 2011 primarily due to hedging activity, which increased interest expense by $30 million and $12 million related to the debt assumed as a result of the Ironwood Acquisition, partially offset by $11 million of lower interest on short-term borrowings and $4 million of higher capitalized interest.

  Higher interest expense in 2011 compared with 2010 of $13 million primarily due to hedging activity and $8 million due to short-term borrowings, partially offset by $15 million of higher capitalized interest.

- Lower income taxes in 2012 compared with 2011 due to lower 2012 pre-tax income, which reduced income taxes by $151 million and $23 million related to lower adjustments to valuation allowances on Pennsylvania net operating losses, partially offset by $21 million related to the impact of prior period tax return adjustments.

  Lower income taxes in 2011 compared with 2010 due to lower 2011 pre-tax income, which reduced taxes by $204 million and a $26 million reduction in deferred tax liabilities related to an updated blended state tax rate resulting from a change in state tax apportionment. These decreases were partially offset by $101 million related to adjustments to valuation allowances on Pennsylvania net operating losses, $16 million in favorable adjustments to uncertain tax benefits recorded in 2010 and an $11 million decrease in the domestic manufacturing deduction resulting from revised bonus depreciation estimates.

The following after-tax gains (losses), which management considers special items, also impacted the Supply segment's results.

	Income Statement Line Item	2012	2011	2010
Adjusted energy-related economic activity, net, net of tax of ($26), ($52), $85	(a)	$ 38	$ 72	$ (121)
Sales of assets:				
Maine hydroelectric generation business, net of tax of $0, $0, ($9) (b)	Disc. Operations			15
Sundance indemnification, net of tax of $0, $0, $0	Other Income-net			1
Impairments:				
Emission allowances, net of tax of $0, $1, $6 (c)	Other O&M		(1)	(10)
Renewable energy credits, net of tax of $0, $2, $0	Other O&M		(3)	
Adjustments - nuclear decommissioning trust investments, net of tax of ($2), $0, $0	Other Income-net	2		
Other asset impairments, net of tax of $0, $0, $0	Other O&M	(1)		
LKE acquisition-related adjustments:				
Monetization of certain full-requirement sales contracts, net of tax of $0, $0, $89	(d)			(125)
Sale of certain non-core generation facilities, net of tax of $0, $0, $37 (e)	Disc. Operations		(2)	(64)
Discontinued cash flow hedges and ineffectiveness, net of tax of $0, $0, $15 (f)	Other Income-net			(28)
Reduction of credit facility, net of tax of $0, $0, $4 (g)	Interest Expense			(6)
Other:				
Montana hydroelectric litigation, net of tax of $0, ($30), $22	(h)		45	(34)
Litigation settlement - spent nuclear fuel storage, net of tax of $0, ($24), $0 (i)	Fuel		33	
Health care reform - tax impact (j)	Income Taxes			(8)
Montana basin seepage litigation, net of tax of $0, $0, ($1)	Other O&M			2
Counterparty bankruptcy, net of tax of $5, $5, $0 (k)	Other O&M	(6)	(6)	
Wholesale supply cost reimbursement, net of tax of $0, ($3), $0	(l)	1	4	
Ash basin leak remediation adjustment, net of tax of ($1), $0, $0	Other O&M	1		
Coal contract modification payments, net of tax of $12, $0, $0 (m)	Fuel	(17)		
Total		$ 18	$ 142	$ (378)

(a) See "Reconciliation of Economic Activity" below.
(b) Gains recorded on the completion of the sale of the Maine hydroelectric generation business. See Note 9 to the Financial Statements for additional information.
(c) Primarily represents impairment charges of sulfur dioxide emission allowances.
(d) In July 2010, in order to raise additional cash for the LKE acquisition, certain full-requirement sales contracts were monetized that resulted in cash proceeds of $249 million. See "Monetization of Certain Full-Requirement Sales Contracts" in Note 19 to the Financial Statements for additional information. $343 million of pre-tax gains were recorded to "Wholesale energy marketing" and $557 million of pre-tax losses were recorded to "Energy purchases" on the Statement of Income.

(e) Consists primarily of the initial impairment charge recorded when the business was classified as held for sale. See Note 9 to the Financial Statements for additional information.
(f) As a result of the expected net proceeds from the anticipated sale of certain non-core generation facilities, coupled with the monetization of certain full-requirement sales contracts, debt that had been planned to be issued by PPL Energy Supply in 2010 was no longer needed. As a result, hedge accounting associated with interest rate swaps entered into by PPL in anticipation of a debt issuance by PPL Energy Supply was discontinued.
(g) In October 2010, PPL Energy Supply made borrowings under its Syndicated Credit Facility in order to enable a subsidiary to make loans to certain affiliates to provide interim financing of amounts required by PPL to partially fund PPL's acquisition of LKE. Subsequent to the repayment of such borrowing, the capacity was reduced, and as a result, PPL Energy Supply wrote off deferred fees in 2010.
(h) In March 2010, the Montana Supreme Court substantially affirmed a June 2008 Montana District Court decision regarding lease payments for the use of certain Montana streambeds. In 2010, PPL Montana recorded a pre-tax charge of $56 million, representing estimated rental compensation for years prior to 2010, including interest. Of this total charge $47 million, pre-tax, was recorded to "Other operation and maintenance" and $9 million, pre-tax, was recorded to "Interest Expense" on the Statement of Income. In August 2010, PPL Montana filed a petition for a writ of certiorari with the U.S. Supreme Court requesting the Court's review of this matter. In June 2011, the U.S. Supreme Court granted PPL Montana's petition. In February 2012, the U.S. Supreme Court overturned the Montana Supreme Court decision and remanded the case to the Montana Supreme Court for further proceedings consistent with the U.S. Supreme Court's opinion. Prior to the U.S. Supreme Court decision, $4 million, pre-tax, of interest expense on the rental compensation covered by the court decision was accrued in 2011. As a result of the U.S. Supreme Court decision, PPL Montana reversed its total pre-tax loss accrual of $89 million, which had been recorded prior to the U.S. Supreme Court decision, of which $79 million pre-tax is considered a special item because it represented $65 million of rent for periods prior to 2011 and $14 million of interest accrued on the portion covered by the prior court decision. These amounts were credited to "Other operation and maintenance" and "Interest Expense" on the Statement of Income. See Note 15 to the Financial Statements for additional information.
(i) In May 2011, PPL Susquehanna entered into a settlement agreement with the U.S. Government relating to PPL Susquehanna's lawsuit, seeking damages for the Department of Energy's failure to accept spent nuclear fuel from the PPL Susquehanna plant. PPL Susquehanna recorded credits to fuel expense to recognize recovery, under the settlement agreement, of certain costs to store spent nuclear fuel at the Susquehanna plant. This special item represents amounts recorded in 2011 to cover the costs incurred from 1998 through December 2010.
(j) Represents income tax expense recorded as a result of the provisions within Health Care Reform which eliminated the tax deductibility of retiree health care costs to the extent of federal subsidies received by plan sponsors that provide retiree prescription drug benefits equivalent to Medicare Part D Coverage.
(k) In October 2011, a wholesale customer, SMGT, filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy code. In 2012, PPL EnergyPlus recorded an additional allowance for unpaid amounts under the long-term power contract. In March 2012, the U.S. Bankruptcy Court for the District of Montana approved the request to terminate the contract, effective April 1, 2012.
(l) In January 2012, PPL received $7 million pre-tax, related to electricity delivered to a wholesale customer in 2008 and 2009, recorded in "Wholesale energy marketing-Realized." The additional revenue results from several transmission projects approved at PJM for recovery that were not initially anticipated at the time of the electricity auctions and therefore were not included in the auction pricing. A FERC order was issued in 2011 approving the disbursement of these supply costs by the wholesale customer to the suppliers, therefore, PPL accrued its share of this additional revenue in 2011.
(m) As a result of lower electricity and natural gas prices, coal-fired generation output decreased during 2012. Contract modification payments were incurred to reduce 2012 and 2013 contracted coal deliveries.

Reconciliation of Economic Activity

The following table reconciles unrealized pre-tax gains (losses) from the table within "Commodity Price Risk (Non-trading) - Economic Activity" in Note 19 to the Financial Statements to the special item identified as "Adjusted energy-related economic activity, net."

	2012	2011	2010
Operating Revenues			
Unregulated retail electric and gas	$ (17)	$ 31	$ 1
Wholesale energy marketing	(311)	1,407	(805)
Operating Expenses			
Fuel	(14)	6	29
Energy Purchases	442	(1,123)	286
Energy-related economic activity (a)	100	321	(489)
Option premiums (b)	(1)	19	32
Adjusted energy-related economic activity	99	340	(457)
Less: Unrealized economic activity associated with the monetization of certain full-requirement sales contracts in 2010 (c)			(251)
Less: Economic activity realized, associated with the monetization of certain full-requirement sales contracts in 2010	35	216	
Adjusted energy-related economic activity, net, pre-tax	$ 64	$ 124	$ (206)
Adjusted energy-related economic activity, net, after-tax	$ 38	$ 72	$ (121)

(a) See Note 19 to the Financial Statements for additional information.
(b) Adjustment for the net deferral and amortization of option premiums over the delivery period of the item that was hedged or upon realization. Option premiums are recorded in "Wholesale energy marketing - Realized" and "Energy purchases - Realized" on the Statements of Income.
(c) See "Components of Monetization of Certain Full-Requirement Sales Contracts" below.

Components of Monetization of Certain Full-Requirement Sales Contracts

The following table provides the components of the "Monetization of Certain Full-Requirement Sales Contracts" special item.

		2010
Full-requirement sales contracts monetized (a)	$	(68)
Economic activity related to the full-requirement sales contracts monetized		(146)
Monetization of certain full-requirement sales contracts, pre-tax (b)	$	(214)
Monetization of certain full-requirement sales contracts, after-tax	$	(125)

(a) See "Commodity Price Risk (Non-trading) - Monetization of Certain Full-Requirement Sales Contracts" in Note 19 to the Financial Statements for additional information.
(b) Includes unrealized losses of $251 million, which are reflected in "Wholesale energy marketing - Unrealized economic activity" and "Energy purchases - Unrealized economic activity" on the Statement of Income. Also includes net realized gains of $37 million, which are reflected in "Wholesale energy marketing - Realized" and "Energy purchases - Realized" on the Statement of Income.

2013 Outlook

Excluding special items, PPL projects lower segment earnings in 2013 compared with 2012, primarily driven by lower energy prices, higher fuel costs, higher operation and maintenance, higher depreciation and higher financing costs, which are partially offset by higher capacity prices and higher nuclear generation output despite scheduled outages for both Susquehanna units to implement a long-term solution to turbine blade issues.

Earnings in future periods are subject to various risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 1A. Risk Factors," the rest of this Item 7 and Note 15 to the Financial Statements for a discussion of the risks, uncertainties and factors that may impact future earnings.

Statement of Income Analysis --

Margins

Non-GAAP Financial Measures

The following discussion includes financial information prepared in accordance with GAAP, as well as three non-GAAP financial measures: "Kentucky Gross Margins," "Pennsylvania Gross Delivery Margins" and "Unregulated Gross Energy Margins." 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 to report on the results of their operations. PPL believes that these measures provide additional criteria to make investment decisions. These performance measures are used, in conjunction with other information, internally by senior management and the Board of Directors to manage the Kentucky Regulated, Pennsylvania Regulated and Supply segment operations, analyze each respective segment's actual results compared with budget and, in certain cases, to measure certain corporate financial goals used in determining variable compensation.

PPL's three non-GAAP financial measures include:

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

- "Pennsylvania Gross Delivery Margins" is a single financial performance measure of the Pennsylvania Regulated segment's electric delivery operations, which includes transmission and distribution activities. In calculating this measure, utility revenues and expenses associated with approved recovery mechanisms, including energy provided as a PLR, are offset with minimal impact on earnings. Costs associated with these mechanisms are recorded in "Energy purchases," "Other operation and maintenance," which is primarily Act 129 costs, and "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 "PLR intersegment utility revenue (expense)" in the table below. As a result, this measure represents the net revenues from the Pennsylvania Regulated segment's electric delivery operations.

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

Reconciliation of Non-GAAP Financial Measures

The following tables reconcile "Operating Income" to PPL's three non-GAAP financial measures.

	2012					2011				
	Kentucky Gross Margins	**PA Gross Delivery Margins**	**Unregulated Gross Energy Margins**	**Other (a)**	**Operating Income (b)**	**Kentucky Gross Margins**	**PA Gross Delivery Margins**	**Unregulated Gross Energy Margins**	**Other (a)**	**Operating Income (b)**
Operating Revenues										
Utility	$ 2,759	$ 1,760		$ 2,289 (d)	$ 6,808	$ 2,791	$ 1,881		$ 1,620 (d)	$ 6,292
PLR intersegment utility revenue (expense) (e)		(78)	$ 78				(26)	$ 26		
Unregulated retail electric and gas			865	(21) (g)	844			696	30 (g)	726
Wholesale energy marketing										
Realized			4,412	21 (f)	4,433			3,745	62 (f)	3,807
Unrealized economic activity				(311) (g)	(311)				1,407 (g)	1,407
Net energy trading margins			4		4			(2)		(2)
Energy-related businesses				508	508				507	507
Total Operating Revenues	2,759	1,682	5,359	2,486	12,286	2,791	1,855	4,465	3,626	12,737
Operating Expenses										
Fuel	872		931	34 (h)	1,837	866		1,151	(71) (h)	1,946
Energy purchases										
Realized	195	550	2,204	48 (f)	2,997	238	738	912	242 (f)	2,130
Unrealized economic activity				(442) (g)	(442)				1,123 (g)	1,123
Other operation and maintenance	101	104	19	2,611	2,835	90	108	16	2,453	2,667
Depreciation	51			1,049	1,100	49			911	960
Taxes, other than income		91	34	241	366		99	30	197	326
Energy-related businesses				484	484				484	484
Intercompany eliminations		(3)	3				(11)	3	8	
Total Operating Expenses	1,219	742	3,191	4,025	9,177	1,243	934	2,112	5,347	9,636
Discontinued operations								12	(12) (i)	
Total	$ 1,540	$ 940	$ 2,168	$ (1,539)	$ 3,109	$ 1,548	$ 921	$ 2,365	$ (1,733)	$ 3,101

	2010				
	Kentucky Gross Margins (c)	**PA Gross Delivery Margins**	**Unregulated Gross Energy Margins**	**Other (a)**	**Operating Income (b)**
Operating Revenues					
Utility		$ 2,448		$ 1,220 (d)	$ 3,668
PLR intersegment utility revenue (expense) (e)		(320)	$ 320		
Unregulated retail electric and gas			414	1	415
Wholesale energy marketing					
Realized			4,511	321 (f)	4,832
Unrealized economic activity				(805) (g)	(805)
Net energy trading margins			2		2
Energy-related businesses				409	409
Total Operating Revenues		2,128	5,247	1,146	8,521
Operating Expenses					
Fuel			1,132	103 (h)	1,235
Energy purchases					
Realized		1,075	1,389	309 (f)	2,773
Unrealized economic activity				(286) (g)	(286)
Other operation and maintenance		76	23	1,657	1,756
Amortization of recoverable transition costs					
Depreciation				556	556
Taxes, other than income		129	14	95	238
Energy-related businesses				383	383
Intercompany eliminations		(7)	3	4	
Total Operating Expenses		1,273	2,561	2,821	6,655
Discontinued operations			84	(84) (i)	
Total		$ 855	$ 2,770	$ (1,759)	$ 1,866

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.
(c) LKE was acquired on November 1, 2010. Kentucky Gross Margins were not used to measure the financial performance of the Kentucky Regulated segment in 2010.
(d) Primarily represents WPD's utility revenue. 2010 also includes LKE's utility revenues for the two-month period subsequent to the November 1, 2010 acquisition.
(e) Primarily related to PLR supply sold by PPL EnergyPlus to PPL Electric.
(f) Represents energy-related economic activity as described in "Commodity Price Risk (Non-trading) - Economic Activity" within Note 19 to the Financial Statements. For 2012, "Wholesale energy marketing - Realized" and "Energy purchases - Realized" include a net pre-tax loss of $35 million related to the monetization of certain full-requirement sales contracts. 2011 includes a net pre-tax loss of $216 million related to the monetization of certain full-requirement sales contracts and a net pre-tax gain of $19 million related to the amortization of option premiums. 2010 includes a net pre-tax gain of $37 million related to the monetization of certain full-requirement sales contracts and a net pre-tax gain of $32 million related to the amortization of option premiums.
(g) Represents energy-related economic activity, which is subject to fluctuations in value due to market price volatility, as described in "Commodity Price Risk (Non-trading) - Economic Activity" within Note 19 to the Financial Statements.
(h) Includes economic activity related to fuel as described in "Commodity Price Risk (Non-trading) - Economic Activity" within Note 19 to the Financial Statements. 2012 includes a net pre-tax loss of $29 million related to coal contract modification payments. 2011 includes pre-tax credits of $57 million for the spent nuclear fuel litigation settlement.
(i) Represents the net of certain revenues and expenses associated with certain businesses that are classified as discontinued operations. These revenues and expenses are not reflected in "Operating Income" on the Statements of Income.

Changes in Non-GAAP Financial Measures

The following table shows PPL's three non-GAAP financial measures, as well as the change between periods. The factors that gave rise to the changes are described below the table.

	2012	2011	Change	2011	2010	Change
Kentucky Gross Margins (a)	$ 1,540	$ 1,548	$ (8)	$ 1,548		$ 1,548
PA Gross Delivery Margins by Component						
Distribution	$ 730	$ 741	$ (11)	$ 741	$ 679	$ 62
Transmission	210	180	30	180	176	4
Total	$ 940	$ 921	$ 19	$ 921	$ 855	$ 66
Unregulated Gross Energy Margins by Region						
Non-trading						
Eastern U.S.	$ 1,865	$ 2,018	$ (153)	$ 2,018	$ 2,429	$ (411)
Western U.S.	299	349	(50)	349	339	10
Net energy trading	4	(2)	6	(2)	2	(4)
Total	$ 2,168	$ 2,365	$ (197)	$ 2,365	$ 2,770	$ (405)

(a) LKE was acquired on November 1, 2010. Kentucky Gross Margins were not used to measure the financial performance of the Kentucky Regulated segment in 2010.

Kentucky Gross Margins

Margins decreased in 2012 compared with 2011, primarily due to $6 million of lower wholesale margins, resulting from lower market prices. Retail margins were $2 million lower, as volumes were impacted by unseasonably mild weather during the first four months of 2012. Total heating degree days decreased 11% compared to 2011, partially offset by a 6% increase in cooling degree days.

PPL acquired LKE on November 1, 2010. Margins for 2011 are included in PPL's results without comparable amounts for 2010.

Pennsylvania Gross Delivery Margins

<u>Distribution</u>

Margins decreased in 2012 compared with 2011, primarily due to a $14 million unfavorable effect of mild weather early in 2012 and lower revenue applicable to certain energy-related costs of $3 million due to fewer PLR customers in 2012, partially offset by a $7 million charge recorded in 2011 to reduce a portion of the transmission service charge regulatory asset associated with a 2005 undercollection that was not included in any subsequent rate reconciliations filed with the PUC.

Margins increased in 2011 compared with 2010, largely due to the PPL Electric distribution rate case which increased rates by approximately 1.6% effective January 1, 2011, resulting in improved residential distribution margins of $68 million. Additionally, residential volume variances increased margins by an additional $4 million in 2011, compared with 2010, offset by unfavorable weather of $3 million for residential customers in 2011 compared with 2010. Lastly, lower demand charges and increased efficiency as a result of Act 129 programs resulted in a $5 million decrease in margins for commercial and industrial customers.

<u>Transmission</u>

Margins increased in 2012 compared with 2011, primarily due to increased investment in plant and the recovery of additional costs through the FERC formula-based rates.

Unregulated Gross Energy Margins

<u>Eastern U.S.</u>

The changes in Eastern U.S. non-trading margins were:

	2012 vs. 2011	2011 vs. 2010
Baseload energy prices	$ (121)	$ (109)
Baseload capacity prices	(37)	(90)
Intermediate and peaking capacity prices	(17)	(58)
Full-requirement sales contracts (a)	(15)	70
Impact of non-core generation facilities sold in the first quarter of 2011	(12)	(48)
Higher nuclear fuel prices	(12)	(10)
Net economic availability of coal and hydroelectric units (b)	(10)	(72)
Higher coal prices	(2)	(40)
Nuclear generation volume (c)		(29)
Intermediate and peaking Spark Spreads	11	24
Retail electric	15	(7)
Ironwood Acquisition, which eliminated tolling expense (d)	41	
Monetization of certain deals that rebalanced the business and portfolio		(41)
Other	6	(1)
	$ (153)	$ (411)

(a) Higher margins in 2011 compared with 2010 were driven by the monetization of loss contracts in 2010 and lower customer migration to alternative suppliers in 2011.
(b) Volumes were lower in 2011 compared with 2010 as a result of unplanned outages and the sale of our interest in Safe Harbor Water Power Corporation.
(c) Volumes were flat in 2012 compared to 2011 due to an uprate in the third quarter of 2011 offset by higher plant outage costs in 2012. Volumes were lower in 2011 compared with 2010 primarily as a result of the dual-unit turbine blade replacement outages beginning in May 2011.
(d) See Note 10 to the Financial Statements for additional information.

Western U.S.

Non-trading margins were lower in 2012 compared with 2011 due to $34 million of lower wholesale volumes, including $31 million related to the bankruptcy of SMGT, $9 million of higher average fuel prices and $9 million of lower wholesale prices.

Non-trading margins were higher in 2011 compared with 2010 due to higher net wholesale prices of $58 million, partially offset by lower wholesale volumes of $45 million, primarily due to economic reductions in the coal unit output.

Utility Revenues

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

	2012 vs. 2011	2011 vs. 2010
Domestic:		
PPL Electric (a)	$ (121)	$ (567)
LKE (b)	(34)	2,300
Total Domestic	(155)	1,733
U.K.:		
PPL WW		
Price (c)	78	76
Volume (d)	(13)	(15)
Recovery of allowed revenues (e)	(6)	7
Foreign currency exchange rates	(11)	25
Other	(10)	8
Total PPL WW	38	101
WPD Midlands (f)	633	790
Total U.K.	671	891
Total	$ 516	$ 2,624

(a) See "Pennsylvania Gross Delivery Margins" for further information.
(b) See "Kentucky Gross Margins" for further information.
(c) The increase in 2012 compared with 2011 was due to price increases effective April 1, 2012 and April 1, 2011. The increase in 2011 compared with 2010 was due to price increases effective April 1, 2011 and April 1, 2010.
(d) The decreases in both periods were primarily due to the downturn in the economy and the unfavorable effect of weather.
(e) The decrease in 2012 compared with 2011 was primarily due to a 2012 charge to income for the over-recovery of revenues from customers. The increase in 2011 compared with 2010 was primarily due to a revised estimate of network electricity line losses.
(f) Amounts in each period were not comparable as 2011 includes eight months of WPD Midlands' results. The increase in 2012 compared with 2011 was primarily due to four additional months of utility revenue in 2012 of $446 million. The comparable eight month period was $125 million higher in 2012 compared to 2011 due to a price increase effective April 1, 2012.

Other Operation and Maintenance

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

	2012 vs. 2011	2011 vs. 2010
Domestic:		
LKE (a)		$ 612
LKE coal plant maintenance (b)	$ 19	
Act 129 costs incurred (c)	(6)	26
Vegetation management (d)	11	(8)
Montana hydroelectric litigation (e)	75	(121)
PPL Susquehanna nuclear plant costs (f)	27	27
Costs at Western fossil and hydroelectric plants (g)	(1)	12
Costs at Eastern fossil and hydroelectric plants (h)	13	23
Ironwood acquisition (i)	18	
Payroll-related costs (j)	26	11
PUC-reportable storm costs, net of insurance recoveries	14	(10)
Uncollectible accounts (k)	(4)	21
Pension expense	19	(5)
Stock based compensation	17	7
Other	2	(12)
U.K. Regulated Segment:		
PPL WW (l)	23	15
WPD Midlands (m)	(85)	313
	$ 168	$ 911

(a) 2011 compared with 2010 is not comparable as 2010 includes two months of LKE's results.

(b) 2012 compared with 2011 was higher primarily due to $11 million of expense related to an increased scope of scheduled outages.

(c) Relates to costs associated with PPL Electric's PUC-approved energy efficiency and conservation plan. These costs are recovered in customer rates. There were initially 15 Act 129 programs which began in 2010 and continued to ramp up in 2011. Some of the energy efficiency programs were reduced or closed in 2012 resulting in lower operation and maintenance expense.

(d) PPL Electric incurred more expense in 2010 and 2012 compared to 2011 due to increased vegetation management activities related to transmission lines to comply with federal reliability requirements as well as increased vegetation management for the distribution system in 2012 in an effort to maintain and increase system reliability.

(e) In March 2010, the Montana Supreme Court substantially affirmed a June 2008 Montana District Court decision regarding lease payments for the use of certain Montana streambeds. As a result, in the first quarter of 2010, PPL Montana recorded a charge of $56 million, representing estimated rental compensation for the first quarter of 2010 and prior years, including interest. The portion of the total charge recorded to "Other operation and maintenance" on the Statement of Income totaled $49 million. In August 2010, PPL Montana filed a petition for a writ of certiorari with the U.S. Supreme Court requesting the Court's review of this matter. In June 2011, the U.S. Supreme Court granted PPL Montana's petition. In February 2012, the U.S. Supreme Court overturned the Montana Supreme Court decision and remanded the case to the Montana Supreme Court for further proceedings consistent with the U.S. Supreme Court's decision. As a result in 2011, PPL Montana reversed its total loss accrual of $89 million, which had been recorded prior to the U.S. Supreme Court decision, of which $75 million was credited to "Other operation and maintenance" on the Statement of Income.

(f) 2012 compared with 2011 was higher primarily due to $11 million of higher payroll-related costs, $7 million of higher project costs and $7 million of higher costs from the refueling outage. 2011 compared with 2010 was higher primarily due to $11 million of higher payroll-related costs, $10 million of higher outage costs and $8 million of higher costs from the refueling outage.

(g) 2011 compared with 2010 was higher primarily due to $11 million of lower insurance proceeds.

(h) 2012 compared with 2011 was higher primarily due to plant outage costs of $13 million. 2011 compared with 2010 was higher primarily due to plant outage costs of $13 million.

(i) There are no comparable amounts in 2011 as the Ironwood Acquisition occurred in April 2012.

(j) 2012 compared with 2011 was higher primarily due to higher payroll costs of $17 million in 2012 for PPL Electric due to less project costs being capitalized.

(k) 2011 compared with 2010 was higher primarily due to SMGT filing for protection under Chapter 11 of the U.S. Bankruptcy Code, $11 million of damages billed to SMGT were fully reserved.

(l) Both periods were higher due to higher pension costs resulting from increased amortization of actuarial losses.

(m) Amounts in each period were not comparable as 2011 includes eight months of WPD Midlands' results. The increase in 2012 compared with 2011 was partially due to four additional months of expense in 2012 of $86 million. The comparable eight month period was $171 million lower in 2012 compared to 2011 due to $86 million of lower severance compensation, early retirement deficiency costs and outplacement services for employees separating from the WPD Midlands companies as a result of a reorganization to transition the WPD Midlands companies to the same operating structure as WPD (South West) and WPD (South Wales), $34 million of lower other acquisition related costs, and $26 million of lower pension expense.

Depreciation

The increase (decrease) in depreciation was due to:

	2012 vs. 2011	2011 vs. 2010
Additions to PP&E	$ 65	$ 20
LKE (a) (b)		285
WPD Midlands (c)	55	95
Ironwood Acquisition (Note 10)	17	
Other	3	4
Total	$ 140	$ 404

(a) For 2011 compared with 2010, includes $32 million of depreciation expense related to TC2, which began to dispatch in January 2011.
(b) 2011 compared with 2010 is not comparable as 2010 includes two months of LKE's results.
(c) Amounts in each period were not comparable as 2011 includes eight months of WPD Midlands' results. The increase in 2012 compared with 2011 is primarily due to four additional months of expense in 2012 of $49 million.

Taxes, Other Than Income

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

	2012 vs. 2011	2011 vs. 2010
State gross receipts tax (a)	$ (4)	$ (5)
Domestic property tax expense (b)	14	(10)
Domestic sales and use tax		(2)
State capital stock tax (c)	(11)	11
LKE (d)		35
WPD Midlands (e)	33	60
Other	8	(1)
Total	$ 40	$ 88

(a) The decrease in 2012 compared with 2011 was primarily due to a decrease in taxable electricity revenue. The decrease in 2011 compared with 2010 was primarily due to a decrease in electricity revenue as customers chose alternative suppliers in 2010. This tax is included in "Unregulated Gross Energy Margins" and "Pennsylvania Gross Delivery Margins" above.
(b) The increase in 2012 compared with 2011 is primarily due to the fully amortized PURTA refund that was refunded to the customers in 2011 pursuant to PUC regulations. The decrease in 2011 compared with 2010 was primarily due to the amortization of the PURTA refund. This tax is included in "Pennsylvania Gross Delivery Margins" above.
(c) The decrease in 2012 compared to 2011 was due to changes in the statutory rate from the prior year. The increase in 2011 compared with 2010 was due in part to the expiration of the Keystone Opportunity Zone credit in 2010 and an agreed to change in a capital stock filing position with the state.
(d) 2011 compared with 2010 was not comparable as 2010 includes two months of LKE's results.
(e) Amounts in each period were not comparable as 2011 includes eight months of WPD Midlands' results. The increase in 2012 compared with 2011 is primarily due to four additional months of expense in 2012 of $30 million.

Other Income (Expense) - net

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

	2012 vs. 2011	2011 vs. 2010
Change in the fair value of economic foreign currency exchange contracts (Note 19)	$ (62)	$ 7
Net hedge gains associated with the 2011 Bridge Facility (a)	(55)	55
Foreign currency loss on 2011 Bridge Facility (b)	57	(57)
Gain on redemption of debt (c)	(22)	22
Cash flow hedges (d)		29
WPD Midlands acquisition-related adjustments in 2011 (Note 10)	55	(55)
LKE acquisition-related adjustments in 2010 (Note 10)		31
Losses from equity method investments	(9)	(1)
Other	(7)	4
Total	$ (43)	$ 35

(a) Represents a gain on foreign currency contracts in 2011 that hedged the repayment of the 2011 Bridge Facility borrowing.
(b) Represents a foreign currency loss in 2011 related to the repayment of the 2011 Bridge Facility borrowing.
(c) In July 2011, as a result of PPL Electric's redemption of 7.125% Senior Secured Bonds due 2013, PPL recorded a gain on the accelerated amortization of the fair value adjustment to the debt recorded in connection with previously settled fair value hedges.
(d) Represents losses reclassified from AOCI into earnings in 2010 associated with discontinued hedges at PPL for debt that had been planned to be issued by PPL Energy Supply. As a result of the expected net proceeds from the sale of certain non-core generation facilities, coupled with the monetization of full-requirement sales contracts, the debt issuance was no longer needed.

Other-Than-Temporary Impairments

Primarily due to a $25 million pre-tax impairment of the EEI investment, other-than-temporary impairments increased by $21 million in 2012 compared with 2011. See Notes 1 and 18 to the Financial Statements for additional information.

Interest Expense

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

	2012 vs. 2011	2011 vs. 2010
2011 Bridge Facility costs related to the acquisition of WPD Midlands (Notes 7 and 10)	$ (44)	$ 44
2010 Bridge Facility costs related to the acquisition of LKE (Notes 7 and 10)		(80)
2010 Equity Units (a)	(2)	28
2011 Equity Units (b)	12	34
Short-term debt interest expense (c)	(12)	11
Interest expense on the March 2010 WPD (South Wales) and WPD (South West) debt issuance		11
Inflation adjustment on U.K. Index-linked Senior Unsecured Notes	(12)	5
LKE (d)		126
WPD Midlands (e)	80	154
Ironwood Acquisition (Note 10)	12	
Hedging activities and ineffectiveness	29	11
Capitalized interest (f)	(6)	(17)
Montana hydroelectric litigation (g)	10	(20)
Other	(4)	(2)
Total	$ 63	$ 305

(a) Interest related to the issuance in June 2010 to support the LKE acquisition.
(b) Interest related to the issuance in April 2011 to support the WPD Midlands acquisition.
(c) 2012 compared with 2011 was lower primarily due to lower interest rates on 2012 short-term borrowings coupled with lower fees on credit facilities. 2011 compared with 2010 was higher primarily due to increased borrowings in 2011 and an increase in commitment fees on credit facilities.
(d) 2011 compared with 2010 is not comparable as 2010 includes two months of LKE's results.
(e) Amounts in each period are not comparable as 2011 includes eight months of WPD Midlands' results. The increase in 2012 compared with 2011 is primarily due to four additional months of expense in 2012 of $74 million.
(f) Includes AFUDC.
(g) In March 2010, the Montana Supreme Court substantially affirmed a June 2008 Montana District Court decision regarding lease payments for the use of certain Montana streambeds. In August 2010, PPL Montana filed a petition for a writ of certiorari with the U.S. Supreme Court requesting the Court's review of this matter. In 2011 and 2010, PPL Montana, recorded $4 million and $10 million of interest expense on the rental compensation covered by the court decision. In February 2012, the U.S. Supreme Court overturned the Montana Supreme Court decision and remanded the case to the Montana Supreme Court for further proceedings consistent with the U.S. Supreme Court's opinion. As a result, in the fourth quarter of 2011 PPL Montana reversed its total loss accrual of $89 million, which had been recorded prior to the U.S. Supreme Court decision, of which $14 million was credited to "Interest Expense" on the Statement of Income.

Income Taxes

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

	2012 vs. 2011	2011 vs. 2010
Higher (lower) pre-tax book income	$ (296)	$ 168
State valuation allowance adjustments (a)	(23)	101
State deferred tax rate change (b)	7	(26)
Domestic manufacturing deduction (c)		11
Federal and state tax reserve adjustments (d)	(40)	99
Federal and state tax return adjustments (e)	33	(14)
U.S. income tax on foreign earnings net of foreign tax credit (f)	57	(59)
U.K. Finance Act adjustments (g)	2	(16)
Foreign valuation allowance adjustments (h)	(147)	(68)
Foreign tax reserve adjustments (h)	134	(141)
U.K. capital loss benefit (h)		261
Foreign tax return adjustments	(6)	
Health Care Reform		(8)
LKE (i)		125
Depreciation not normalized (a)	9	(14)
WPD Midlands (j)	146	(2)
Net operating loss carryforward adjustments (k)	(9)	
Other	(13)	11
Total	$ (146)	$ 428

(a) During 2011, the Pennsylvania Department of Revenue issued interpretive guidance on the treatment of bonus depreciation for Pennsylvania income tax purposes. The guidance allows 100% bonus depreciation for qualifying assets in the same year bonus depreciation is allowed for federal income tax purposes. Due to the decrease in projected taxable income related to bonus depreciation and a decrease in projected future taxable income, PPL recorded a $43 million state deferred income tax expense related to deferred tax valuation allowances during 2011.

Additionally, the 100% Pennsylvania bonus depreciation deduction created a current state income tax benefit for the flow-through impact of Pennsylvania regulated state tax depreciation. The federal provision for 100% bonus depreciation generally applies to property placed into service before January 1, 2012. The placed in-service deadline is extended to January 1, 2013 for property that has a cost in excess of $1 million, has a production period longer than one year and has a tax life of at least ten years. PPL's tax deduction for 100% bonus regulated tax depreciation was significantly lower in 2012 than in 2011.

Pennsylvania H.B. 1531, enacted in October 2009, increased the net operating loss limitation to 20% of taxable income for tax years beginning in 2010. Based on the projected revenue increase related to the expiration of the generation rate caps in 2010, PPL recorded a $72 million state deferred income tax benefit related to the reversal of deferred tax valuation allowances related to the future projections of taxable income over the remaining carryforward period of the net operating losses during 2010.

(b) Changes in state apportionment resulted in reductions to the future estimated state tax rate at December 31, 2012 and 2011. PPL recorded a $19 million deferred tax benefit in 2012 and a $26 million deferred tax benefit in 2011 related to its state deferred tax liabilities.

(c) In December 2010, Congress enacted legislation allowing for 100% bonus depreciation on qualified property. The increased tax depreciation eliminated the tax benefit related to the domestic manufacturing deduction in 2012 and 2011.

(d) In 1997, the U.K. imposed a Windfall Profits Tax (WPT) on privatized utilities, including WPD. PPL filed its federal income tax returns for years subsequent to its 1997 and 1998 claims for refund on the basis that the U.K. WPT was creditable. In September 2010, the U.S. Tax Court (Tax Court) ruled in PPL's favor in a dispute with the IRS, concluding that the U.K. WPT is a creditable tax for U.S. tax purposes. As a result and with the finalization of other issues, PPL recorded a $42 million tax benefit in 2010. In January 2011, the IRS appealed the Tax Court's decision to the U.S. Court of Appeals for the Third Circuit (Third Circuit). In December 2011, the Third Circuit issued its opinion reversing the Tax Court's decision, holding that the U.K. WPT is not a creditable tax. As a result of the Third Circuit's adverse determination, PPL recorded a $39 million expense in 2011. In February 2012, PPL filed a petition for rehearing of the Third Circuit's opinion. In March 2012, the Third Circuit denied PPL's petition. In June 2012, the U.S. Court of Appeals for the Fifth Circuit issued a contrary opinion in an identical case involving another company. In July 2012, PPL filed a petition for a writ of certiorari seeking U.S. Supreme Court review of the Third Circuit's opinion. The Supreme Court granted PPL's petition on October 29, 2012, and oral argument was held on February 20, 2013. PPL expects the case to be decided before the end of the Supreme Court's current term in June 2013 and cannot predict the outcome of this matter.

In 2010, the Tax Court ruled in PPL's favor in a dispute with the IRS, concluding that street lighting assets are depreciable for tax purposes over seven years. As a result, PPL recorded a $7 million tax benefit to federal and state income tax reserves and related deferred income taxes during 2010.

(e) During 2012, PPL recorded $16 million in federal and state income tax expense related to the filing of the 2011 federal and state income tax returns. Of this amount, $5 million relates to the reversal of prior years' state income tax benefits related to regulated depreciation. PPL changed its method of accounting for repair expenditures for tax purposes effective for its 2008 tax year. In August 2011, the IRS issued guidance regarding the use and evaluation of statistical samples and sampling estimates for network assets. The IRS guidance provided a safe harbor method of determining whether the repair expenditures for electric transmission and distribution property can be currently deducted for tax purposes. PPL adopted the safe harbor method with the filing of its 2011 federal income tax return.

During 2011, PPL recorded $17 million in federal and state tax benefits related to the filing of the 2010 federal and state income tax returns. Of this amount, $7 million in tax benefits related to an additional domestic manufacturing deduction resulting from revised bonus depreciation amounts and $3 million in tax benefits related to the flow-through impact of Pennsylvania regulated state tax depreciation.

(f) During 2012, PPL recorded a $23 million adjustment to federal income tax expense related to the recalculation of 2010 U.K. earnings and profits.

During 2011, PPL recorded a $28 million federal income tax benefit related to U.K. pension contributions.

During 2010, PPL recorded additional U.S. income tax expense primarily resulting from increased taxable dividends.

(g) The U.K.'s Finance Act of 2012, enacted in July 2012, reduced the U.K. statutory income tax rate from 25% to 24% retroactive to April 1, 2012 and from 24% to 23% effective April 1, 2013. As a result, PPL reduced its net deferred tax liabilities and recognized a $75 million deferred tax benefit in 2012 related to both rate decreases. WPD Midlands' portion of the deferred tax benefit is $43 million.

The U.K.'s Finance Act of 2011, enacted in July 2011, reduced the U.K. statutory income tax rate from 27% to 26% retroactive to April 1, 2011 and from 26% to 25% effective April 1, 2012. As a result, PPL reduced its net deferred tax liabilities and recognized a $69 million deferred tax benefit in 2011 related to both rate decreases. WPD Midlands' portion of the deferred tax benefit is $35 million.

The U.K.'s Finance Act of 2010, enacted in July 2010, reduced the U.K. statutory income tax rate from 28% to 27% effective April 1, 2011. As a result, PPL reduced its net deferred tax liabilities and recognized an $18 million deferred tax benefit in 2010.

(h) During 2012, PPL recorded a $5 million tax benefit following resolution of a U.K. tax issue related to interest expense.

During 2011, WPD reached an agreement with the HMRC related to the amount of the capital losses that resulted from prior years' restructuring in the U.K. and recorded a $147 million foreign tax benefit for the reversal of tax reserves related to the capital losses. Additionally, WPD recorded a $147 million valuation allowance for the amount of capital losses that, more likely than not, will not be utilized.

During 2010, PPL recorded a $261 million foreign tax benefit in conjunction with losses resulting from restructuring in the U.K. A portion of these losses offset tax on a deferred gain from a prior year sale of WPD's supply business. WPD recorded a $215 million valuation allowance for the amount of capital losses that, more likely than not, will not be utilized.

(i) 2011 compared with 2010 was not comparable as 2010 includes two months of LKE's results.

(j) Amounts in each period were not comparable as 2011 includes eight months of WPD Midlands' results. The increase in 2012 compared with 2011 was primarily due to higher pre-tax book income.

(k) During 2012, PPL recorded adjustments to deferred taxes related to net operating loss carryforwards of LKE based on income tax return adjustments.

See Note 5 to the Financial Statements for additional information on income taxes.

Discontinued Operations

Income (Loss) from Discontinued Operations (net of income taxes) decreased by $8 million in 2012 compared with 2011 primarily due to an adjustment recorded in 2012 to a liability for indemnifications related to the termination of the WKE lease in 2009.

Income (Loss) from Discontinued Operations (net of income taxes) increased by $19 million in 2011 compared with 2010 primarily due to after-tax impairment charges recorded in 2010 totaling $62 million related to assets associated with certain non-core generation facilities sold in 2011 that were written down to their estimated fair value (less cost to sell). The impacts of these charges were offset by the net results of certain other discontinued operations.

See Note 9 to the Financial Statements for additional information.

Noncontrolling Interests

"Net Income Attributable to Noncontrolling Interests" decreased by $12 million in 2012 compared with 2011. The decrease is primarily due to PPL Electric's June 2012 redemption of all 2.5 million shares of its preference stock.

Financial Condition

Liquidity and Capital Resources

PPL expects to continue to have adequate liquidity available through operating cash flows, cash and cash equivalents, credit facilities and commercial paper issuances. Additionally, subject to market conditions, PPL currently plans to access capital markets in 2013.

PPL's cash flows from operations and access to cost-effective bank and capital markets are subject to risks and uncertainties including, but not limited to:

- changes in electricity, fuel and other commodity prices;
- operational and credit risks associated with selling and marketing products in the wholesale power markets;
- potential ineffectiveness of the trading, marketing and risk management policy and programs used to mitigate PPL's risk exposure to adverse changes in electricity and fuel prices, interest rates, foreign currency exchange rates and counterparty credit;
- unusual or extreme weather that may damage PPL's transmission and distribution facilities or affect energy sales to customers;
- reliance on transmission and distribution facilities that PPL does not own or control to deliver its electricity and natural gas;
- unavailability of generating units (due to unscheduled or longer-than-anticipated generation outages, weather and natural disasters) and the resulting loss of revenues and additional costs of replacement electricity;
- the ability to recover and the timeliness and adequacy of recovery of costs associated with regulated utility businesses;
- costs of compliance with existing and new environmental laws and with new security and safety requirements for nuclear facilities;
- any adverse outcome of legal proceedings and investigations with respect to PPL's current and past business activities;
- deterioration in the financial markets that could make obtaining new sources of bank and capital markets funding more difficult and more costly; and
- a downgrade in PPL's or its rated subsidiaries' credit ratings that could adversely affect their ability to access capital and increase the cost of credit facilities and any new debt.

See "Item 1A. Risk Factors" for further discussion of risks and uncertainties that could affect PPL's cash flows.

At December 31, PPL had the following:

	2012	2011	2010
Cash and cash equivalents	$ 901	$ 1,202	$ 925
Short-term investments (a)		16	163
	$ 901	$ 1,218	$ 1,088
Short-term debt	$ 652	$ 578	$ 694

(a) 2010 amount represents tax-exempt bonds issued by Louisville/Jefferson County, Kentucky on behalf of LG&E that were subsequently purchased by LG&E. Such bonds were remarketed to unaffiliated investors in January 2011. See Note 23 to the Financial Statements for further discussion.

At December 31, 2012, $225 million of cash and cash equivalents were denominated in GBP. If these amounts would be remitted as dividends, PPL may be subject to additional U.S. taxes, net of allowable foreign tax credits. Historically, dividends paid by foreign subsidiaries have been limited to distributions of the current year's earnings. See Note 5 to the Financial Statements for additional information on undistributed earnings of WPD.

The changes in PPL's cash and cash equivalents position for the years ended December 31 resulted from:

	2012	2011	2010
Net cash provided by (used in) operating activities	$ 2,764	$ 2,507	$ 2,033
Net cash provided by (used in) investing activities	(3,123)	(7,952)	(8,229)
Net cash provided by (used in) financing activities	48	5,767	6,307
Effect of exchange rates on cash and cash equivalents	10	(45)	13
Net Increase (Decrease) in Cash and Cash Equivalents	$ (301)	$ 277	$ 124

Operating Activities

Net cash provided by operating activities increased by 10%, or $257 million, in 2012 compared with 2011. The increase was the net effect of:

- an increase of $339 million in net income, when adjusted for non-cash components; and
- a decrease of $60 million in defined benefit plan funding; partially offset by
- changes in working capital of $178 million, primarily driven by changes in prepayments and net regulatory assets/liabilities offset by the changes in counterparty collateral.

Included in the above amounts is the impact of having an additional four months of WPD Midlands operations in 2012. WPD Midlands' cash from operating activities increased by $190 million in 2012 compared with 2011.

Net cash provided by operating activities increased by 23%, or $474 million, in 2011 compared with 2010. The increase was the net effect of:

- operating cash provided by LKE, $743 million, and WPD Midlands, $234 million;
- cash from components of working capital, $435 million, primarily related to changes in prepaid income and gross receipts taxes; partially offset by
- reduction in cash from counter party collateral, $172 million:
- lower gross energy margins, $240 million after-tax:
- proceeds from monetizing certain full-requirement sales contracts in 2010, $249 million:
- higher interest payments of $44 million; and
- increases in other operating outflows of $233 million (including $90 million of higher operation and maintenance expenses and defined benefits funding).

A significant portion of PPL's Supply segment operating cash flows is derived from its competitive baseload generation business activities. PPL employs a formal hedging program for its baseload generation fleet, the primary objective of which is to provide a reasonable level of near-term cash flow and earnings certainty while preserving upside potential of power price increases over the medium term. See Note 19 to the Financial Statements for further discussion. Despite PPL's hedging practices, future cash flows from operating activities from its Supply segment are influenced by commodity prices and, therefore, will fluctuate from period to period.

PPL's contracts for the sale and purchase of electricity and fuel often require cash collateral or other credit enhancements, or reductions or terminations of a portion of the entire contract through cash settlement, in the event of a downgrade of PPL's or its subsidiaries' credit ratings or adverse changes in market prices. For example, in addition to limiting its trading ability, if PPL's or its subsidiaries' ratings were lowered to below "investment grade" and there was a 10% adverse movement in energy prices, PPL estimates that, based on its December 31, 2012 positions, it would have been required to post additional collateral of approximately $438 million with respect to electricity and fuel contracts. PPL has in place risk management programs that are designed to monitor and manage its exposure to volatility of cash flows related to changes in energy and fuel prices, interest rates, foreign currency exchange rates, counterparty credit quality and the operating performance of its generating units.

Investing Activities

The primary use of cash in investing activities in 2012 was for capital expenditures. In 2011, the primary uses of cash in investing activities were for the acquisition of WPD Midlands and capital expenditures. In 2010, the primary uses of cash in investing activities were for the acquisition of LKE and capital expenditures. See "Forecasted Uses of Cash" for detail regarding projected capital expenditures for the years 2013 through 2017.

Net cash used in investing activities was $3.1 billion in 2012 compared with $7.9 billion in 2011. Excluding the impact of cash used for the 2011 acquisition of WPD Midlands, net cash used in investing activities increased by $934 million in 2012 compared with 2011. This increase reflects $618 million of higher capital expenditures, $381 million less in asset sale proceeds (2011 sale of certain non-core generation facilities) and a $143 million reduction in proceeds from the sale of certain investments (other than securities in the nuclear plant decommissioning trust funds) partially offset by a $239 million net change in restricted cash and cash equivalents. See Note 9 to the Financial Statements for additional information on the sale of certain non-core generation facilities and Note 10 to the Financial Statements for additional information regarding the WPD Midlands acquisition.

Net cash used in investing activities was $7.9 billion in 2011 compared with $8.2 billion in 2010. The 2011 amount includes the use of $5.8 billion of cash for the acquisition of WPD Midlands, while 2010 includes $6.8 billion for the acquisition of LKE. See Note 10 to the Financial Statements for additional information regarding the acquisitions. Excluding the impact of the acquisitions, net cash used in investing activities increased by $772 million in 2011 compared with 2010. This increase reflects $890 million of higher capital expenditures and a $228 million net change in restricted cash, partially offset by $219 million of additional proceeds from the sale of certain businesses or facilities and $163 million of proceeds from the sale of investments, other than securities in the nuclear plant decommissioning trust funds. PPL received proceeds of $381 million in 2011 from the sale of certain non-core generation facilities compared with proceeds of $162 million in 2010 from the sale of the Long Island generation business and certain Maine hydroelectric generation facilities. See Note 9 to the Financial Statements for additional information on the sale of these businesses or facilities.

Financing Activities

Net cash provided by financing activities was $48 million in 2012 compared with $5.8 billion in 2011. The decrease of $5.7 billion was primarily the result of lower net long-term debt issuances of $3.4 billion and less proceeds from the issuance of common stock of $2.2 billion. Both of these decreases were primarily related to the 2011 acquisition of WPD Midlands. The decrease also included $250 million paid to redeem a subsidiary's preference stock and $87 million of higher common stock dividends. These decreases were partially offset by a $199 million net change in short-term debt.

Net cash provided by financing activities was $5.8 billion in 2011 compared with $6.3 billion in 2010, primarily as a result of issuance of long-term debt and equity related to the acquisition of WPD Midlands in 2011 and the acquisition of LKE in 2010. The decrease of $540 million was primarily the result of lower net long-term debt issuances of $87 million, lower proceeds from the issuance of common stock of $144 million, $180 million of higher common stock dividends and a $195 million decrease in net, short-term debt.

See "Forecasted Sources of Cash" for a discussion of PPL's plans to issue debt and equity securities, as well as a discussion of credit facility capacity available to PPL. Also see "Forecasted Uses of Cash" for a discussion of plans to pay dividends on common securities in the future, as well as maturities of long-term debt.

Long-term Debt and Equity Securities

The long-term debt and equity securities activity for the year ended December 31, 2012 was:

	Debt		Equity
	Issuances (a)	**Retirements**	**Issuances (Redemptions)**
PPL Capital Funding Senior Notes (b)	$ 798	$ (99)	
PPL Electric First Mortgage Bonds	249		
WPD (East Midlands) Senior Notes	176		
PPL Electric preference stock (c)			$ (250)
Total Cash Flow Impact	$ 1,223	$ (99)	$ (250)

	Debt Issuances (a)	Debt Retirements	Equity Issuances (Redemptions)
Assumed through consolidation - Ironwood Acquisition (d)	$ 258		
Non-cash Exchanges:			
LKE Senior Notes (e)	$ 250	$ (250)	
Net Increase (decrease)	$ 1,382		$ (250)

(a) Issuances are net of pricing discounts, where applicable and exclude the impact of debt issuance costs.
(b) Senior unsecured notes of $99 million were redeemed at par prior to their 2047 maturity date.
(c) In June 2012, PPL Electric redeemed all 2.5 million shares of its 6.25% Series Preference Stock, par value $100 per share, which was included in "Noncontrolling Interests" on the 2011 Balance Sheet.
(d) Includes $24 million of fair value adjustments resulting from the purchase price allocation. See Note 10 to the Financial Statements for additional information on the acquisition.
(e) In June 2012, LKE completed an exchange of all its outstanding 4.375% Senior Notes due 2021 issued in September 2011 in a transaction not registered under the Securities Act of 1933, for similar securities that were issued in a transaction registered with the SEC.

In addition to the above, in April 2012, PPL made a registered underwritten public offering of 9.9 million shares of its common stock. In conjunction with that offering, the underwriters exercised an option to purchase 591 thousand additional shares of PPL common stock solely to cover over-allotments.

In connection with the registered public offering, PPL entered into forward sale agreements with two counterparties covering the 9.9 million shares of PPL common stock. Settlement of these initial forward sale agreements will occur no later than April 2013. As a result of the underwriters' exercise of the overallotment option, PPL entered into additional forward sale agreements covering the additional 591 thousand shares of PPL common stock. Settlement of the subsequent forward sale agreements will occur no later than July 2013. Upon any physical settlement of any forward sale agreement, PPL will issue and deliver to the forward counterparties shares of its common stock in exchange for cash proceeds per share equal to the forward sale price. The forward sale price will be calculated based on an initial forward price of $27.02 per share reduced during the period the contracts are outstanding as specified in the forward sale agreements. PPL may, in certain circumstances, elect cash settlement or net share settlement for all or a portion of its rights or obligations under the forward sale agreements.

PPL will not receive any proceeds or issue any shares of common stock until settlement of the forward sale agreements. PPL intends to use any net proceeds that it receives upon settlement to repay short-term debt obligations and for other general corporate purposes.

The forward sale agreements are classified as equity transactions. As a result, no amounts will be recorded in the consolidated financial statements until the settlement of the forward sale agreements. Prior to those settlements, the only impact to the financial statements will be the inclusion of incremental shares within the calculation of diluted EPS using the treasury stock method.

See Note 7 to the Financial Statements for additional information about long-term debt and equity securities.

Forecasted Sources of Cash

PPL expects to continue to have sufficient sources of liquidity available in the near term, including cash flows from operations, various credit facilities, commercial paper issuances and operating leases. Additionally, subject to market conditions, PPL currently plans to access capital markets in 2013.

Credit Facilities

At December 31, 2012, PPL's total committed borrowing capacity under credit facilities and the use of this borrowing capacity were:

	Committed Capacity	Borrowed	Letters of Credit Issued and Commercial Paper Backstop	Unused Capacity
PPL Energy Supply Credit Facilities (a)	$ 3,200		$ 631	$ 2,569
PPL Electric Credit Facilities (a) (b)	400		1	399
LG&E Credit Facility (a)	500		55	445
KU Credit Facilities (a)	598		268	330
Total Domestic Credit Facilities (c) (f)	$ 4,698		$ 955	$ 3,743
PPL WW Credit Facility (d) (e)	£ 150	£ 106	n/a	£ 44
WPD (South West) Credit Facility (e)	245		n/a	245
WPD (East Midlands) Credit Facility (e) (g)	300			300
WPD (West Midlands) Credit Facility (e) (g)	300			300
Total WPD Credit Facilities (h) (f)	£ 995	£ 106		£ 889

(a) The syndicated credit facilities, as well as KU's letter of credit facility, each contain a financial covenant requiring debt to total capitalization not to exceed 65% for PPL Energy Supply and 70% for PPL Electric, LG&E and KU, as calculated in accordance with the facility, and other customary covenants. See Note 7 to the Financial Statements for additional information regarding these credit facilities.
(b) Includes a $100 million credit facility related to an asset-backed commercial paper program through which PPL Electric obtains financing by selling and contributing its eligible accounts receivable and unbilled revenue to a special purpose, wholly owned subsidiary on an ongoing basis. The subsidiary pledges these assets to secure loans of up to an aggregate of $100 million from a commercial paper conduit sponsored by a financial institution. At December 31, 2012, based on accounts receivable and unbilled revenue pledged, the amount available for borrowing under the facility was $100 million.
(c) The commitments under PPL's domestic credit facilities are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than 9% of the total committed capacity.
(d) In December 2012, the PPL WW credit facility was subsequently replaced with a credit facility expiring in December 2016 and the capacity was increased to £210 million.
(e) The facilities contain financial covenants that require the company to maintain an interest coverage ratio of not less than 3.0 times consolidated earnings before income taxes, depreciation and amortization and total net debt not in excess of 85% of its RAV, calculated in accordance with the credit facility.
(f) Each company pays customary fees under its respective syndicated credit facility, as does KU under its letter of credit facility, and borrowings generally bear interest at LIBOR-based rates plus an applicable margin.
(g) Under the facilities, WPD (East Midlands) and WPD (West Midlands) each have the ability to request the lenders to issue up to £80 million of letters of credit in lieu of borrowing.
(h) The total amount borrowed at December 31, 2012 was a USD-denominated borrowing of $171 million, which equated to £106 million at the time of borrowing and bore interest at 0.8452%. At December 31, 2012, the unused capacity of WPD's committed credit facilities was approximately $1.4 billion.

The commitments under WPD's credit facilities are provided by a diverse bank group with no one bank providing more than 16% of the total committed capacity.

In addition to the financial covenants noted in the table above, the credit agreements governing the above credit facilities contain various other covenants. Failure to comply with the covenants after applicable grace periods could result in acceleration of repayment of borrowings and/or termination of the agreements. PPL monitors compliance with the covenants on a regular basis. At December 31, 2012, PPL was in compliance with these covenants. At this time, PPL believes that these covenants and other borrowing conditions will not limit access to these funding sources.

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

Commercial Paper

PPL Energy Supply maintains a $750 million commercial paper program to provide an additional financing source to fund its short-term liquidity needs, if and when necessary. Commercial paper issuances are supported by PPL Energy Supply's Syndicated Credit Facility. At December 31, 2012, PPL Energy Supply had $356 million of commercial paper outstanding at a weighted-average interest rate of 0.50%.

PPL Electric maintains a $300 million commercial paper program to provide an additional financing source to fund its short-term liquidity needs, if and when necessary. Commercial paper issuances are currently supported by PPL Electric's Syndicated Credit Facility. PPL Electric had no commercial paper outstanding at December 31, 2012.

In February 2012, LG&E and KU each established a commercial paper program for up to $250 million to provide additional financing sources to fund its short-term liquidity needs, if and when necessary. Commercial paper issuances are supported by LG&E's and KU's Syndicated Credit Facilities. At December 31, 2012, LG&E and KU had $55 million and $70 million of commercial paper outstanding at a weighted average interest rate, for each, of 0.42%.

Operating Leases

PPL and its subsidiaries also have available funding sources that are provided through operating leases. PPL's subsidiaries lease office space, land, buildings and certain equipment. These leasing structures provide PPL additional operating and financing flexibility. The operating leases contain covenants that are typical for these agreements, such as maintaining insurance, maintaining corporate existence and timely payment of rent and other fees.

PPL, through its subsidiary PPL Montana, leases a 50% interest in Colstrip Units 1 and 2 and a 30% interest in Unit 3, under four 36-year, non-cancelable operating leases. These operating leases are not recorded on PPL's Balance Sheets. The leases place certain restrictions on PPL Montana's ability to incur additional debt, sell assets and declare dividends. See Note 7 to the Financial Statements for a discussion of other dividend restrictions related to PPL subsidiaries.

See Note 11 to the Financial Statements for further discussion of the operating leases.

Long-term Debt and Equity Securities

PPL and its subsidiaries currently plan to incur, subject to market conditions, approximately $2.0 billion of long-term indebtedness in 2013, the proceeds of which will be used to fund capital expenditures and for other general corporate purposes. In addition during 2013, two events will occur related to the components of the 2010 Equity Units. PPL will receive proceeds of $1.150 billion through the issuance of PPL common stock to settle the 2010 Purchase Contracts; and PPL Capital Funding expects to remarket the 4.625% Junior Subordinated Notes due 2018. See Note 7 to the Financial Statements for additional information.

In addition, PPL currently plans to issue new shares of common stock in 2013 in an aggregate amount up to $350 million under its forward contracts (see Note 7 to the Financial Statements for more information), DRIP and various employee stock-based compensation and other plans.

Forecasted Uses of Cash

In addition to expenditures required for normal operating activities, such as purchased power, payroll, fuel and taxes, PPL currently expects to incur future cash outflows for capital expenditures, various contractual obligations, payment of dividends on its common stock and possibly the purchase or redemption of a portion of debt securities.

Capital Expenditures

The table below shows PPL's current capital expenditure projections for the years 2013 through 2017.

	Projected				
	2013	**2014**	**2015**	**2016**	**2017**
Construction expenditures (a) (b)					
Generating facilities	$ 814	$ 500	$ 514	$ 717	$ 831
Distribution facilities	1,780	1,654	1,712	1,711	1,763
Transmission facilities	723	599	457	413	390
Environmental	750	812	536	312	128
Other	139	126	117	105	99
Total Construction Expenditures	4,206	3,691	3,336	3,258	3,211
Nuclear fuel	152	145	153	158	162
Total Capital Expenditures	$ 4,358	$ 3,836	$ 3,489	$ 3,416	$ 3,373

(a) Construction expenditures include capitalized interest and AFUDC, which are expected to total approximately $160 million for the years 2013 through 2017.
(b) Includes expenditures for certain intangible assets.

PPL's capital expenditure projections for the years 2013 through 2017 total approximately $18.5 billion. Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions. For the years presented, this table includes projected costs related to the planned 793 MW of incremental capacity increases for both PPL Energy Supply and LKE, PPL Electric's asset optimization program to replace aging transmission and distribution assets and the PJM-approved regional transmission line expansion project. This table also includes LKE's environmental projects related to existing and proposed EPA compliance standards (actual costs may be significantly lower or higher depending on the final requirements; environmental compliance costs incurred by LG&E and KU in serving KPSC jurisdictional customers are generally eligible for recovery through the ECR mechanism). See Notes 6 and 8 to the Financial Statements for information on LG&E's and KU's ECR plans and the PJM-approved regional transmission line expansion project and the other significant development projects.

PPL plans to fund its capital expenditures in 2013 with cash from operations and proceeds from the issuance of common stock and debt securities.

Contractual Obligations

PPL has assumed various financial obligations and commitments in the ordinary course of conducting its business. At December 31, 2012, the estimated contractual cash obligations of PPL were:

	Total	2013	2014 - 2015	2016 - 2017	After 2017
Long-term Debt (a)	$ 19,435	$ 751	$ 1,645	$ 946	$ 16,093
Interest on Long-term Debt (b)	14,276	932	1,704	1,530	10,110
Operating Leases (c)	507	109	191	58	149
Purchase Obligations (d)	8,770	2,642	2,847	1,604	1,677
Other Long-term Liabilities Reflected on the Balance Sheet under GAAP (e) (f)	607	560	47		
Total Contractual Cash Obligations	$ 43,595	$ 4,994	$ 6,434	$ 4,138	$ 28,029

(a) Reflects principal maturities only based on stated maturity dates, except for PPL Energy Supply's 5.70% REset Put Securities (REPS). See Note 7 to the Financial Statements for a discussion of the remarketing feature related to the REPS, as well as discussion of variable-rate remarketable bonds issued on behalf of PPL Energy Supply, LG&E and KU. PPL does not have any significant capital lease obligations.

(b) Assumes interest payments through stated maturity, except for the REPS, for which interest is reflected to the put date. The payments herein are subject to change, as payments for debt that is or becomes variable-rate debt have been estimated and payments denominated in British pounds sterling have been translated to U.S. dollars at a current foreign currency exchange rate.

(c) See Note 11 to the Financial Statements for additional information.

(d) The amounts include agreements to purchase goods or services that are enforceable and legally binding and specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Primarily includes PPL's purchase obligations of electricity, coal, nuclear fuel and limestone as well as certain construction expenditures, which are also included in the Capital Expenditures table presented above. Financial swaps and open purchase orders that are provided on demand with no firm commitment are excluded from the amounts presented.

(e) The amounts include WPD's contractual deficit pension funding requirements arising from actuarial valuations performed in March 2010 and June 2011. The U.K. electricity regulator currently allows a recovery of a substantial portion of the contributions relating to the plan deficit; however, WPD cannot be certain that this will continue beyond the current review period, which extends to March 31, 2015. The amounts also include contributions made or committed to be made for 2013 for PPL's and LKE's U.S. pension plans. See Note 13 to the Financial Statements for a discussion of expected contributions.

Also included in the amounts are contract adjustment payments related to the Purchase Contract component of the Equity Units. See Note 7 to the Financial Statements for additional information on the Equity Units.

(f) At December 31, 2012, total unrecognized tax benefits of $92 million were excluded from this table as PPL cannot reasonably estimate the amount and period of future payments. See Note 5 to the Financial Statements for additional information.

Dividends

PPL views dividends as an integral component of shareowner return and expects to continue to pay dividends in amounts that are within the context of maintaining a capitalization structure that supports investment grade credit ratings. In 2012, PPL's Board of Directors declared an increase to its quarterly dividend on its common stock to 36.0 cents per share (equivalent to $1.44 per share per annum). In February 2013, PPL's Board of Directors declared an increase to its quarterly dividend on its common stock to 36.75 cents per share (equivalent to $1.47 per share per annum). Future dividends will be declared at the discretion of the Board of Directors and will depend upon future earnings, cash flows, financial and legal requirements and other relevant factors at the time. As discussed in Note 7 to the Financial Statements, subject to certain exceptions, PPL may not declare or pay any cash dividend on its common stock during any period in which PPL Capital Funding defers interest payments on its 2007 Series A Junior Subordinated Notes due 2067, its 4.625% Junior Subordinated Notes due 2018, or its 4.32% Junior Subordinated Notes due 2019 or until deferred contract adjustment payments on PPL's Purchase Contracts have been paid. No such deferrals have occurred or are currently anticipated.

See Note 7 to the Financial Statements for other restrictions related to distributions on capital interests for PPL subsidiaries.

Purchase or Redemption of Debt Securities

PPL will continue to evaluate its outstanding debt securities and may decide to purchase or redeem these securities depending upon prevailing market conditions and available cash.

Rating Agency Actions

Moody's, S&P and Fitch periodically review the credit ratings on the debt of PPL and its 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 PPL and its subsidiaries are based on information provided by PPL and other sources. The ratings of Moody's, S&P and Fitch are not a recommendation to buy, sell or hold any securities of PPL or its 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 PPL and its subsidiaries affect its liquidity, access to capital markets and cost of borrowing under its credit facilities.

The following table sets forth PPL's and its subsidiaries' security credit ratings as of December 31, 2012.

	Senior Unsecured			Senior Secured			Commercial Paper		
Issuer	**Moody's**	**S&P**	**Fitch**	**Moody's**	**S&P**	**Fitch**	**Moody's**	**S&P**	**Fitch**
PPL Energy Supply	Baa2	BBB	BBB				P-2	A-2	F-2
PPL Capital Funding	Baa3	BBB-	BBB						
PPL Electric				A3	A-	A-	P-2	A-2	F-2
PPL Ironwood				B2	B				
LKE	Baa2	BBB-	BBB+						
LG&E			A	A2	A-	A+	P-2	A-2	F-2
KU			A	A2	A-	A+	P-2	A-2	F-2
PPL WEM	Baa3	BBB-							
WPD (East Midlands)	Baa1	BBB							
WPD (West Midlands)	Baa1	BBB							
PPL WW	Baa3	BBB-	BBB						
WPD (South Wales)	Baa1	BBB	A-						
WPD (South West)	Baa1	BBB	A-				P-2		

A downgrade in PPL's or its subsidiaries' credit ratings could result in higher borrowing costs and reduced access to capital markets. PPL and its subsidiaries have no credit rating triggers that would result in the reduction of access to capital markets or the acceleration of maturity dates of outstanding debt.

In addition to the credit ratings noted above, the rating agencies took the following actions related to PPL and its subsidiaries in 2012.

In January 2012, S&P affirmed its rating and revised its outlook, from positive to stable, for PPL Montana's Pass Through Certificates due 2020.

In February 2012, Fitch assigned ratings to the two newly established commercial paper programs for LG&E and KU.

In March 2012, Moody's affirmed the following ratings:

- the long-term ratings of the First Mortgage Bonds for LG&E and KU;
- the issuer ratings for LG&E and KU; and

- the bank loan ratings for LG&E and KU.

Also in March 2012, Moody's and S&P each assigned short-term ratings to the two newly established commercial paper programs for LG&E and KU.

In March and May 2012, Moody's, S&P and Fitch affirmed the long-term ratings for LG&E's 2003 Series A and 2007 Series B pollution control bonds.

Following the announcement of the then-pending acquisition of AES Ironwood, L.L.C. in February 2012, the rating agencies took the following actions:

- In March 2012, Moody's placed AES Ironwood, L.L.C.'s senior secured bonds under review for possible ratings upgrade.
- In April 2012, S&P affirmed the rating of AES Ironwood, L.L.C.'s senior secured bonds.

In May 2012, Fitch downgraded its rating, from BBB to BBB- and revised its outlook, from negative to stable, for PPL Montana's Pass Through Certificates due 2020.

In June 2012, Fitch assigned a rating and outlook to PPL Capital Funding's $400 million of 4.20% Senior Notes.

In August 2012, Fitch assigned a rating and outlook to PPL Electric's $250 million First Mortgage Bonds.

In August 2012, S&P and Moody's assigned a rating to PPL Electric's $250 million First Mortgage Bonds.

In October 2012, Moody's, S&P and Fitch assigned a rating to PPL Capital Funding's $400 million of 3.50% Senior Notes.

In November 2012, Fitch affirmed the long-term issuer default rating and senior unsecured rating of PPL WW, WPD (South Wales) and WPD (South West).

In November 2012, S&P revised its outlook, from stable to negative, for PPL Montana's Pass Through Certificates due 2020.

In November 2012, Moody's and S&P affirmed the long-term ratings for LG&E's 2007 Series A pollution control bonds.

In December 2012, Fitch affirmed the issuer default ratings, individual security ratings and outlooks for PPL, PPL Capital Funding, PPL Electric, LKE, LG&E and KU.

In December 2012, Fitch affirmed the issuer default rating, individual security rating and revised the outlook, from stable to negative, for PPL Energy Supply.

In February 2013, Moody's upgraded its rating, from Ba1 to B2, and revised the outlook from under review to stable for PPL Ironwood.

<u>Ratings Triggers</u>

As discussed in Note 7 to the Financial Statements, certain of WPD's senior unsecured notes may be put by the holders back to the issuer for redemption if the long-term credit ratings assigned to the notes are withdrawn by any of the rating agencies (Moody's, S&P, or Fitch) or reduced to a non-investment grade rating of Ba1 or BB+ in connection with a restructuring event. A restructuring event includes the loss of, or a material adverse change to, the distribution licenses under which WPD (East Midlands), WPD (South West), WPD (South Wales) and WPD (West Midlands) operate and would be a trigger event in that company. These notes totaled £3.3 billion (approximately $5.3 billion) nominal value at December 31, 2012.

PPL and PPL Energy Supply have various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity and fuel, commodity transportation and storage, tolling agreements, and interest rate and foreign currency instruments, which contain provisions that require PPL and PPL Energy Supply to post additional collateral, or permit the counterparty to terminate the contract, if PPL's or PPL Energy Supply's credit rating were to fall below investment grade. See Note 19 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral that would have been required for derivative contracts in a net liability position at December 31, 2012. At December 31, 2012, if PPL's and its subsidiaries' credit ratings had been below investment grade, PPL would have been required to prepay or post an additional $501 million of collateral to counterparties for both derivative and non-derivative commodity and commodity-related contracts used in its generation, marketing and trading operations and interest rate and foreign currency contracts.

Guarantees for Subsidiaries

PPL guarantees certain consolidated affiliate financing arrangements that enable certain transactions. Some of the guarantees contain financial and other covenants that, if not met, would limit or restrict the consolidated affiliates' access to funds under these financing arrangements, require early maturity of such arrangements or limit the consolidated affiliates' ability to enter into certain transactions. At this time, PPL believes that these covenants will not limit access to relevant funding sources. See Note 15 to the Financial Statements for additional information about guarantees.

Off-Balance Sheet Arrangements

PPL has entered into certain agreements that may contingently require payment to a guaranteed or indemnified party. See Note 15 to the Financial Statements for a discussion of these agreements.

Risk Management - Energy Marketing & Trading and Other

Market Risk

See Notes 1, 18, and 19 to the Financial Statements for information about PPL's 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 disclosures are not precise indicators of expected future losses, but only indicators of possible losses under normal market conditions at a given confidence level.

Commodity Price Risk (Non-trading)

PPL segregates its non-trading activities into two categories: hedge activity and economic activity. Transactions that are accounted for as hedge activity qualify for hedge accounting treatment. The economic activity category includes transactions that address a specific risk, but were not eligible for hedge accounting or for which hedge accounting was not elected. This activity includes the changes in fair value of positions used to hedge a portion of the economic value of PPL's competitive generation assets and full-requirement sales and retail contracts. This economic activity is subject to changes in fair value due to market price volatility of the input and output commodities (e.g., fuel and power). Although they do not receive hedge accounting treatment, these transactions are considered non-trading activity. The net fair value of economic positions at December 31, 2012 and 2011 was a net asset/(liability) of $346 million and $(63) million. See Note 19 to the Financial Statements for additional information.

To hedge the impact of market price volatility on PPL's energy-related assets, liabilities and other contractual arrangements, PPL both sells and purchases physical energy at the wholesale level under FERC market-based tariffs throughout the U.S. and enters into financial exchange-traded and over-the-counter contracts. PPL's non-trading commodity derivative contracts range in maturity through 2019.

The following table sets forth the changes in the net fair value of non-trading commodity derivative contracts at December 31, 2012. See Notes 18 and 19 to the Financial Statements for additional information.

	Gains (Losses)	
	2012	2011
Fair value of contracts outstanding at the beginning of the period	$ 1,082	$ 947
Contracts realized or otherwise settled during the period	(1,005)	(517)
Fair value of new contracts entered into during the period (a)	7	13
Other changes in fair value	389	639
Fair value of contracts outstanding at the end of the period	$ 473	$ 1,082

(a) Represents the fair value of contracts at the end of the quarter of their inception.

The following table segregates the net fair value of non-trading commodity derivative contracts at December 31, 2012 based on the level of observability of the information used to determine the fair value.

	Net Asset (Liability)				
	Maturity Less Than 1 Year	Maturity 1-3 Years	Maturity 4-5 Years	Maturity in Excess of 5 Years	Total Fair Value
Source of Fair Value					
Prices based on significant observable inputs (Level 2)	$ 452	$ 15	$ (20)	$ 5	$ 452
Prices based on significant unobservable inputs (Level 3)	8	10	3		21
Fair value of contracts outstanding at the end of the period	$ 460	$ 25	$ (17)	$ 5	$ 473

PPL sells electricity, capacity and related services and buys fuel on a forward basis to hedge the value of energy from its generation assets. If PPL were unable to deliver firm capacity and energy or to accept the delivery of fuel under its agreements, under certain circumstances it could be required to pay liquidating damages. These damages would be based on the difference between the market price and the contract price of the commodity. Depending on price changes in the wholesale energy markets, such damages could be significant. Extreme weather conditions, unplanned power plant outages, transmission disruptions, nonperformance by counterparties (or their counterparties) with which it has energy contracts and other factors could affect PPL's ability to meet its obligations, or cause significant increases in the market price of replacement energy. Although PPL attempts to mitigate these risks, there can be no assurance that it will be able to fully meet its firm obligations, that it will not be required to pay damages for failure to perform, or that it will not experience counterparty nonperformance in the future. In connection with its bankruptcy proceedings, a significant counterparty, SMGT, had been purchasing lower volumes of electricity than prescribed in the contract and effective April 1, 2012 the contract was terminated. PPL cannot predict the prices or other terms on which it will be able to market to third parties the power that SMGT will not purchase from PPL EnergyPlus due to the termination of this contract. See Note 15 to the Financial Statements for additional information.

Commodity Price Risk (Trading)

PPL's trading commodity derivative contracts range in maturity through 2017. The following table sets forth changes in the net fair value of trading commodity derivative contracts at December 31, 2012. See Notes 18 and 19 to the Financial Statements for additional information.

	Gains (Losses)	
	2012	2011
Fair value of contracts outstanding at the beginning of the period	$ (4)	$ 4
Contracts realized or otherwise settled during the period	20	(14)
Fair value of new contracts entered into during the period (a)	17	10
Other changes in fair value	(4)	(4)
Fair value of contracts outstanding at the end of the period	$ 29	$ (4)

(a) Represents the fair value of contracts at the end of the quarter of their inception.

The following table segregates the net fair value of trading commodity derivative contracts at December 31, 2012 based on the level of observability of the information used to determine the fair value.

	Net Asset (Liability)				
	Maturity Less Than 1 Year	Maturity 1-3 Years	Maturity 4-5 Years	Maturity in Excess of 5 Years	Total Fair Value
Source of Fair Value					
Prices based on significant observable inputs (Level 2)	$ 18	$ 10			$ 28
Prices based on significant unobservable inputs (Level 3)	1				1
Fair value of contracts outstanding at the end of the period	$ 19	$ 10			$ 29

VaR Models

A VaR model is utilized to measure commodity price risk in domestic gross energy margins for its non-trading and trading portfolios. VaR is 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. VaR is calculated using a Monte Carlo simulation technique based on a five-day holding period at a 95% confidence level. Given the company's disciplined hedging program, the non-trading VaR exposure is expected to be limited in the short-term. The VaR for portfolios using end-of-month results for the period was as follows.

	Trading VaR		Non-Trading VaR	
	2012	2011	2012	2011
95% Confidence Level, Five-Day Holding Period				
Period End	$ 2	$ 1	$ 12	$ 6
Average for the Period	3	3	10	5
High	8	6	12	7
Low	1	1	7	4

The trading portfolio includes all proprietary trading positions, regardless of the delivery period. All positions not considered proprietary trading are considered non-trading. The non-trading portfolio includes the entire portfolio, including generation, with delivery periods through the next 12 months. Both the trading and non-trading VaR computations exclude FTRs due to the absence of reliable spot and forward markets. The fair value of the non-trading and trading FTR positions was insignificant at December 31, 2012.

Interest Rate Risk

PPL and its subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. PPL utilizes various financial derivative instruments to adjust the mix of fixed and floating interest rates in its debt portfolio, adjust the duration of its debt portfolio 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 PPL's debt portfolio due to changes in the absolute level of interest rates.

At December 31, 2012 and 2011, PPL's potential annual exposure to increased interest expense, based on a 10% increase in interest rates, was not significant.

PPL is also exposed to changes in the fair value of its domestic and international debt portfolios. PPL estimated that a 10% decrease in interest rates at December 31, 2012 would increase the fair value of its debt portfolio by $611 million, compared with $635 million at December 31, 2011.

PPL had the following interest rate hedges outstanding at December 31.

	2012			2011		
	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)
Cash flow hedges						
Interest rate swaps (c)	$ 1,165	$ (7)	$ (34)	$ 150	$ (3)	$ (3)
Cross-currency swaps (d)	1,262	10	(179)	1,262	22	(187)
Fair value hedges						
Interest rate swaps				99	4	
Economic hedges						
Interest rate swaps (e)	179	(58)	(3)	179	(60)	(4)

(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.
(c) PPL utilizes various risk management instruments to reduce its exposure to the expected future cash flow variability of its debt instruments. These risks include exposure to adverse interest rate movements for outstanding variable rate debt and for future anticipated financing. While PPL is exposed to changes in the fair value of these instruments, any changes in the fair value of such cash flow hedges are recorded in equity or as regulatory assets or liabilities, if recoverable through regulated rates. The changes in fair value of these instruments are then reclassified into earnings in the same period during which the item being hedged affects earnings. Sensitivities represent a 10% adverse movement in interest rates. The positions outstanding at December 31, 2012 mature through 2043.
(d) PPL utilizes cross-currency swaps to hedge the interest payments and principal of WPD's U.S. dollar-denominated senior notes. While PPL is exposed to changes in the fair value of these instruments, any change in the fair value of these instruments is recorded in equity and reclassified into earnings in the same period during which the item being hedged affects earnings. Sensitivities represent a 10% adverse movement in both interest rates and foreign currency exchange rates. The positions outstanding at December 31, 2012 mature through 2028.
(e) PPL utilizes various risk management instruments to reduce its exposure to the expected future cash flow variability of its debt instruments. These risks include exposure to adverse interest rate movements for outstanding variable rate debt and for future anticipated financing. While PPL is exposed to changes in the fair value of these instruments, any realized changes in the fair value of such economic hedges are recoverable through regulated rates and any subsequent changes in fair value of these derivatives are included in regulatory assets or liabilities. Sensitivities represent a 10% adverse movement in interest rates. The positions outstanding at December 31, 2012 mature through 2033.

Foreign Currency Risk

PPL is exposed to foreign currency risk, primarily through investments in U.K. affiliates. In addition, PPL's domestic operations may make purchases of equipment in currencies other than U.S. dollars. See Note 1 to the Financial Statements for additional information regarding foreign currency translation.

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 earnings.

PPL had the following foreign currency hedges outstanding at December 31:

	2012			2011		
	Exposure Hedged	**Fair Value, Net - Asset (Liability)**	**Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)**	**Exposure Hedged**	**Fair Value, Net - Asset (Liability)**	**Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)**
Net investment hedges (b)	£ 162	$ (2)	$ (26)	£ 92	$ 7	$ (13)
Economic hedges (c)	1,265	(42)	(192)	288	11	(37)

(a) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability.
(b) To protect the value of a portion of its net investment in WPD, PPL executes forward contracts to sell GBP. The positions outstanding at December 31, 2012 mature through 2013. Excludes the amount of an intercompany loan classified as a net investment hedge. See Note 19 to the Financial Statements for additional information.
(c) To economically hedge the translation of expected income denominated in GBP to U.S. dollars, PPL enters into a combination of average rate forwards and average rate options to sell GBP. The forwards and options outstanding at December 31, 2012 mature through 2015.

NDT Funds - Securities Price Risk

In connection with certain NRC requirements, PPL Susquehanna maintains trust funds to fund certain costs of decommissioning the PPL Susquehanna nuclear plant (Susquehanna). At December 31, 2012, these funds were invested primarily in domestic equity securities and fixed-rate, fixed-income securities and are reflected at fair value on PPL's Balance Sheet. The mix of securities is designed to provide returns sufficient to fund Susquehanna's decommissioning and to compensate for inflationary increases in decommissioning costs. However, the equity securities included in the trusts are exposed to price fluctuation in equity markets, and the values of fixed-rate, fixed-income securities are primarily exposed to changes in interest rates. PPL actively monitors the investment performance and periodically reviews asset allocation in accordance with its nuclear decommissioning trust policy statement. At December 31, 2012, a hypothetical 10% increase in interest rates and a 10% decrease in equity prices would have resulted in an estimated $49 million reduction in the fair value of the trust assets, compared with $43 million at December 31, 2011. See Notes 18 and 23 to the Financial Statements for additional information regarding the NDT funds.

Defined Benefit Plans - Securities Price Risk

See "Application of Critical Accounting Policies - Defined Benefits" for additional information regarding the effect of securities price risk on plan assets.

<u>Credit Risk</u>

Credit risk is the risk that PPL would incur a loss as a result of nonperformance by counterparties of their contractual obligations. PPL maintains credit policies and procedures with respect to counterparty credit (including requirements that counterparties maintain specified credit ratings) and requires other assurances in the form of credit support or collateral in certain circumstances in order to limit counterparty credit risk. However, PPL has concentrations of suppliers and customers among electric utilities, financial institutions and other energy marketing and trading companies. These concentrations may impact PPL's overall exposure to credit risk, positively or negatively, as counterparties may be similarly affected by changes in economic, regulatory or other conditions.

PPL includes the effect of credit risk on its fair value measurements to reflect the probability that a counterparty will default when contracts are out of the money (from the counterparty's standpoint). In this case, PPL would have to sell into a lower-priced market or purchase in a higher-priced market. When necessary, PPL records an allowance for doubtful accounts to reflect the probability that a counterparty will not pay for deliveries PPL has made but not yet billed, which are reflected in "Unbilled revenues" on the Balance Sheets. PPL also has established a reserve with respect to certain receivables from SMGT, which is reflected in accounts receivable on the Balance Sheets. See Note 15 to the Financial Statements for additional information.

In 2009, the PUC approved PPL Electric's PLR procurement plan for the period January 2011 through May 2013. To date, PPL Electric has conducted all of its planned competitive solicitations.

Under the standard Supply Master Agreement (the Agreement) for the competitive solicitation process, PPL Electric requires all suppliers to post collateral if their credit exposure exceeds an established credit limit. In the event a supplier defaults on its obligation, PPL Electric would be required to seek replacement power in the market. All incremental costs incurred by PPL Electric would be recoverable from customers in future rates. At December 31, 2012, most of the successful bidders under all of the solicitations had an investment grade credit rating from S&P, and were not required to post collateral under the Agreement. A small portion of bidders were required to post collateral, which totaled less than $1 million, under the Agreement. There is no instance under the Agreement in which PPL Electric is required to post collateral to its suppliers.

See "Overview" in this Item 7 and Notes 15, 16, 18 and 19 to the Financial Statements for additional information on the competitive solicitations, the Agreement, credit concentration and credit risk.

Foreign Currency Translation

The value of the British pound sterling fluctuates in relation to the U.S. dollar. In 2012, changes in this exchange rate resulted in a foreign currency translation gain of $99 million, which primarily reflected a $181 million increase to PP&E offset by an increase of $82 million to net liabilities. In 2011, changes in this exchange rate resulted in a foreign currency translation loss of $51 million, which primarily reflected a $69 million reduction to PP&E offset by a reduction of $18 million to net liabilities. In 2010, changes in this exchange rate resulted in a foreign currency translation loss of $63 million, which primarily reflected a $180 million reduction to PP&E offset by a reduction of $117 million to net liabilities. The impact of foreign currency translation is recorded in AOCI.

Related Party Transactions

PPL is not aware of any material ownership interests or operating responsibility by senior management of PPL, PPL Energy Supply, PPL Electric, LKE, LG&E or KU in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with PPL. See Note 16 to the Financial Statements for additional information on related party transactions.

Acquisitions, Development and Divestitures

PPL from time to time evaluates 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 the projects, sell, cancel or expand them, execute tolling agreements or pursue other options.

In April 2012, an indirect wholly owned subsidiary of PPL Energy Supply completed the Ironwood Acquisition. In April 2011, PPL, through its indirect, wholly owned subsidiary PPL WEM, completed its acquisition of WPD Midlands. In November 2010, PPL completed its acquisition of LKE. See Note 10 to the Financial Statements for additional information.

See Notes 8, 9 and 10 to the Financial Statements for additional information on the more significant activities.

Environmental Matters

Extensive federal, state and local environmental laws and regulations are applicable to PPL's air emissions, water discharges and the management of hazardous and solid waste, among other areas; and the cost of compliance or alleged non-compliance cannot be predicted with certainty but could be material. In addition, costs may increase significantly if the requirements or scope of environmental laws or regulations, or similar rules, are expanded or changed by the relevant agencies. 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 PPL's services.

Physical effects associated with climate change could include the impact of changes in weather patterns, such as storm frequency and intensity, and the resultant potential damage to PPL's generation assets, electricity transmission and distribution systems, as well as impacts on customers. In addition, changed weather patterns could potentially reduce annual rainfall in areas where PPL has hydro generating facilities or where river water is used to cool its fossil and nuclear powered generators. PPL cannot currently predict whether its businesses will experience these potential climate change-related risks or estimate the potential cost of their related consequences.

The below provides a discussion of the more significant environmental matters.

Coal Combustion Residuals (CCRs)

In June 2010, the EPA proposed two approaches to regulating CCRs (as either hazardous or non-hazardous) under existing solid waste regulations. A final rulemaking is currently expected before the end of 2015. However, the timing of the final regulations could be accelerated by certain litigation that could require the EPA to issue its regulations sooner. Regulations could impact handling, disposal and/or beneficial use of CCRs. The economic impact could be material if CCRs are regulated as hazardous waste, and significant if regulated as non-hazardous, in accordance with the proposed rule.

Effluent Limitation Guidelines

The EPA is to issue guidelines for technology-based limits in discharge permits for scrubber wastewater and is expected to require dry ash handling. The EPA agreed, in recent settlement negotiations with environmentalists, to propose revisions to its effluent limitation guidelines (ELGs) by April 2013, with a final rule in late 2014. Limits could be so stringent that plants may consider extensive new or modified wastewater treatment facilities and possibly zero liquid discharge operations, the cost of which could be significant. Impacts should be better understood after the proposed rule is issued.

316(b) Cooling Water Intake Structure Rule

In April 2011, the EPA published a draft regulation under Section 316(b) of the Clean Water Act, which regulates cooling water intakes for power plants. The draft rule has two provisions: one requires installation of Best Technology Available (BTA) to reduce mortality of aquatic organisms that are pulled into the plant cooling water system (entrainment), and the second imposes standards for reduction of mortality of aquatic organisms trapped on water intake screens (impingement). A final rule is expected in June 2013. The proposed regulation would apply to nearly all PPL-owned steam electric plants in Pennsylvania, Kentucky, and Montana, potentially even including those equipped with closed-cycle cooling systems. PPL's compliance costs could be significant, especially if the final rule requires closed-cycle systems at plants that do not currently have them or conversions of once-through systems to closed-cycle.

GHG Regulations

In 2013, the EPA is expected to finalize limits on GHG emissions from new power plants and to begin working on a proposal for such emissions from existing power plants. The EPA's proposal on GHG emissions from new power plants would effectively preclude construction of any coal-fired plants and could even be difficult for new gas-fired plants to meet. With respect to existing power plants, the impact could be very significant, depending on the structure and stringency of the final rule. PPL, along with others in the industry, filed comments on the EPA's proposal related to GHG emissions from new plants. With respect to GHG limits for existing plants, PPL will advocate for reasonable, flexible requirements.

MATS

The EPA finalized MATS requiring fossil-fuel fired plants to reduce emissions of mercury and other hazardous air pollutants by April 16, 2015. The rule is being challenged by industry groups and states. The EPA has subsequently proposed changes to the rule with respect to new sources to address the concern that the rule effectively precludes new coal plants. PPL is generally well-positioned to comply with MATS, primarily due to recent investments in environmental controls and approved Environmental Cost Recovery (ECR) plans to install additional controls at some of our Kentucky plants. PPL is evaluating chemical additive systems for mercury control at Brunner Island, and modifications to existing controls at Colstrip for improved particulate matter reductions. In September 2012, PPL announced its intention to place its Corette plant in long-term reserve status beginning in April 2015 due to expected market conditions and costs to comply with MATS.

CSAPR and CAIR
In 2011, the EPA finalized its CSAPR regulating emissions of nitrous oxide and sulfur dioxide through new allowance trading programs which were to be implemented in two phases (2012 and 2014). Like its predecessor, the CAIR, CSAPR targeted sources in the eastern United States. In December 2011, the U.S. Court of Appeals for the District of Columbia Circuit (the Court) stayed implementation of CSAPR, leaving CAIR in place. Subsequently, in August 2012, the Court vacated and remanded CSAPR back to the EPA for further rulemaking, again leaving CAIR in place, pending further EPA action. PPL plants in Pennsylvania and Kentucky will continue to comply with CAIR through optimization of existing controls, balanced with emission allowance purchases. The Court's August decision leaves plants in CSAPR-affected states potentially exposed to more stringent emission reductions due to regional haze implementation (it was previously determined that CSAPR or CAIR participation satisfies regional haze requirements), and/or petitions to the EPA by downwind states under Section 126 of the Clean Air Act requesting the EPA to require plants that allegedly contribute to downwind non-attainment to take action to reduce emissions.

Regional Haze - Montana
The EPA signed its final Federal Implementation Plan (FIP) of the Regional Haze Rules for Montana in September 2012, with tighter emissions limits for Colstrip Units 1 & 2 based on the installation of new controls (no limits or additional controls were specified for Colstrip Units 3 & 4), and tighter emission limits for Corette (which are not based on additional controls). The cost of the potential additional controls for Colstrip Units 1 & 2, if required, could be significant. PPL expects to meet the tighter permit limits at Corette without any significant changes to operations, although other requirements have led to the planned suspension of operations at Corette beginning in April 2015 (see "MATS" discussion above).

See "Item 1. Business - Environmental Matters" and Note 15 to the Financial Statements for further discussion of environmental matters.

Competition

See "Competition" under each of PPL's reportable segments in "Item 1. Business - Segment Information" and "Item 1A. Risk Factors" for a discussion of competitive factors affecting PPL.

New Accounting Guidance

See Notes 1 and 24 to the Financial Statements for a discussion of new accounting guidance adopted and pending adoption.

Application of Critical Accounting Policies

Financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following accounting policies are particularly important to the financial condition or results of operations, and require estimates or other judgments of matters inherently uncertain. Changes in the estimates or other judgments included within these accounting policies could result in a significant change to the information presented in the Financial Statements (these accounting policies are also discussed in Note 1 to the Financial Statements). Senior management has reviewed these critical accounting policies, the following disclosures regarding their application and the estimates and assumptions regarding them, with PPL's Audit Committee.

Price Risk Management

See "Price Risk Management" in Note 1 to the Financial Statements, as well as "Risk Management - Energy Marketing & Trading and Other" above.

Defined Benefits

Certain PPL subsidiaries sponsor various qualified funded and non-qualified unfunded defined benefit pension plans. Certain PPL subsidiaries also sponsor both funded and unfunded other postretirement benefit plans. These plans are applicable to the majority of the employees of PPL. PPL and certain of its subsidiaries record an asset or liability to recognize the funded status of all defined benefit plans with an offsetting entry to OCI or regulatory assets and liabilities for amounts that are expected to be recovered through regulated customer rates. Consequently, the funded status of all defined benefit plans is fully recognized on the Balance Sheets. See Note 13 to the Financial Statements for additional information about the plans and the accounting for defined benefits.

PPL and its subsidiaries make certain assumptions regarding the valuation of benefit obligations and the performance of plan assets. When accounting for defined benefits, delayed recognition in earnings of differences between actual results and expected or estimated results is a guiding principle. Annual net periodic defined benefit costs are recorded in current earnings based on estimated results. Any differences between actual and estimated results are recorded in OCI or regulatory assets and liabilities for amounts that are expected to be recovered through regulated customer rates. These amounts in AOCI or regulatory assets and liabilities are amortized to income over future periods. The delayed recognition allows for a smoothed recognition of costs over the working lives of the employees who benefit under the plans. The primary assumptions are:

- Discount Rate - The discount rate is used in calculating the present value of benefits, which is based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.

- Expected Return on Plan Assets - Management projects the long-term rates of return on plan assets based on historical performance, future expectations and periodic portfolio rebalancing among the diversified asset classes. These projected returns reduce the net benefit costs PPL records currently.

- Rate of Compensation Increase - Management projects employees' annual pay increases, which are used to project employees' pension benefits at retirement.

- Health Care Cost Trend Rate - Management projects the expected increases in the cost of health care.

In selecting a discount rate for its U.S. defined benefit plans, PPL starts with a cash flow analysis of the expected benefit payment stream for its plans. The plan-specific cash flows are matched against the coupons and expected maturity values of individually selected bonds. This bond matching process begins with the full universe of Aa-rated non-callable (or callable with make-whole provisions) bonds, serving as the base from which those with the lowest and highest yields were eliminated to develop an appropriate subset of bonds. Individual bonds were then selected based on the timing of each plan's cash flows and parameters were established as to the percentage of each individual bond issue that could be hypothetically purchased and the surplus reinvestment rates to be assumed. At December 31, 2012, PPL decreased the discount rate for its U.S. pension plans from 5.06% to 4.22% and decreased the discount rate for its other postretirement benefit plans from 4.80% to 4.00%.

In selecting a discount rate for its U.K. defined benefit plans, PPL starts with a cash flow analysis of the expected benefit payment stream for its plans. These plan-specific cash flows were matched against a spot-rate yield curve to determine the assumed discount rate, which used an iBoxx British pounds sterling denominated corporate bond index as its base. An individual bond matching approach is not used for U.K. pension plans because the universe of bonds in the U.K. is not deep enough to adequately support such an approach. At December 31, 2012, the discount rate for the U.K. pension plans was decreased from 5.24% to 4.27% as a result of this assessment.

The expected long-term rates of return for PPL's U.S. defined benefit pension and other postretirement benefit plans have been developed using a best-estimate of expected returns, volatilities and correlations for each asset class. PPL management corroborates these rates with expected long-term rates of return calculated by its independent actuary, who uses a building block approach that begins with a risk-free rate of return with factors being added such as inflation, duration, credit spreads and equity risk. Each plan's specific asset allocation is also considered in developing a reasonable return assumption.

At December 31, 2012, PPL's expected return on plan assets decreased from 7.07% to 7.02% for its U.S. pension plans and increased from 5.93% to 5.97% for its other postretirement benefit plans. The expected long-term rates of return for PPL's U.K. pension plans have been developed by PPL management with assistance from an independent actuary using a best-estimate of expected returns, volatilities and correlations for each asset class. For the U.K. plans, PPL's expected return on plan assets decreased from 7.17% to 7.16% at December 31, 2012.

In selecting a rate of compensation increase, PPL considers past experience in light of movements in inflation rates. At December 31, 2012, PPL's rate of compensation increase decreased from 4.02% to 3.98% for its U.S. pension plans and 4.00% to 3.97% for its other postretirement benefit plans. For the U.K. plans, PPL's rate of compensation increase remained at 4.00% at December 31, 2012.

In selecting health care cost trend rates, PPL considers past performance and forecasts of health care costs. At December 31, 2012, PPL's health care cost trend rates were 8.00% for 2013, gradually declining to 5.50% for 2019.

A variance in the assumptions listed above could have a significant impact on accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and OCI or regulatory assets and liabilities for LG&E, KU and PPL Electric. While the charts below reflect either an increase or decrease in each assumption, the inverse of this change would impact the accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and OCI or regulatory assets and liabilities for LG&E, KU and PPL Electric by a similar amount in the opposite direction. The sensitivities below reflect an evaluation of the change based solely on a change in that assumption and does not include income tax effects.

At December 31, 2012, the defined benefit plans were recorded as follows.

Pension liabilities	(2,084)
Other postretirement benefit liabilities	(301)

The following chart reflects the sensitivities in the December 31, 2012 Balance Sheet associated with a change in certain assumptions based on PPL's primary defined benefit plans.

	Increase (Decrease)			
Actuarial assumption	**Change in assumption**	**Impact on defined benefit liabilities**	**Impact on OCI**	**Impact on regulatory assets**
Discount Rate	(0.25)%	$ 473	$ (389)	$ 84
Rate of Compensation Increase	0.25%	66	(54)	12
Health Care Cost Trend Rate (a)	1.00%	7	(1)	6

(a) Only impacts other postretirement benefits.

In 2012, PPL recognized net periodic defined benefit costs charged to operating expense of $166 million. This amount represents a $12 million increase from 2011, excluding $50 million of separation costs recorded in 2011. The increase was primarily attributable to increased amortization of losses and a non-qualified plan settlement charge recorded in 2012.

The following chart reflects the sensitivities in the 2012 Statement of Income (excluding income tax effects) associated with a change in certain assumptions based on PPL's primary defined benefit plans.

Actuarial assumption	**Change in assumption**	**Impact on defined benefit costs**
Discount Rate	(0.25)%	$ 24
Expected Return on Plan Assets	(0.25)%	26
Rate of Compensation Increase	0.25%	10
Health Care Cost Trend Rate (a)	1.00%	1

(a) Only impacts other postretirement benefits.

Asset Impairment (Excluding Investments)

Impairment analyses are performed for long-lived assets that are subject to depreciation or amortization whenever events or changes in circumstances indicate that a long-lived asset's carrying amount may not be recoverable. For these long-lived assets classified as held and used, such events or changes in circumstances are:

- a significant decrease in the market price of an asset;
- a significant adverse change in the manner in which an asset is being used or in its physical condition;
- a significant adverse change in legal factors or in the business climate;
- an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of an asset;
- a current period operating or cash flow loss combined with a history of losses or a forecast that demonstrates continuing losses; or
- a current expectation that, more likely than not, an asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

For a long-lived asset classified as held and used, an impairment is recognized when the carrying amount of the asset is not recoverable and exceeds its fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the asset is impaired, an impairment loss is recorded to adjust the asset's carrying amount to its estimated fair value. Management must make significant judgments to estimate future cash flows, including the useful lives of long-lived assets, the fair value of the assets and management's intent to use the assets. Alternate courses of action are considered to recover the carrying amount of a long-lived asset, and estimated cash flows from the "most likely" alternative are used to assess impairment whenever one alternative is clearly the most likely outcome. If no alternative is clearly the most likely, then a probability-weighted approach is used taking into consideration estimated cash flows from the alternatives. For assets tested for impairment as of the balance sheet date, the estimates of future cash flows used in that test consider the likelihood of possible outcomes that existed at the balance sheet date, including the assessment of the likelihood of a future sale of the assets. That assessment is not revised based on events that occur after the balance sheet date. Changes in assumptions and estimates could result in significantly different results than those identified and recorded in the financial statements.

In September 2012, PPL Energy Supply announced its intention, beginning in April 2015, to place the Corette coal-fired plant in Montana in long-term reserve status, suspending the plant's operation, due to expected market conditions and the costs to comply with MATS requirements. The Corette plant asset group's carrying amount at December 31, 2012 was approximately $68 million. An impairment analysis was performed for this asset group in the third and fourth quarters of 2012 and it was determined to not be impaired. It is reasonably possible that an impairment could occur in future periods, as higher priced sales contracts settle, adversely impacting projected cash flows.

For a long-lived asset classified as held for sale, an impairment exists when the carrying amount of the asset (disposal group) exceeds its fair value less cost to sell. If the asset (disposal group) is impaired, an impairment loss is recorded to adjust the carrying amount to its fair value less cost to sell. A gain is recognized for any subsequent increase in fair value less cost to sell, but not in excess of the cumulative impairment previously recognized.

For determining fair value, quoted market prices in active markets are the best evidence. However, when market prices are unavailable, the Registrant considers all valuation techniques appropriate under the circumstances and for which market participant inputs can be obtained. Generally discounted cash flows are used to estimate fair value, which incorporates market participant inputs when available. Discounted cash flows are calculated by estimating future cash flow streams and applying appropriate discount rates to determine the present value of the cash flow streams.

Goodwill is tested for impairment at the reporting unit level. PPL's reporting units have been determined to be at the operating segment level. A goodwill impairment test is performed annually or more frequently if events or changes in circumstances indicate that the carrying amount of the reporting unit may be greater than the unit's fair value. Additionally, goodwill is tested for impairment after a portion of goodwill has been allocated to a business to be disposed of.

Beginning in 2012, PPL may elect either to initially make a qualitative evaluation about the likelihood of an impairment of goodwill or to bypass the qualitative evaluation and test goodwill for impairment using a two-step quantitative test. If the qualitative evaluation (referred to as "step zero") is elected and the assessment results in a determination that it is not more likely than not that the fair value of a reporting unit is less than the carrying amount, the two-step quantitative impairment test is not necessary. However, the quantitative impairment test is required if PPL concludes it is more likely than not the fair value of a reporting unit is less than the carrying amount based on the step zero assessment.

When the two-step quantitative impairment test is elected or required as a result of the step zero assessment, in step one, PPL identifies a potential impairment by comparing the estimated fair value of a reporting unit with its carrying amount, including goodwill, on the measurement date. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill is not considered impaired. If the carrying amount exceeds the estimated fair value, the second step is performed to measure the amount of impairment loss, if any.

The second step of the quantitative test requires a calculation of the implied fair value of goodwill, which is determined in the same manner as the amount of goodwill in a business combination. That is, the estimated fair value of a reporting unit is allocated to all of the assets and liabilities of that reporting unit as if the reporting unit had been acquired in a business combination and the estimated fair value of the reporting unit was the price paid to acquire the reporting unit. The excess of the estimated fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. The implied fair value of the reporting unit's goodwill is then compared with the carrying amount of that goodwill. If the carrying amount exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of the reporting unit's goodwill.

PPL elected to perform the two-step quantitative impairment test of goodwill for all of its reporting units in the fourth quarter of 2012 and no impairment was recognized. Management used both discounted cash flows and market multiples, which required significant assumptions, to estimate the fair value of the reporting units. For the U.K. Regulated reporting unit, management used only discounted cash flows to estimate the fair value of the reporting unit due to lack of industry comparable transactions. Applying an appropriate weighting to both the discounted cash flow and market multiple valuations (where applicable) a decrease in the forecasted cash flows of 10%, an increase in the discount rate by 25 basis points, or a 10% decrease in the multiples would not have resulted in an impairment of goodwill.

Loss Accruals

Losses are accrued for the estimated impacts of various conditions, situations or circumstances involving uncertain or contingent future outcomes. For loss contingencies, the loss must be accrued if (1) information is available that indicates it is probable that a loss has been incurred, given the likelihood of the uncertain future events, and (2) the amount of the loss can be reasonably estimated. Accounting guidance defines "probable" as cases in which "the future event or events are likely to occur." The accrual of contingencies that might result in gains is not recorded unless recovery is assured. Potential loss contingencies for environmental remediation, litigation claims, regulatory penalties and other events are continuously assessed.

The accounting aspects of estimated loss accruals include (1) the initial identification and recording of the loss, (2) the determination of triggering events for reducing a recorded loss accrual, and (3) the ongoing assessment as to whether a recorded loss accrual is sufficient. All three of these aspects require significant judgment by management. Internal expertise and outside experts (such as lawyers and engineers) are used, as necessary, to help estimate the probability that a loss has been incurred and the amount (or range) of the loss.

No new significant loss accruals were recorded in 2012.

Certain other events have been identified that could give rise to a loss, but that do not meet the conditions for accrual. Such events are disclosed, but not recorded, when it is "reasonably possible" that a loss has been incurred.

When an estimated loss is accrued, the triggering events for subsequently reducing the loss accrual are identified, where applicable. The triggering events generally occur when the contingency has been resolved and the actual loss is paid or written off, or when the risk of loss has diminished or been eliminated. The following are some of the triggering events that provide for the reduction of certain recorded loss accruals:

- Allowances for uncollectible accounts are reduced when accounts are written off after prescribed collection procedures have been exhausted, a better estimate of the allowance is determined or underlying amounts are ultimately collected.

- Environmental and other litigation contingencies are reduced when the contingency is resolved and actual payments are made, a better estimate of the loss is determined or the loss is no longer considered probable.

Loss accruals are reviewed on a regular basis to assure that the recorded potential loss exposures are appropriate. This involves ongoing communication and analyses with internal and external legal counsel, engineers, operation management and other parties.

See Note 6 and 15 to the Financial Statements for disclosure of loss contingencies accrued and other potential loss contingencies that have not met the criteria for accrual. Note 6 to the Financial Statements includes a discussion of the Ofgem Review of Line Loss Calculation, including the $90 million reduction in the WPD liability.

Asset Retirement Obligations

PPL is required to recognize a liability for legal obligations associated with the retirement of long-lived assets. The initial obligation is measured at its estimated fair value. A conditional ARO must be recognized when incurred if the fair value of the ARO can be reasonably estimated. An equivalent amount is recorded as an increase in the value of the capitalized asset and allocated to expense over the useful life of the asset. Until the obligation is settled, the liability is increased, through the recognition of accretion expense in the statement of income, for changes in the obligation due to the passage of time.

In the case of LG&E and KU, since costs of removal are collected in rates, the depreciation and accretion expense related to an ARO are offset with a regulatory credit on the income statement, such that there is no earnings impact. The regulatory asset created by the regulatory credit is relieved when the ARO has been settled.

See Note 21 to the Financial Statements for further discussion of AROs.

In determining AROs, management must make significant judgments and estimates to calculate fair value. Fair value is developed using an expected present value technique based on assumptions of market participants that considers estimated retirement costs in current period dollars that are inflated to the anticipated retirement date and then discounted back to the date the ARO was incurred. Changes in assumptions and estimates included within the calculations of the fair value of AROs could result in significantly different results than those identified and recorded in the financial statements. Estimated ARO costs and settlement dates, which affect the carrying value of the ARO and the related capitalized asset, are reviewed periodically to ensure that any material changes are incorporated into the latest estimate of the ARO. Any change to the capitalized asset, positive or negative, is amortized over the remaining life of the associated long-lived asset.

At December 31, 2012, AROs totaling $552 million were recorded on the Balance Sheet, of which $16 million is included in "Other current liabilities." Of the total amount, $316 million, or 57%, relates to the nuclear decommissioning ARO. The most significant assumptions surrounding AROs are the forecasted retirement costs, the discount rates and the inflation rates. A variance in any of these inputs could have a significant impact on the ARO liabilities.

The following table reflects the sensitivities related to the nuclear decommissioning ARO liability associated with a change in these assumptions as of December 31, 2012. There is no significant change to the annual depreciation expense of the ARO asset or the annual accretion expense of the ARO liability as a result of changing the assumptions. The sensitivities below reflect an evaluation of the change based solely on a change in that assumption.

	Change in Assumption	Impact on ARO Liability
Retirement Cost	10%	$ 32
Discount Rate	(0.25)%	28
Inflation Rate	0.25%	32

Income Taxes

Significant management judgment is required in developing the provision for income taxes, primarily due to the uncertainty related to tax positions taken or expected to be taken in tax returns and the determination of deferred tax assets, liabilities and valuation allowances.

Significant management judgment is required to determine the amount of benefit recognized related to an uncertain tax position. Tax positions are evaluated following a two-step process. The first step requires an entity to determine whether, based on the technical merits supporting a particular tax position, it is more likely than not (greater than a 50% chance) that the tax position will be sustained. This determination assumes that the relevant taxing authority will examine the tax position and is aware of all the relevant facts surrounding the tax position. The second step requires an entity to recognize in the financial statements the benefit of a tax position that meets the more-likely-than-not recognition criterion. The benefit recognized is measured at the largest amount of benefit that has a likelihood of realization, upon settlement, that exceeds 50%. Management considers a number of factors in assessing the benefit to be recognized, including negotiation of a settlement.

On a quarterly basis, uncertain tax positions are reassessed by considering information known at the reporting date. Based on management's assessment of new information, a tax benefit may subsequently be recognized for a previously unrecognized tax position, a previously recognized tax position may be derecognized, or the benefit of a previously recognized tax position may be remeasured. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements in the future.

At December 31, 2012, it was reasonably possible that during the next 12 months the total amount of unrecognized tax benefits could increase by as much as $10 million or decrease by up to $90 million. This change could result from subsequent recognition, derecognition and/or changes in the measurement of uncertain tax positions related to the creditability of foreign taxes, the timing and utilization of foreign tax credits and the related impact on alternative minimum tax and other credits, the timing and/or valuation of certain deductions, intercompany transactions and unitary filing groups. The events that could cause these changes are direct settlements with taxing authorities, litigation, legal or administrative guidance by relevant taxing authorities and the lapse of an applicable statute of limitation.

The balance sheet classification of unrecognized tax benefits and the need for valuation allowances to reduce deferred tax assets also require significant management judgment. Unrecognized tax benefits are classified as current to the extent management expects to settle an uncertain tax position by payment or receipt of cash within one year of the reporting date. Valuation allowances are initially recorded and reevaluated each reporting period by assessing the likelihood of the ultimate realization of a deferred tax asset. Management considers a number of factors in assessing the realization of a deferred tax asset, including the reversal of temporary differences, future taxable income and ongoing prudent and feasible tax planning strategies. Any tax planning strategy utilized in this assessment must meet the recognition and measurement criteria utilized to account for an uncertain tax position. Management also considers the uncertainty posed by political risk and the effect of this uncertainty on the various factors that management takes into account in evaluating the need for valuation allowances. The amount of deferred tax assets ultimately realized may differ materially from the estimates utilized in the computation of valuation allowances and may materially impact the financial statements in the future. See Note 5 to the Financial Statements for income tax disclosures.

Regulatory Assets and Liabilities

PPL Electric, LG&E and KU, are subject to cost-based rate regulation. As a result, the effects of regulatory actions are required to be reflected in the financial statements. Assets and liabilities are recorded that result from the regulated ratemaking process that may not be recorded under GAAP for non-regulated entities. Regulatory assets generally represent incurred costs that have been deferred because such costs are probable of future recovery in regulated customer rates. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates. In certain cases, regulatory liabilities are recorded based on an understanding or agreement with the regulator that rates have been set to recover costs that are expected to be incurred in the future, and the regulated entity is accountable for any amounts charged pursuant to such rates and not yet expended for the intended purpose.

Management continually assesses whether the regulatory assets are probable of future recovery by considering factors such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders to other regulated entities, and the status of any pending or potential deregulation legislation. Based on this continual assessment, management believes the existing regulatory assets are probable of recovery. This assessment reflects the current political and regulatory climate at the state and federal levels, and is subject to change in the future. If future recovery of costs ceases to be probable, then asset write-offs would be required to be recognized in operating income. Additionally, the regulatory agencies can provide flexibility in the manner and timing of depreciation of PP&E and amortization of regulatory assets.

At December 31, 2012, PPL had regulatory assets of $1.5 billion and regulatory liabilities of $1.1 billion. All regulatory assets are either currently being recovered under specific rate orders, represent amounts that are expected to be recovered in future rates or benefit future periods based upon established regulatory practices.

See Note 6 to the Financial Statements for additional information on regulatory assets and liabilities.

WPD operates in an incentive-based regulatory structure under distribution licenses granted by Ofgem. WPD's electricity distribution revenues are set every five years through price controls that are not directly based on cost recovery; therefore, WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP and does not record regulatory assets and liabilities.

Other Information

PPL's Audit Committee has approved the independent auditor to provide audit and audit-related services, tax services and other services permitted by Sarbanes-Oxley and SEC rules. The audit and audit-related services include services in connection with statutory and regulatory filings, reviews of offering documents and registration statements, and internal control reviews.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information provided in this Item 7 should be read in conjunction with PPL Energy Supply's Consolidated Financial Statements and the accompanying Notes. Capitalized terms and abbreviations are defined in the glossary. Dollars are in millions unless otherwise noted.

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

- "Overview" provides a description of PPL Energy Supply and its business strategy, a summary of Net Income Attributable to PPL Energy Supply Member and a discussion of certain events related to PPL Energy Supply's results of operations and financial condition.

- "Results of Operations" provides a summary of PPL Energy Supply's earnings and a description of key factors expected to impact future earnings. This section ends with explanations of significant changes in principal items on PPL Energy Supply's Statements of Income, comparing 2012 with 2011 and 2011 with 2010.

- "Financial Condition - Liquidity and Capital Resources" provides an analysis of PPL Energy Supply's liquidity position and credit profile. This section also includes a discussion of forecasted sources and uses of cash and rating agency actions.

- "Financial Condition - Risk Management - Energy Marketing & Trading and Other" provides an explanation of PPL Energy Supply's risk management programs relating to market and credit risk.

- "Application of Critical Accounting Policies" provides an overview of the accounting policies that are particularly important to the results of operations and financial condition of PPL Energy Supply and that require its management to make significant estimates, assumptions and other judgments of matters inherently uncertain.

Overview

Introduction

PPL Energy Supply is an energy company with headquarters in Allentown, Pennsylvania. Through its subsidiaries, PPL Energy Supply is primarily engaged in the generation and marketing of electricity in two key markets - the northeastern and northwestern U.S.

Business Strategy

PPL Energy Supply's overall strategy is to achieve disciplined optimization of energy supply margins while mitigating volatility in both cash flows and earnings. More specifically, PPL Energy Supply's strategy is to optimize the value from its competitive generation and marketing portfolios. PPL Energy Supply endeavors to do this by matching energy supply with load, or customer demand, under contracts of varying durations with creditworthy counterparties to capture profits while effectively managing exposure to energy and fuel price volatility, counterparty credit risk and operational risk.

To manage financing costs and access to credit markets, a key objective of PPL Energy Supply's business strategy is to maintain a strong credit profile and strong liquidity position. In addition, PPL Energy Supply has financial and operational risk management programs that, among other things, are designed to monitor and manage its exposure to earnings and cash flow volatility related to changes in energy and fuel prices, interest rates, counterparty credit quality and the operating performance of its generating units.

Financial and Operational Developments

Net Income Attributable to PPL Energy Supply Member

Net Income Attributable to PPL Energy Supply Member for 2012, 2011 and 2010 was $474 million, $768 million and $861 million. Earnings in 2012 decreased 38% from 2011 and earnings in 2011 decreased 11% from 2010.

See "Results of Operations" below for further discussion and analysis of the consolidated results of operations.

Economic and Market Conditions

Unregulated Gross Energy Margins associated with PPL Energy Supply's competitive generation and marketing business are impacted by changes in market prices and demand for electricity and natural gas, power plant availability, competition in the markets for retail customers, fuel costs and availability, fuel transportation costs and other costs. Current depressed wholesale market prices for electricity and natural gas have resulted from general weak economic conditions and other factors, including the impact of expanded domestic shale gas development and production. As a result of these factors, PPL Energy Supply has experienced a shift in the dispatching of its competitive generation from coal-fired to combined-cycle gas-fired generation as illustrated in the following table:

	Average Utilization Factors (a)	
	2012	**2009 - 2011**
Pennsylvania coal plants	69%	87%
Montana coal plants	67%	89%
Combined-cycle gas plants	98%	72%

(a) All periods reflect the years ended December 31.

This reduction in coal-fired generation output had resulted in a surplus of coal inventory at certain of PPL Energy Supply's Pennsylvania coal plants. To mitigate the risk of exceeding available coal storage, PPL Energy Supply incurred pre-tax charges of $29 million in 2012 to reduce its 2012 and 2013 contracted coal deliveries. PPL Energy Supply will continue to manage its coal inventory to mitigate the financial impact and physical implications of an oversupply; however, no additional coal contract modifications are expected at this time.

In addition, current economic and commodity market conditions indicated a lower value of unhedged future energy margins (primarily in 2014 and forward years) compared to the energy margins in 2012. As has been PPL Energy Supply's practice in periods of changing business conditions, PPL Energy Supply continues to review its future business and operational plans, including capital and operation and maintenance expenditures, as well as its hedging strategies, to help counter the financial effects of low commodity prices.

PPL Energy Supply's businesses are subject to extensive federal, state and local environmental laws, rules and regulations. PPL Energy Supply's competitive generation assets are well positioned to meet these requirements. See Note 15 to the Financial Statements for additional information on these requirements. As a result of these requirements, PPL Energy Supply announced in September 2012 its intention, beginning in April 2015, to place its Corette plant in long-term reserve status, suspending the plant's operation due to expected market conditions and the costs to comply with MATS. The Corette plant asset group's carrying amount at December 31, 2012 was approximately $68 million. Although the Corette plant asset group was not determined to be impaired at December 31, 2012, it is reasonably possible that an impairment could occur in future periods, as higher priced sales contracts settle, adversely impacting projected cash flows.

In light of these economic and market conditions, as well as current and projected environmental regulatory requirements, PPL Energy Supply considered whether certain of its other generating assets were impaired, and determined that no impairment charges were required at December 31, 2012. PPL Energy Supply is unable to predict whether future environmental requirements or market conditions will result in impairment charges for other generating assets or other retirements.

PPL Energy Supply and its subsidiaries may also be impacted in future periods by the uncertainty in the worldwide financial and credit markets. In addition, PPL Energy Supply may be impacted by reductions in the credit ratings of financial institutions and evolving regulations in the financial sector. Collectively, these factors could reduce availability or restrict PPL Energy Supply and its subsidiaries' ability to maintain sufficient levels of liquidity, reduce capital market activities, change collateral posting requirements and increase the associated costs to PPL Energy Supply and its subsidiaries.

PPL Energy Supply cannot predict the future impact that these economic and market conditions and regulatory requirements may have on its financial condition or results of operations.

Susquehanna Turbine Blade Inspection

During 2012, PPL Energy Supply performed inspections of the Unit 1 and Unit 2 turbine blades at the PPL Susquehanna nuclear power plant to further address the issue of turbine blade cracking that was first identified in 2011. The after-tax earnings impact of these 2012 inspections, including reduced energy-sales margins and repair expenses, was approximately $53 million. The after-tax earnings impact of turbine blade related outages in 2011 was approximately $63 million.

Ironwood Acquisition

In April 2012, an indirect, wholly owned subsidiary of PPL Energy Supply completed the acquisition of the equity interests in the owner and operator of the Ironwood Facility. The Ironwood Facility began operation in 2001 and, since 2008, PPL EnergyPlus has supplied natural gas for the facility and received the facility's full electricity output and capacity value pursuant to a tolling agreement that expires in 2021. The acquisition provides PPL Energy Supply, through its subsidiaries, operational control of additional combined-cycle gas generation in PJM. See Note 10 to the Financial Statements for additional information.

Bankruptcy of SMGT

In October 2011, SMGT, a Montana cooperative and purchaser of electricity under a long-term supply contract with PPL EnergyPlus expiring in June 2019 (SMGT Contract), filed for protection under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Montana. At the time of the bankruptcy filing, SMGT was PPL EnergyPlus' largest unsecured credit exposure. This contract was accounted for as NPNS by PPL EnergyPlus.

The SMGT Contract provided for fixed volume purchases on a monthly basis at established prices. Pursuant to a court order and subsequent stipulations entered into between the SMGT bankruptcy trustee and PPL EnergyPlus, since the date of its Chapter 11 filing through January 2012, SMGT continued to purchase electricity from PPL EnergyPlus at the price specified in the SMGT Contract, and made timely payments for such purchases, but at lower volumes than as prescribed in the SMGT Contract. In January 2012, the trustee notified PPL EnergyPlus that SMGT would not purchase electricity under the SMGT Contract for the month of February. In March 2012, the U.S. Bankruptcy Court for the District of Montana issued an order approving the request of the SMGT bankruptcy trustee and PPL EnergyPlus to terminate the SMGT Contract. As a result, the SMGT Contract was terminated effective April 1, 2012, allowing PPL EnergyPlus to resell the electricity previously contracted to SMGT under the SMGT Contract to other customers.

PPL EnergyPlus' receivable under the SMGT Contract totaled approximately $21 million at December 31, 2012, which has been fully reserved.

In July 2012, PPL EnergyPlus filed its proof of claim in the SMGT bankruptcy proceeding. The total claim is approximately $375 million, including the above receivable, predominantly an unsecured claim representing the value for energy sales that will not occur as a result of the termination of the SMGT Contract. No assurance can be given as to the collectability of the claim, thus no amounts have been recorded in the 2012 financial statements.

PPL Energy Supply cannot predict any amounts that it may recover in connection with the SMGT bankruptcy or the prices and other terms on which it will be able to market to third parties the power that SMGT will not purchase from PPL EnergyPlus due to the termination of the SMGT Contract.

Results of Operations

The following discussion provides a summary of PPL Energy Supply's earnings and a description of factors that are expected to impact future earnings. This section ends with "Statement of Income Analysis," which includes explanations of significant year-to-year changes in Unregulated Gross Energy Margins by region and principal line items on PPL Energy Supply's Statements of Income.

Earnings

Net Income Attributable to PPL Energy Supply Member was:

	2012	2011	2010
Net Income Attributable to PPL Energy Supply Member	$ 474	$ 768	$ 861

The changes in the components of Net Income Attributable to PPL Energy Supply Member between these periods were due to the following factors, which reflect reclassifications for items included in the Unregulated Gross Energy Margins and certain items that management considers special. See additional detail of these special items in the tables below.

	2012 vs. 2011	2011 vs. 2010
Unregulated Gross Energy Margins	$ (197)	$ (405)
Other operation and maintenance	(53)	(65)
Depreciation	(41)	(8)
Taxes, other than income	6	(9)
Other Income (Expense) - net	(5)	
Interest Expense	16	4
Other	(1)	
Income Taxes	102	146
Discontinued operations - Domestic, after-tax - excluding certain revenues and expenses included in margins	3	16
Discontinued operations - International, after-tax		(261)
Special items, after-tax	(124)	489
Total	$ (294)	$ (93)

- See "Statement of Income Analysis - Margins - Changes in Non-GAAP Financial Measures" for an explanation of Unregulated Gross Energy Margins.

- Higher other operation and maintenance in 2012 compared with 2011 due to higher costs at PPL Susquehanna of $27 million including refueling outage costs, payroll-related costs and project costs, $18 million due to the Ironwood Acquisition, $13 million due to outages at eastern fossil and hydroelectric units and $10 million of charges from support groups partially offset by $34 million of trademark royalties with an affiliate in 2011 for which the agreement was terminated December 31, 2011.

  Higher other operation and maintenance in 2011 compared with 2010, primarily due to higher costs at PPL Susquehanna of $30 million largely due to unplanned outages, the refueling outage and payroll-related costs, higher costs at eastern fossil and hydroelectric units of $20 million, largely due to outages, and higher costs at western fossil and hydroelectric units of $15 million, largely resulting from insurance recoveries received in 2010.

- Higher depreciation in 2012 compared with 2011 primarily due to a $16 million impact from PP&E additions and $17 million due to the Ironwood Acquisition.

- Lower interest expense in 2012 compared with 2011 of $14 million due to the impact of redeeming debt not replaced and redeeming debt replaced at a lower interest rate, $10 million due to lower interest on short-term borrowings and $7 million due to 2011 including the acceleration of deferred financing fees related to the July 2011 redemption, partially offset by a $12 million increase related to the debt assumed as a result of the Ironwood Acquisition.

- Lower income taxes in 2012 compared with 2011 due to lower 2012 pre-tax income, which reduced income taxes by $110 million and $20 million related to lower adjustments to valuation allowances on Pennsylvania net operating losses, partially offset by $26 million related to the impact of prior period tax return adjustments.

  Lower income taxes in 2011 compared with 2010, due to lower 2011 pre-tax income, which reduced income taxes by $196 million and a $26 million reduction in deferred tax liabilities related to an updated blended state tax rate as a result of a change in state apportionment. These decreases were partially offset by $74 million related to adjustments to valuation allowances on Pennsylvania net operating losses, $13 million in favorable adjustments to uncertain tax benefits recorded in 2010 and an $11 million decrease in the domestic manufacturing deduction tax benefit resulting from revised bonus depreciation estimates.

- Discontinued operations - International, represents the results of PPL Global which was distributed to PPL Energy Supply's parent, PPL Energy Funding in January 2011. See Note 9 to the Financial Statements for additional information.

The following after-tax gains (losses), which management considers special items, also impacted the results.

	Income Statement Line Item	2012	2011	2010
Adjusted energy-related economic activity, net, net of tax of ($26), ($52), $85	(a)	$ 38	$ 72	$ (121)
Sales of assets:				
Maine hydroelectric generation business, net of tax of $0, $0, ($9) (b)	Disc. Operations			15
Sundance indemnification, net of tax of $0, $0, $0	Other Income-net			1
Impairments:				
Emission allowances, net of tax of $0, $1, $6 (c)	Other O&M		(1)	(10)
Renewable energy credits, net of tax of $0, $2, $0	Other O&M		(3)	
Adjustments - nuclear decommissioning trust investments, net of tax of ($2), $0, $0	Other Income-net	2		
Other asset impairments, net of tax of $0, $0, $0	Other O&M	(1)		
LKE acquisition-related adjustments:				
Monetization of certain full-requirement sales contracts, net of tax of $0, $0, $89	(d)			(125)
Sale of certain non-core generation facilities, net of tax of $0, $0, $37 (e)	Disc. Operations		(2)	(64)
Reduction of credit facility, net of tax of $0, $0, $4 (f)	Interest Expense			(6)
Other:				
Montana hydroelectric litigation, net of tax of $0, ($30), $22	(g)		45	(34)
Litigation settlement - spent nuclear fuel storage, net of tax of $0, ($24), $0 (h)	Fuel		33	
Health care reform - tax impact (i)	Income Taxes			(5)
Montana basin seepage litigation, net of tax of $0, $0, ($1)	Other O&M			2
Counterparty bankruptcy, net of tax of $5, $5, $0 (j)	Other O&M	(6)	(6)	
Wholesale supply cost reimbursement, net of tax of $0, ($3), $0	(k)	1	4	
Ash basin leak remediation adjustment, net of tax of ($1), $0, $0	Other O&M	1		
Coal contract modification payments, net of tax of $12, $0, $0 (l)	Fuel	(17)		
Total		$ 18	$ 142	$ (347)

(a) See "Reconciliation of Economic Activity" below.
(b) Gains recorded on completion of the sale of the Maine hydroelectric generation business. See Note 9 to the Financial Statements for additional information.
(c) Primarily represents impairment charges of sulfur dioxide emission allowances.
(d) In July 2010, in order to raise additional cash for the LKE acquisition, certain full-requirement sales contracts were monetized that resulted in cash proceeds of $249 million. See "Monetization of Certain Full-Requirement Sales Contracts" in Note 19 to the Financial Statements for additional information. $343 million of pre-tax gains were recorded to "Wholesale energy marketing" and $557 million of pre-tax losses were recorded to "Energy purchases" on the Statement of Income.
(e) Consists primarily of the initial impairment charge recorded when the business was classified as held for sale. See Note 9 to the Financial Statements for additional information.
(f) In October 2010, PPL Energy Supply made borrowings under its Syndicated Credit Facility in order to enable a subsidiary to make loans to certain affiliates to provide interim financing of amounts required by PPL to partially fund PPL's acquisition of LKE. Subsequent to the repayment of such borrowing, the capacity was reduced, and as a result, PPL Energy Supply wrote off deferred fees in 2010.
(g) In March 2010, the Montana Supreme Court substantially affirmed a June 2008 Montana District Court decision regarding lease payments for the use of certain Montana streambeds. In 2010, PPL Montana recorded a pre-tax charge of $56 million, representing estimated rental compensation for years prior to 2010, including interest. Of this total charge $47 million, pre-tax, was recorded to "Other operation and maintenance" and $9 million, pre-tax, was recorded to "Interest Expense" on the Statement of Income. In August 2010, PPL Montana filed a petition for a writ of certiorari with the U.S. Supreme Court requesting the Court's review of this matter. In June 2011, the U.S. Supreme Court granted PPL Montana's petition. In February 2012, the U.S. Supreme Court overturned the Montana Supreme Court decision and remanded the case to the Montana Supreme Court for further proceedings consistent with the U.S. Supreme Court's opinion. Prior to the U.S. Supreme Court decision, $4 million, pre-tax, of interest expense on the rental compensation covered by the court decision was accrued in 2011. As a result of the U.S. Supreme Court decision, PPL Montana reversed its total pre-tax loss accrual of $89 million, which had been recorded prior to the U.S. Supreme Court decision, of which $79 million pre-tax is considered a special item because it represented $65 million of rent for periods prior to 2011 and $14 million of interest accrued on the portion covered by the prior court decision. These amounts were credited to "Other operation and maintenance" and "Interest Expense" on the Statement of Income. See Note 15 to the Financial Statements for additional information.
(h) In May 2011, PPL Susquehanna entered into a settlement agreement with the U.S. Government relating to PPL Susquehanna's lawsuit, seeking damages for the Department of Energy's failure to accept spent nuclear fuel from the PPL Susquehanna plant. PPL Susquehanna recorded credits to fuel expense to recognize recovery, under the settlement agreement, of certain costs to store spent nuclear fuel at the Susquehanna plant. This special item represents amounts recorded in 2011 to cover the costs incurred from 1998 through December 2010.
(i) Represents income tax expense recorded as a result of the provisions within Health Care Reform which eliminated the tax deductibility of retiree health care costs to the extent of federal subsidies received by plan sponsors that provide retiree prescription drug benefits equivalent to Medicare Part D Coverage.
(j) In October 2011, a wholesale customer, SMGT, filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy code. In 2012, PPL EnergyPlus recorded an additional allowance for unpaid amounts under the long-term power contract. In March 2012, the U.S. Bankruptcy Court for the District of Montana approved the request to terminate the contract, effective April 1, 2012.
(k) In January 2012, PPL received $7 million pre-tax, related to electricity delivered to a wholesale customer in 2008 and 2009, recorded in "Wholesale energy marketing-Realized." The additional revenue results from several transmission projects approved at PJM for recovery that were not initially anticipated at the time of the electricity auctions and therefore were not included in the auction pricing. A FERC order was issued in 2011 approving the disbursement of these supply costs by the wholesale customer to the suppliers, therefore, PPL Energy Supply accrued its share of this additional revenue in 2011.
(l) As a result of lower electricity and natural gas prices, coal-fired generation output decreased during 2012. Contract modification payments were incurred to reduce 2012 and 2013 contracted coal deliveries.

Reconciliation of Economic Activity

The following table reconciles unrealized pre-tax gains (losses) from the table within "Commodity Price Risk (Non-trading) - Economic Activity" in Note 19 to the Financial Statements to the special item identified as "Adjusted energy-related economic activity, net."

	2012	2011	2010
Operating Revenues			
Unregulated retail electric and gas	$ (17)	$ 31	$ 1
Wholesale energy marketing	(311)	1,407	(805)
Operating Expenses			
Fuel	(14)	6	29
Energy Purchases	442	(1,123)	286
Energy-related economic activity (a)	100	321	(489)
Option premiums (b)	(1)	19	32
Adjusted energy-related economic activity	99	340	(457)
Less: Unrealized economic activity associated with the monetization of certain full-requirement sales contracts in 2010 (c)			(251)
Less: Economic activity realized, associated with the monetization of certain full-requirement sales contracts in 2010	35	216	
Adjusted energy-related economic activity, net, pre-tax	$ 64	$ 124	$ (206)
Adjusted energy-related economic activity, net, after-tax	$ 38	$ 72	$ (121)

(a) See Note 19 to the Financial Statements for additional information.
(b) Adjustment for the net deferral and amortization of option premiums over the delivery period of the item that was hedged or upon realization. Option premiums are recorded in "Wholesale energy marketing - Realized" and "Energy purchases - Realized" on the Statements of Income.
(c) See "Components of Monetization of Certain Full-Requirement Sales Contracts" below.

Components of Monetization of Certain Full-Requirement Sales Contracts

The following table provides the components of the "Monetization of Certain Full-Requirement Sales Contracts" special item.

	2010
Full-requirement sales contracts monetized (a)	$ (68)
Economic activity related to the full-requirement sales contracts monetized	(146)
Monetization of certain full-requirement sales contracts, pre-tax (b)	$ (214)
Monetization of certain full-requirement sales contracts, after-tax	$ (125)

(a) See "Commodity Price Risk (Non-trading) - Monetization of Certain Full-Requirement Sales Contracts" in Note 19 to the Financial Statements for additional information.
(b) Includes unrealized losses of $251 million, which are reflected in "Wholesale energy marketing - Unrealized economic activity" and "Energy purchases - Unrealized economic activity" on the Statement of Income. Also includes net realized gains of $37 million, which are reflected in "Wholesale energy marketing - Realized" and "Energy purchases - Realized" on the Statement of Income.

2013 Outlook

Excluding special items, PPL Energy Supply projects lower earnings in 2013 compared with 2012, primarily driven by lower energy prices, higher fuel costs, higher operation and maintenance, higher depreciation and higher financing costs, which are partially offset by higher capacity prices and higher nuclear generation output despite scheduled outages for both Susquehanna units to implement a long-term solution to turbine blade issues.

Earnings in future periods are subject to various risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 1A. Risk Factors," the rest of this Item 7 and Note 15 to the Financial Statements for a discussion of the risks, uncertainties and factors that may impact future earnings.

Statement of Income Analysis --

Unregulated Gross Energy Margins

Non-GAAP Financial Measure

The following discussion includes financial information prepared in accordance with GAAP, as well as a non-GAAP financial measure, "Unregulated Gross Energy Margins." "Unregulated Gross Energy Margins" is a single financial performance measure of PPL Energy Supply's competitive energy non-trading and trading activities. In calculating this measure, PPL Energy Supply's energy revenues, which include operating revenues associated with certain PPL Energy Supply businesses that are classified as discontinued operations, are offset by the cost of fuel, energy purchases, certain other operation and maintenance expenses, primarily ancillary charges, gross receipts tax, which is recorded in "Taxes, other than income," and operating expenses associated with certain PPL Energy Supply businesses that are classified as discontinued operations. This performance measure is relevant to PPL Energy Supply due to the volatility in the individual revenue and expense lines on the Statements of Income that comprise "Unregulated Gross Energy Margins." This volatility stems from a number of factors, including the required netting of certain transactions with ISOs and significant fluctuations in unrealized gains and losses. Such factors could result in gains or losses being recorded in either "Wholesale energy marketing" or "Energy purchases" on the Statements of Income. This performance measure includes PLR revenues from energy sales to PPL Electric by PPL EnergyPlus, which are recorded in "Wholesale energy marketing to affiliate" revenue. PPL Energy Supply excludes from "Unregulated Gross Energy Margins" adjusted energy-related economic activity, which includes the changes in fair value of positions used to economically hedge a portion of the economic value of PPL Energy Supply's competitive generation assets, full-requirement sales contracts and retail activities. This economic value is subject to changes in fair value due to market price volatility of the input and output commodities (e.g., fuel and power) prior to the delivery period that was hedged. Also included in adjusted energy-related economic activity is the ineffective portion of qualifying cash flow hedges, the monetization of certain full-requirement sales contracts and premium amortization associated with options. This economic activity is deferred, with the exception of the full-requirement sales contracts that were monetized, and included in "Unregulated Gross Energy Margins" over the delivery period that was hedged or upon realization. This measure is 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 to report on the results of their operations. PPL Energy Supply believes that "Unregulated Gross Energy Margins" provides another criterion to make investment decisions. This performance measure is used, in conjunction with other information, internally by senior management to manage PPL Energy Supply's operations, analyze actual results compared with budget and measure certain corporate financial goals used in determining variable compensation.

Reconciliation of Non-GAAP Financial Measures

The following tables reconcile "Operating Income" to "Unregulated Gross Energy Margins" as defined by PPL Energy Supply for the period ended December 31.

	2012			2011		
	Unregulated Gross Energy Margins	Other (a)	Operating Income (b)	Unregulated Gross Energy Margins	Other (a)	Operating Income (b)
Operating Revenues						
Wholesale energy marketing						
Realized	$ 4,412	$ 21 (c)	$ 4,433	$ 3,745	$ 62 (c)	$ 3,807
Unrealized economic activity		(311) (d)	(311)		1,407 (d)	1,407
Wholesale energy marketing to affiliate	78		78	26		26
Unregulated retail electric and gas	865	(17) (d)	848	696	31 (d)	727
Net energy trading margins	4		4	(2)		(2)
Energy-related businesses		448	448		464	464
Total Operating Revenues	5,359	141	5,500	4,465	1,964	6,429

	2012			2011		
	Unregulated Gross Energy Margins	Other (a)	Operating Income (b)	Unregulated Gross Energy Margins	Other (a)	Operating Income (b)
Operating Expenses						
Fuel	931	34 (e)	965	1,151	(71) (e)	1,080
Energy purchases						
Realized	2,204	56 (c)	2,260	912	248 (c)	1,160
Unrealized economic activity		(442) (d)	(442)		1,123 (d)	1,123
Energy purchases from affiliate	3		3	3		3
Other operation and maintenance	19	1,022	1,041	16	913	929
Depreciation		285	285		244	244
Taxes, other than income	34	35	69	30	41	71
Energy-related businesses		432	432		458	458
Total Operating Expenses	3,191	1,422	4,613	2,112	2,956	5,068
Discontinued Operations				12	(12) (f)	
Total	$ 2,168	$ (1,281)	$ 887	$ 2,365	$ (1,004)	$ 1,361

	2010		
	Unregulated Gross Energy Margins	Other (a)	Operating Income (b)
Operating Revenues			
Wholesale energy marketing			
Realized	$ 4,511	$ 321 (c)	$ 4,832
Unrealized economic activity		(805) (d)	(805)
Wholesale energy marketing to affiliate	320		320
Unregulated retail electric and gas	414	1 (d)	415
Net energy trading margins	2		2
Energy-related businesses		364	364
Total Operating Revenues	5,247	(119)	5,128
Operating Expenses			
Fuel	1,132	(36) (e)	1,096
Energy purchases			
Realized	1,389	247 (c)	1,636
Unrealized economic activity		(286) (d)	(286)
Energy purchases from affiliate	3		3
Other operation and maintenance	23	956	979
Depreciation		236	236
Taxes, other than income	14	32	46
Energy-related businesses		357	357
Total Operating Expenses	2,561	1,506	4,067
Discontinued Operations	84	(84) (f)	
Total	$ 2,770	$ (1,709)	$ 1,061

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.
(c) Represents energy-related economic activity as described in "Commodity Price Risk (Non-trading) - Economic Activity" within Note 19 to the Financial Statements. For 2012, "Wholesale energy marketing - Realized" and "Energy purchases - Realized" include a net pre-tax loss of $35 million related to the monetization of certain full-requirement sales contracts. 2011 includes a net pre-tax loss of $216 million related to the monetization of certain full-requirement sales contracts and a net pre-tax gain of $19 million related to the amortization of option premiums. 2010 includes a net pre-tax gain of $37 million related to the monetization of certain full-requirement sales contracts and a net pre-tax gain of $32 million related to the amortization of option premiums.
(d) Represents energy-related economic activity, which is subject to fluctuations in value due to market price volatility, as described in "Commodity Price Risk (Non-trading) - Economic Activity" within Note 19 to the Financial Statements.
(e) Includes economic activity related to fuel as described in "Commodity Price Risk (Non-trading) - Economic Activity" within Note 19 to the Financial Statements. 2012 includes a net pre-tax loss of $29 million related to coal contract modification payments. 2011 includes pre-tax credits of $57 million for the spent nuclear fuel litigation settlement.
(f) Represents the net of certain revenues and expenses associated with certain businesses that are classified as discontinued operations. These revenues and expenses are not reflected in "Operating Income" on the Statements of Income.

Changes in Non-GAAP Financial Measures

Unregulated Gross Energy Margins are generated through PPL Energy Supply's competitive non-trading and trading activities. PPL Energy Supply's non-trading energy business is managed on a geographic basis that is aligned with its generation fleet. The following table shows PPL Energy Supply's non-GAAP financial measure, Unregulated Gross Energy Margins, for the periods ended December 31, as well as the change between periods. The factors that gave rise to the changes are described below the table.

	2012	2011	Change	2011	2010	Change
Non-trading						
Eastern U.S.	$ 1,865	$ 2,018	$ (153)	$ 2,018	$ 2,429	$ (411)
Western U.S.	299	349	(50)	349	339	10
Net energy trading	4	(2)	6	(2)	2	(4)
Total	$ 2,168	$ 2,365	$ (197)	$ 2,365	$ 2,770	$ (405)

Unregulated Gross Energy Margins

Eastern U.S.

The changes in Eastern U.S. non-trading margins were:

	2012 vs. 2011	2011 vs. 2010
Baseload energy prices	$ (121)	$ (109)
Baseload capacity prices	(37)	(90)
Intermediate and peaking capacity prices	(17)	(58)
Full-requirement sales contracts (a)	(15)	70
Impact of non-core generation facilities sold in the first quarter of 2011	(12)	(48)
Higher nuclear fuel prices	(12)	(10)
Net economic availability of coal and hydroelectric units (b)	(10)	(72)
Higher coal prices	(2)	(40)
Nuclear generation volume (c)		(29)
Intermediate and peaking Spark Spreads	11	24
Retail electric	15	(7)
Ironwood Acquisition, which eliminated tolling expense (d)	41	
Monetization of certain deals that rebalanced the business and portfolio		(41)
Other	6	(1)
	$ (153)	$ (411)

(a) Higher margins in 2011 compared with 2010 were driven by the monetization of loss contracts in 2010 and lower customer migration to alternative suppliers in 2011.
(b) Volumes were lower in 2011 compared with 2010 as a result of unplanned outages and the sale of our interest in Safe Harbor Water Power Corporation.
(c) Volumes were flat in 2012 compared to 2011 due to an uprate in the third quarter of 2011 offset by higher plant outage costs in 2012. Volumes were lower in 2011 compared with 2010 primarily as a result of the dual-unit turbine blade replacement outages beginning in May 2011.
(d) See Note 10 to the Financial Statements for additional information.

Western U.S.

Non-trading margins were lower in 2012 compared with 2011 due to $34 million of lower wholesale volumes, including $31 million related to the bankruptcy of SMGT, $9 million of higher average fuel prices and $9 million of lower wholesale prices.

Non-trading margins were higher in 2011 compared with 2010 due to higher net wholesale prices of $58 million, partially offset by lower wholesale volumes of $45 million, primarily due to economic reductions in the coal unit output.

Energy-Related Businesses

The $10 million increase in contributions from energy-related businesses in 2012 compared with 2011 primarily relates to the mechanical services businesses, due to improved margins on construction and energy service projects in 2012 and a decrease in affiliate trademark expenses.

Other Operation and Maintenance

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

	2012 vs. 2011	2011 vs. 2010
Montana hydroelectric litigation (a)	$ 75	$ (121)
PPL Susquehanna nuclear plant costs (b)	27	30
Uncollectible accounts (c)	(5)	15
Costs at Western fossil and hydroelectric plants (d)	(1)	15
Costs at Eastern fossil and hydroelectric plants (e)	13	20
Impacts from emission allowances (f)		(15)
Ironwood Acquisition (g)	18	
Trademark royalties (h)	(34)	
Pension expense	11	1
Other	8	5
Total	$ 112	$ (50)

(a) In March 2010, the Montana Supreme Court substantially affirmed a June 2008 Montana District Court decision regarding lease payments for the use of certain Montana streambeds. As a result, in the first quarter of 2010, PPL Montana recorded a charge of $56 million, representing estimated rental compensation for the first quarter of 2010 and prior years, including interest. The portion of the total charge recorded to "Other operation and maintenance" on the Statement of Income totaled $49 million. In August 2010, PPL Montana filed a petition for a writ of certiorari with the U.S. Supreme Court requesting the Court's review of this matter. In June 2011, the U.S. Supreme Court granted PPL Montana's petition. In February 2012, the U.S. Supreme Court overturned the Montana Supreme Court decision and remanded the case to the Montana Supreme Court for further proceedings consistent with the U.S. Supreme Court's opinion. As a result, in 2011 PPL Montana reversed its total loss accrual of $89 million, which had been recorded prior to the U.S. Supreme Court decision, of which $75 million was credited to "Other operation and maintenance" on the Statement of Income.

(b) 2012 compared with 2011 was higher primarily due to $11 million of higher payroll-related costs, $7 million of higher project costs and $7 million of higher costs from the refueling outage. 2011 compared with 2010 was higher primarily due to $11 million of higher payroll-related costs, $10 million of higher outage costs and $8 million of higher costs from the refueling outage.

(c) 2011 compared with 2010 was higher primarily due to SMGT filing for protection under Chapter 11 of the U.S. Bankruptcy Code, $11 million of damages billed to SMGT were fully reserved.

(d) 2011 compared with 2010 was higher primarily due to $11 million of lower insurance proceeds.

(e) 2012 compared with 2011 was higher primarily due to net plant outage costs of $13 million. 2011 compared with 2010 was higher primarily due to plant outage costs of $13 million.

(f) 2011 compared with 2010 was lower due to lower impairment charges of sulfur dioxide emission allowances.

(g) There are no comparable amounts in the 2011 periods as the Ironwood Acquisition occurred in April 2012.

(h) In 2011 and 2010, PPL Energy Supply was charged trademark royalties by an affiliate. The agreement was terminated in December 2011.

Depreciation

Depreciation increased by $41 million in 2012 compared with 2011, primarily due to $16 million attributable to PP&E additions and $17 million attributable to the Ironwood Acquisition in April 2012. Depreciation increased by $8 million in 2011 compared with 2010, primarily due to PP&E additions.

Taxes, Other Than Income

Taxes, other than income decreased by $2 million in 2012 compared with 2011, primarily due to a $7 million decrease in state capital stock tax offset by a $4 million increase in state gross receipts tax.

Taxes, other than income increased by $25 million in 2011 compared with 2010, primarily due to $16 million of higher Pennsylvania gross receipts tax expense as a result of an increase in retail electricity sales by PPL EnergyPlus. This tax is included in "Unregulated Gross Energy Margins." The increase also includes $8 million of higher Pennsylvania capital stock tax due in part to the expiration of the Keystone Opportunity Zone credit in 2010 and an agreed to change in a capital stock tax filing position with the state.

Other Income (Expense) - net

See Note 17 to the Financial Statements for details.

Interest Income from Affiliates

Interest income from affiliates decreased by $6 million in 2012 compared with 2011, primarily due to lower average loan balances with PPL Energy Funding.

Interest Expense

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

	2012 vs. 2011	2011 vs. 2010
Long-term debt interest expense (a)	$ (11)	
Short-term debt interest expense (b)	(10)	$ 7
Ironwood Acquisition (Note 10)	12	
Capitalized interest		(16)
Net amortization of debt discounts, premiums and issuance costs (c)	(9)	(3)
Montana hydroelectric litigation (d)	10	(20)
Other	2	(2)
Total	$ (6)	$ (34)

(a) The decrease was primarily due to the redemption of $250 million of 7.0% Senior Notes due 2046 in July 2011 along with the repayment of $500 million of 6.4% Senior Notes due 2011 and subsequent issuance of $500 million of 4.6% Senior Notes due 2021, both in the fourth quarter of 2011.
(b) 2012 compared with 2011 was lower primarily due to lower interest rates on 2012 short-term borrowings coupled with lower fees on credit facilities. 2011 compared with 2010 was higher primarily due to increased borrowings in 2011 and an increase in commitment fees on credit facilities.
(c) The periods include the impact of accelerating the amortization of deferred financing fees of $7 million in 2011, due to the July 2011 redemption, as noted above, of its 7.00% Senior Notes due 2046. 2011 compared with 2010 was slightly offset by the impact of accelerating the amortization of deferred financing fees of $10 million in 2010, due to the September 2010 expiration and subsequent replacement of its $3.2 billion 5-year Syndicated Credit Facility.
(d) In March 2010, the Montana Supreme Court substantially affirmed a June 2008 Montana District Court decision regarding lease payments for the use of certain Montana streambeds. In August 2010, PPL Montana filed a petition for a writ of certiorari with the U.S. Supreme Court requesting the Court's review of this matter. In 2011 and 2010, PPL Montana recorded $4 million and $10 million of interest expense on the rental compensation covered by the court decision. In February 2012, the U.S. Supreme Court overturned the Montana Supreme Court decision and remanded the case to the Montana Supreme Court for further proceedings consistent with the U.S. Supreme Court's opinion. As a result, in the fourth quarter of 2011 PPL Montana reversed its total loss accrual of $89 million, which had been recorded prior to the U.S. Supreme Court decision, of which $14 million was credited to "Interest Expense" on the Statement of Income.

Income Taxes

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

	2012 vs. 2011	2011 vs. 2010
Higher (lower) pre-tax book income	$ (191)	$ 134
State valuation allowance adjustments (a)	(20)	74
State deferred tax rate change (b)	7	(26)
Domestic manufacturing deduction (c) (d)		11
Federal and state tax reserve adjustments	(4)	13
Federal and state tax return adjustments (d)	26	(16)
Health Care Reform (e)		(5)
Other		(1)
	$ (182)	$ 184

(a) During 2011, the Pennsylvania Department of Revenue issued interpretive guidance on the treatment of bonus depreciation for Pennsylvania income tax purposes. The guidance allows 100% bonus for qualifying assets in the same year bonus depreciation is allowed for federal income tax purposes. Due to the decrease in projected taxable income related to bonus depreciation and a decrease in projected future taxable income, PPL Energy Supply recorded $22 million in state deferred income tax expense related to deferred tax valuation allowances during 2011.

Pennsylvania H.B. 1531, enacted in October 2009, increased the net operating loss limitation to 20% of taxable income for tax years beginning in 2010. Based on the projected revenue increase related to the expiration of the generation rate caps, PPL Energy Supply recorded a $52 million state deferred income tax benefit related to the reversal of deferred tax valuation allowances over the remaining carryforward period of the net operating losses during 2010.
(b) Changes in state apportionment resulted in reductions to the future estimated state tax rate at December 31, 2012 and 2011. PPL Energy Supply recorded a $19 million deferred tax benefit in 2012 and a $26 million deferred tax benefit in 2011 related to its state deferred tax liabilities.
(c) In December 2010, Congress enacted legislation allowing for 100% bonus depreciation on qualified property. The increased tax depreciation deduction eliminated the tax benefits related to domestic manufacturing deductions in 2012 and 2011.
(d) During 2011, PPL recorded $22 million in federal and state tax benefits related to the filing of the 2010 federal and state income tax returns. Of that amount, $7 million in tax benefits related to an additional domestic manufacturing deduction resulting from revised bonus depreciation amounts.
(e) Beginning in 2013, provisions within Health Care Reform eliminated the tax deductibility of retiree health care costs to the extent of federal subsidies received by plan sponsors that provide retiree prescription drug benefits equivalent to Medicare Part D Coverage. As a result, PPL Energy Supply recorded deferred income tax expense during 2010.

See Note 5 to the Financial Statements for additional information on income taxes.

Discontinued Operations

Income (Loss) from Discontinued Operations (net of income taxes) decreased by $240 million in 2011 compared with 2010. The decrease in 2011 compared with 2010 was primarily due to the presentation of PPL Global as Discontinued Operations as a result of the January 2011 distribution by PPL Energy Supply of its membership interest in PPL Global to its parent, PPL Energy Funding. In 2011, the results of PPL Global are no longer consolidated within PPL Energy Supply. See Note 9 to the Financial Statements for additional information.

Financial Condition

Liquidity and Capital Resources

PPL Energy Supply expects to continue to have adequate liquidity available through operating cash flows, cash and cash equivalents, credit facilities and commercial paper issuances. In 2013, PPL Energy Supply anticipates receiving capital contributions from its member, as well.

PPL Energy Supply's cash flows from operations and access to cost-effective bank and capital markets are subject to risks and uncertainties including, but not limited to:

- changes in electricity, fuel and other commodity prices;
- operational and credit risks associated with selling and marketing products in the wholesale power markets;
- potential ineffectiveness of the trading, marketing and risk management policy and programs used to mitigate PPL Energy Supply's risk exposure to adverse changes in electricity and fuel prices, interest rates and counterparty credit;
- reliance on transmission and distribution facilities that PPL Energy Supply does not own or control to deliver its electricity and natural gas;
- unavailability of generating units (due to unscheduled or longer-than-anticipated generation outages, weather and natural disasters) and the resulting loss of revenues and additional costs of replacement electricity;
- costs of compliance with existing and new environmental laws and with new security and safety requirements for nuclear facilities;
- any adverse outcome of legal proceedings and investigations with respect to PPL Energy Supply's current and past business activities;
- deterioration in the financial markets that could make obtaining new sources of bank and capital markets funding more difficult and more costly; and
- a downgrade in PPL Energy Supply's or its rated subsidiaries' credit ratings that could adversely affect their ability to access capital and increase the cost of credit facilities and any new debt.

See "Item 1A. Risk Factors" for further discussion of risks and uncertainties that could affect PPL Energy Supply's cash flows.

At December 31, PPL Energy Supply had the following:

	2012	2011	2010
Cash and cash equivalents	$ 413	$ 379	$ 661
Short-term debt	$ 356	$ 400	$ 531

The changes in PPL Energy Supply's cash and cash equivalents position resulted from:

	2012	2011	2010
Net cash provided by (used in) operating activities	$ 784	$ 776	$ 1,840
Net cash provided by (used in) investing activities	(469)	(668)	(825)
Net cash provided by (used in) financing activities	(281)	(390)	(612)
Effect of exchange rates on cash and cash equivalents			13
Net Increase (Decrease) in Cash and Cash Equivalents	$ 34	$ (282)	$ 416

Operating Activities

Net cash provided by operating activities increased by 1%, or $8 million, in 2012 compared with 2011. This was primarily due to a $92 million decrease in net cash used in other operating activities (includes a $77 million reduction in defined benefit plan funding) and a $23 million decrease in net cash used in working capital (including a change of $156 million from counterparty collateral, offset by a $92 million change in accounts receivable). These impacts were offset by a $107 million decrease in net income, when adjusted for non-cash components.

Net cash provided by operating activities decreased by 58%, or $1.1 billion, in 2011 compared with 2010. This was primarily due to lower gross energy margins of $240 million, after-tax, proceeds from monetizing certain full-requirements sales contracts in 2010 of $249 million, a reduction in cash from counter party collateral of $172 million, increases in other operating outflows of $200 million (including higher operation and maintenance expenses and defined benefits funding of $123 million) and the loss of operating cash from PPL Global ($203 million for 2010). In January 2011, PPL Energy Supply distributed its membership interest in PPL Global to its parent, PPL Energy Funding. See Note 9 to the Financial Statements for additional information on the distribution.

A significant portion of PPL Energy Supply's operating cash flows is derived from its baseload generation business activities. PPL Energy Supply employs a formal hedging program for its competitive baseload generation fleet, the primary objective of which is to provide a reasonable level of near-term cash flow and earnings certainty while preserving upside potential of power price increases over the medium term. See Note 19 to the Financial Statements for further discussion. Despite PPL Energy Supply's hedging practices, future cash flows from operating activities are influenced by commodity prices and therefore, will fluctuate from period to period.

PPL Energy Supply's contracts for the sale and purchase of electricity and fuel often require cash collateral or other credit enhancements, or reductions or terminations of a portion of the entire contract through cash settlement, in the event of a downgrade of PPL Energy Supply's or its subsidiary's credit ratings or adverse changes in market prices. For example, in addition to limiting its trading ability, if PPL Energy Supply's or its subsidiary's ratings were lowered to below "investment grade" and there was a 10% adverse movement in energy prices, PPL Energy Supply estimates that, based on its December 31, 2012 positions, it would have had to post additional collateral of approximately $368 million with respect to electricity and fuel contracts. PPL Energy Supply has in place risk management programs that are designed to monitor and manage its exposure to volatility of cash flows related to changes in energy and fuel prices, interest rates, foreign currency exchange rates, counterparty credit quality and the operating performance of its generating units.

Investing Activities

The primary use of cash in investing activities is capital expenditures. See "Forecasted Uses of Cash" for detail regarding projected capital expenditures for the years 2013 through 2017.

Net cash used in investing activities decreased $199 million in 2012 compared with 2011, primarily as a result of a $396 million change in notes receivable from affiliates and a $232 million change in restricted cash and cash equivalents, partially offset by $381 million less in asset sale proceeds (2011 sale of non-core generation facilities) and $84 million used to fund the 2012 Ironwood Acquisition (see Note 10 to the Financial Statements for additional information on this acquisition).

Net cash used in investing activities decreased $157 million in 2011 compared with 2010, primarily as a result of a decrease of $348 million in capital expenditures and a $219 million increase in the proceeds received from the sale of businesses, which are discussed in Note 9 to the Financial Statements. The decrease in cash used in investing activities from the above items was partially offset by an increase of $198 million related to notes receivable from affiliates and $212 million from changes in restricted cash and cash equivalents.

In January 2011, PPL Energy Supply distributed its 100% membership interest in PPL Global to its parent, PPL Energy Funding. See Note 9 to the Financial Statements for additional information. Excluding PPL Global, PPL Energy Supply's net cash used in investing activities was $544 million for 2010.

Financing Activities

Net cash used in financing activities was $281 million in 2012 compared with $390 million in 2011 and $612 million in 2010. The decrease from 2011 to 2012 primarily reflects the 2011 distribution of cash included in the net assets of PPL Global to PPL Energy Funding and a decrease in net retirement of long-term debt, partially offset by higher net distributions to Member. The decrease from 2010 to 2011 primarily reflects lower net distributions to Member, partially offset by lower net issuances of long-term debt and the distribution of cash included in the net assets of PPL Global to PPL Energy Funding.

In 2012, cash used in financing activities primarily consisted of $787 million in distributions to Member and a $44 million net decrease in short-term debt, partially offset by $563 million in contributions from Member.

In 2011, cash used in financing activities primarily consisted of a $325 million distribution of cash included in the net assets of PPL Global to PPL Energy Funding, $316 million in distributions to Member, and net debt retirements of $200 million, partially offset by $461 million in contributions from Member.

In 2010, cash used in financing activities primarily consisted of $4.7 billion in distributions to Member, partially offset by $3.6 billion in contributions from Member and net debt issuances of $509 million. The distributions to and contributions from Member during 2010 primarily relate to the funds received by PPL in June 2010 from the issuance of common stock and 2010 Equity Units. These funds were invested by a subsidiary of PPL Energy Supply until they were returned to its Member in October 2010 to be available to partially fund PPL's acquisition of LKE and pay certain acquisition-related fees and expenses.

See "Forecasted Sources of Cash" for a discussion of PPL Energy Supply's plans to issue debt securities, as well as a discussion of credit facility capacity available to PPL Energy Supply. Also see "Forecasted Uses of Cash" for information regarding maturities of PPL Energy Supply's long-term debt.

Forecasted Sources of Cash

PPL Energy Supply expects to continue to have sufficient sources of liquidity available in the near term, including cash flows from operations, various credit facilities, commercial paper issuances, operating leases and contributions from member.

Credit Facilities

At December 31, 2012, PPL Energy Supply's total committed borrowing capacity under credit facilities and the use of this borrowing capacity were:

	Committed Capacity	Borrowed	Letters of Credit Issued and Commercial Paper Backup	Unused Capacity
Syndicated Credit Facility (a)	$ 3,000		$ 499	$ 2,501
Letter of Credit Facility	200	n/a	132	68
Total PPL Energy Supply Credit Facilities (b)	$ 3,200		$ 631	$ 2,569

(a) This facility contains a financial covenant requiring PPL Energy Supply's debt to total capitalization not to exceed 65%, as calculated in accordance with the facility, and other customary covenants.
(b) The commitments under PPL Energy Supply's credit facilities are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than 11% of the total committed capacity.

In addition to the financial covenants noted above, the credit agreements governing the above credit facilities contain various other covenants. Failure to comply with the covenants after applicable grace periods could result in acceleration of repayment of borrowings and/or termination of the agreements. PPL Energy Supply monitors compliance with the covenants on a regular basis. At December 31, 2012, PPL Energy Supply was in compliance with these covenants. At this time, PPL Energy Supply believes that these covenants and other borrowing conditions will not limit access to these funding sources.

See Note 7 to the Financial Statements for further discussion of PPL Energy Supply's credit facilities.

Commercial Paper

PPL Energy Supply maintains a $750 million commercial paper program to provide an additional financing source to fund its short-term liquidity needs, if and when necessary. Commercial paper issuances are supported by PPL Energy Supply's Syndicated Credit Facility. At December 31, 2012, PPL Energy Supply had $356 million of commercial paper outstanding at a weighted-average interest rate of approximately 0.50%.

Operating Leases

PPL Energy Supply and its subsidiaries also have available funding sources that are provided through operating leases. PPL Energy Supply's subsidiaries lease office space, land, buildings and certain equipment. These leasing structures provide PPL Energy Supply additional operating and financing flexibility. The operating leases contain covenants that are typical for these agreements, such as maintaining insurance, maintaining corporate existence and timely payment of rent and other fees.

PPL Energy Supply, through its subsidiary PPL Montana, leases a 50% interest in Colstrip Units 1 and 2 and a 30% interest in Unit 3, under four 36-year, non-cancelable operating leases. These operating leases are not recorded on PPL Energy Supply's Balance Sheets. The leases place certain restrictions on PPL Montana's ability to incur additional debt, sell assets and declare dividends.

See Note 11 to the Financial Statements for further discussion of the operating leases.

Contributions from Member

From time to time, PPL Energy Supply's Member, PPL Energy Funding, makes capital contributions to PPL Energy Supply. PPL Energy Supply uses these contributions to fund capital expenditures and for other general corporate purposes.

Forecasted Uses of Cash

In addition to expenditures required for normal operating activities, such as purchased power, payroll, fuel and taxes, PPL Energy Supply currently expects to incur future cash outflows for capital expenditures, various contractual obligations, distributions to its Member and possibly the purchase or redemption of a portion of its debt securities.

Capital Expenditures

The table below shows PPL Energy Supply's current capital expenditure projections for the years 2013 through 2017.

	Projected				
	2013	**2014**	**2015**	**2016**	**2017**
Construction expenditures (a) (b)					
Generating facilities	$ 387	$ 248	$ 247	$ 241	$ 292
Environmental	94	89	22	20	21
Other	26	34	15	15	15
Total Construction Expenditures	507	371	284	276	328
Nuclear fuel	152	145	153	158	162
Total Capital Expenditures	$ 659	$ 516	$ 437	$ 434	$ 490

(a) Construction expenditures include capitalized interest, which is expected to total approximately $82 million for the years 2013 through 2017.
(b) Includes expenditures for certain intangible assets.

PPL Energy Supply's capital expenditure projections for the years 2013 through 2017 total approximately $2.5 billion. Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions. This table includes projected costs related to the planned 153 MW of incremental capacity increases. See Note 8 to the Financial Statements for information regarding the significant development projects.

PPL Energy Supply plans to fund its capital expenditures in 2013 with cash from operations and equity contributions from PPL Energy Funding.

Contractual Obligations

PPL Energy Supply has assumed various financial obligations and commitments in the ordinary course of conducting its business. At December 31, 2012, the estimated contractual cash obligations of PPL Energy Supply were:

	Total	2013	2014 - 2015	2016 - 2017	After 2017
Long-term Debt (a)	$ 3,249	$ 751	$ 635	$ 386	$ 1,477
Interest on Long-term Debt (b)	1,169	196	265	167	541
Operating Leases (c)	362	76	143	39	104
Purchase Obligations (d)	3,047	863	878	696	610
Other Long-term Liabilities Reflected on the Balance Sheet under GAAP (e) (f)	105	105			
Total Contractual Cash Obligations	$ 7,932	$ 1,991	$ 1,921	$ 1,288	$ 2,732

(a) Reflects principal maturities only based on stated maturity dates, except for the 5.70% REset Put Securities (REPS). See Note 7 to the Financial Statements for a discussion of the remarketing feature related to the REPS, as well as discussion of variable-rate remarketable bonds. PPL Energy Supply does not have any significant capital lease obligations.
(b) Assumes interest payments through stated maturity, except for the REPS, for which interest is reflected to the put date. The payments herein are subject to change, as payments for debt that is or becomes variable-rate debt have been estimated.
(c) See Note 11 to the Financial Statements for additional information.
(d) The amounts include agreements to purchase goods or services that are enforceable and legally binding and specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Primarily includes PPL Energy Supply's purchase obligations of electricity, coal, nuclear fuel and limestone as well as certain construction expenditures, which are also included in the Capital Expenditures table presented above. Financial swaps and open purchase orders that are provided on demand with no firm commitment are excluded from the amounts presented.
(e) The amounts represent contributions made or committed to be made for 2013 for PPL's U.S. pension plans. See Note 13 to the Financial Statements for a discussion of expected contributions.
(f) At December 31, 2012, total unrecognized tax benefits of $30 million were excluded from this table as PPL Energy Supply cannot reasonably estimate the amount and period of future payments. See Note 5 to the Financial Statements for additional information.

Distributions to Member

From time to time, as determined by its Board of Managers, PPL Energy Supply makes distributions to its member.

Purchase or Redemption of Debt Securities

PPL Energy Supply will continue to evaluate its outstanding debt securities and may decide to purchase or redeem these securities depending upon prevailing market conditions and available cash.

Rating Agency Actions

Moody's, S&P and Fitch periodically review the credit ratings on the debt securities of PPL Energy Supply and its 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 PPL Energy Supply and its subsidiaries are based on information provided by PPL Energy Supply and other sources. The ratings of Moody's, S&P and Fitch are not a recommendation to buy, sell or hold any securities of PPL Energy Supply or its 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 PPL Energy Supply and its subsidiaries affect its liquidity, access to capital markets and cost of borrowing under its credit facilities.

The following table sets forth PPL Energy Supply's and its subsidiaries' security credit ratings as of December 31, 2012.

	Senior Unsecured			Senior Secured			Commercial Paper		
Issuer	Moody's	S&P	Fitch	Moody's	S&P	Fitch	Moody's	S&P	Fitch
PPL Energy Supply	Baa2	BBB	BBB				P-2	A-2	F-2
PPL Ironwood				B2	B				

A downgrade in PPL Energy Supply's or its subsidiaries' credit ratings could result in higher borrowing costs and reduced access to capital markets. PPL Energy Supply and its subsidiaries have no credit rating triggers that would result in the reduction of access to capital markets or the acceleration of maturity dates of outstanding debt.

In addition to the credit ratings noted above, the rating agencies took the following actions related to PPL Energy Supply and its subsidiaries in 2012.

In January 2012, S&P affirmed its rating and revised its outlook, from positive to stable, for PPL Montana's Pass Through Certificates due 2020.

Following the announcement of the then-pending acquisition of AES Ironwood, L.L.C. in February 2012, the rating agencies took the following actions:

- In March 2012, Moody's placed AES Ironwood, L.L.C.'s senior secured bonds under review for possible ratings upgrade.

- In April 2012, S&P affirmed the rating of AES Ironwood, L.L.C.'s senior secured bonds.

In May 2012, Fitch downgraded its rating, from BBB to BBB- and revised its outlook, from negative to stable, for PPL Montana's Pass Through Certificates due 2020.

In November 2012, S&P revised its outlook, from stable to negative, for PPL Montana's Pass Through Certificates due 2020.

In December 2012, Fitch affirmed the issuer default rating, individual security rating and revised the outlook, from stable to negative, for PPL Energy Supply.

In February 2013, Moody's upgraded its rating, from Ba1 to B2, and revised the outlook from under review to stable for PPL Ironwood.

Ratings Triggers

PPL Energy Supply has various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity and fuel, commodity transportation and storage, tolling agreements and interest rate instruments, which contain provisions that require PPL Energy Supply to post additional collateral, or permit the counterparty to terminate the contract, if PPL Energy Supply's credit rating were to fall below investment grade. See Note 19 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral that would have been required for derivative contracts in a net liability position at December 31, 2012. At December 31, 2012, if PPL Energy Supply's credit rating had been below investment grade, PPL Energy Supply would have been required to prepay or post an additional $385 million of collateral to counterparties for both derivative and non-derivative commodity and commodity-related contracts used in its generation, marketing and trading operations and interest rate contracts.

Guarantees for Subsidiaries

PPL Energy Supply guarantees certain consolidated affiliate financing arrangements that enable certain transactions. Some of the guarantees contain financial and other covenants that, if not met, would limit or restrict the consolidated affiliates' access to funds under these financing arrangements, require early maturity of such arrangements or limit the consolidated affiliates' ability to enter into certain transactions. At this time, PPL Energy Supply believes that these covenants will not limit access to relevant funding sources. See Note 15 to the Financial Statements for additional information about guarantees.

Off-Balance Sheet Arrangements

PPL Energy Supply has entered into certain agreements that may contingently require payment to a guaranteed or indemnified party. See Note 15 to the Financial Statements for a discussion of these agreements.

Risk Management - Energy Marketing & Trading and Other

Market Risk

See Notes 1, 18, and 19 to the Financial Statements for information about PPL Energy Supply's 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 disclosures are not precise indicators of expected future losses, but only indicators of possible losses under normal market conditions at a given confidence level.

Commodity Price Risk (Non-trading)

PPL Energy Supply segregates its non-trading activities into two categories: hedge activity and economic activity. Transactions that are accounted for as hedge activity qualify for hedge accounting treatment. The economic activity category includes transactions that address a specific risk, but were not eligible for hedge accounting or for which hedge accounting was not elected. This activity includes the changes in fair value of positions used to hedge a portion of the economic value of PPL Energy Supply's competitive generation assets and full-requirement sales and retail contracts. This economic activity is subject to changes in fair value due to market price volatility of the input and output commodities (e.g., fuel and power). Although they do not receive hedge accounting treatment, these transactions are considered non-trading activity. The net fair value of economic positions at December 31, 2012 and 2011 was a net asset/(liability) of $346 million and $(63) million. See Note 19 to the Financial Statements for additional information.

To hedge the impact of market price volatility on PPL Energy Supply's energy-related assets, liabilities and other contractual arrangements, PPL Energy Supply both sells and purchases physical energy at the wholesale level under FERC market-based tariffs throughout the U.S. and enters into financial exchange-traded and over-the-counter contracts. PPL Energy Supply's non-trading commodity derivative contracts range in maturity through 2019.

The following table sets forth the changes in the net fair value of non-trading commodity derivative contracts at December 31, 2012. See Notes 18 and 19 to the Financial Statements for additional information.

	Gains (Losses)	
	2012	**2011**
Fair value of contracts outstanding at the beginning of the period	$ 1,082	$ 958
Contracts realized or otherwise settled during the period	(1,005)	(523)
Fair value of new contracts entered into during the period (a)	7	13
Other changes in fair value	389	634
Fair value of contracts outstanding at the end of the period	$ 473	$ 1,082

(a) Represents the fair value of contracts at the end of the quarter of their inception.

The following table segregates the net fair value of non-trading commodity derivative contracts at December 31, 2012, based on the level of observability of the information used to determine the fair value.

	Net Asset (Liability)				
Source of Fair Value	**Maturity Less Than 1 Year**	**Maturity 1-3 Years**	**Maturity 4-5 Years**	**Maturity in Excess of 5 Years**	**Total Fair Value**
Prices based on significant observable inputs (Level 2)	$ 452	$ 15	$ (20)	$ 5	$ 452
Prices based on significant unobservable inputs (Level 3)	8	10	3		21
Fair value of contracts outstanding at the end of the period	$ 460	$ 25	$ (17)	$ 5	$ 473

PPL Energy Supply sells electricity, capacity and related services and buys fuel on a forward basis to hedge the value of energy from its generation assets. If PPL Energy Supply were unable to deliver firm capacity and energy or to accept the delivery of fuel under its agreements, under certain circumstances it could be required to pay liquidating damages. These damages would be based on the difference between the market price and the contract price of the commodity. Depending on price changes in the wholesale energy markets, such damages could be significant. Extreme weather conditions, unplanned power plant outages, transmission disruptions, nonperformance by counterparties (or their counterparties) with which it has energy contracts and other factors could affect PPL Energy Supply's ability to meet its obligations, or cause significant increases in the market price of replacement energy. Although PPL Energy Supply attempts to mitigate these risks, there can be no assurance that it will be able to fully meet its firm obligations, that it will not be required to pay damages for failure to perform, or that it will not experience counterparty nonperformance in the future. In connection with its bankruptcy proceedings, a significant counterparty, SMGT, had been purchasing lower volumes of electricity than prescribed in the contract and effective April 1, 2012 the contract was terminated. PPL Energy Supply cannot predict the prices or other terms on which it will be able to market to third parties the power that SMGT will not purchase from PPL EnergyPlus due to the termination of this contract. See Note 15 to the Financial Statements for additional information.

Commodity Price Risk (Trading)

PPL Energy Supply's trading commodity derivative contracts range in maturity through 2017. The following table sets forth changes in the net fair value of trading commodity derivative contracts at December 31, 2012 . See Notes 18 and 19 to the Financial Statements for additional information.

	Gains (Losses) 2012	Gains (Losses) 2011
Fair value of contracts outstanding at the beginning of the period	$ (4)	$ 4
Contracts realized or otherwise settled during the period	20	(14)
Fair value of new contracts entered into during the period (a)	17	10
Other changes in fair value	(4)	(4)
Fair value of contracts outstanding at the end of the period	$ 29	$ (4)

(a) Represents the fair value of contracts at the end of the quarter of their inception.

The following table segregates the net fair value of trading commodity derivative contracts at December 31, 2012, based on the level of observability of the information used to determine the fair value.

	Net Asset (Liability)				
Source of Fair Value	Maturity Less Than 1 Year	Maturity 1-3 Years	Maturity 4-5 Years	Maturity in Excess of 5 Years	Total Fair Value
Prices based on significant observable inputs (Level 2)	$ 18	$ 10			$ 28
Prices based on significant unobservable inputs (Level 3)	1				1
Fair value of contracts outstanding at the end of the period	$ 19	$ 10			$ 29

VaR Models

A VaR model is utilized to measure commodity price risk in domestic gross energy margins for its non-trading and trading portfolios. VaR is 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. VaR is calculated using a Monte Carlo simulation technique based on a five-day holding period at a 95% confidence level. Given the company's disciplined hedging program, the non-trading VaR exposure is expected to be limited in the short-term. The VaR for portfolios using end-of-month results for the period was as follows.

	Trading VaR 2012	Trading VaR 2011	Non-Trading VaR 2012	Non-Trading VaR 2011
95% Confidence Level, Five-Day Holding Period				
Period End	$ 2	$ 1	$ 12	$ 6
Average for the Period	3	3	10	5
High	8	6	12	7
Low	1	1	7	4

The trading portfolio includes all proprietary trading positions, regardless of the delivery period. All positions not considered proprietary trading are considered non-trading. The non-trading portfolio includes the entire portfolio, including generation, with delivery periods through the next 12 months. Both the trading and non-trading VaR computations exclude FTRs due to the absence of reliable spot and forward markets. The fair value of the non-trading and trading FTR positions was insignificant at December 31, 2012.

Interest Rate Risk

PPL Energy Supply and its subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. PPL and PPL Energy Supply utilize various financial derivative instruments to adjust the mix of fixed and floating interest rates in PPL Energy Supply's debt portfolio, adjust the duration of its debt portfolio 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 PPL Energy Supply's debt portfolio due to changes in the absolute level of interest rates.

At December 31, 2012 and 2011, PPL Energy Supply's potential annual exposure to increased interest expense, based on a 10% increase in interest rates, was not significant.

PPL Energy Supply is also exposed to changes in the fair value of its debt portfolio. PPL Energy Supply estimated that a 10% decrease in interest rates at December 31, 2012 would increase the fair value of its debt portfolio by $52 million, compared with $53 million at December 31, 2011.

NDT Funds - Securities Price Risk

In connection with certain NRC requirements, PPL Susquehanna maintains trust funds to fund certain costs of decommissioning the PPL Susquehanna nuclear plant (Susquehanna). At December 31, 2012, these funds were invested primarily in domestic equity securities and fixed-rate, fixed-income securities and are reflected at fair value on PPL Energy Supply's Balance Sheet. The mix of securities is designed to provide returns sufficient to fund Susquehanna's decommissioning and to compensate for inflationary increases in decommissioning costs. However, the equity securities included in the trusts are exposed to price fluctuation in equity markets, and the values of fixed-rate, fixed-income securities are primarily exposed to changes in interest rates. PPL actively monitors the investment performance and periodically reviews asset allocation in accordance with its nuclear decommissioning trust policy statement. At December 31, 2012, a hypothetical 10% increase in interest rates and a 10% decrease in equity prices would have resulted in an estimated $49 million reduction in the fair value of the trust assets, compared with $43 million at December 31, 2011. See Notes 18 and 23 to the Financial Statements for additional information regarding the NDT funds.

Defined Benefit Plans - Securities Price Risk

See "Application of Critical Accounting Policies - Defined Benefits" for additional information regarding the effect of securities price risk on plan assets.

Credit Risk

Credit risk is the risk that PPL Energy Supply would incur a loss as a result of nonperformance by counterparties of their contractual obligations. PPL Energy Supply maintains credit policies and procedures with respect to counterparty credit (including requirements that counterparties maintain specified credit ratings) and requires other assurances in the form of credit support or collateral in certain circumstances in order to limit counterparty credit risk. However, PPL Energy Supply has concentrations of suppliers and customers among electric utilities, financial institutions and other energy marketing and trading companies. These concentrations may impact PPL Energy Supply's overall exposure to credit risk, positively or negatively, as counterparties may be similarly affected by changes in economic, regulatory or other conditions.

PPL Energy Supply includes the effect of credit risk on its fair value measurements to reflect the probability that a counterparty will default when contracts are out of the money (from the counterparty's standpoint). In this case, PPL Energy Supply would have to sell into a lower-priced market or purchase from a higher-priced market. When necessary, PPL Energy Supply records an allowance for doubtful accounts to reflect the probability that a counterparty will not pay for deliveries PPL Energy Supply has made but not yet billed, which are reflected in "Unbilled revenues" on the Balance Sheets. PPL Energy Supply also has established a reserve with respect to certain receivables from SMGT, which is reflected in accounts receivable on the Balance Sheets. See Note 15 to the Financial Statements for additional information.

See "Overview" in this Item 7 and Notes 16, 18 and 19 to the Financial Statements for additional information on credit concentration and credit risk.

Related Party Transactions

PPL Energy Supply is not aware of any material ownership interests or operating responsibility by senior management of PPL Energy Supply in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with PPL Energy Supply. See Note 16 to the Financial Statements for additional information on related party transactions.

Acquisitions, Development and Divestitures

PPL Energy Supply from time to time evaluates 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 the projects, sell, cancel or expand them, execute tolling agreements or pursue other options.

Incremental capacity increases of 153 MW are currently planned, primarily at existing PPL Energy Supply generating facilities. See "Item 2. Properties - Supply Segment" for additional information.

See Notes 8 and 9 to the Financial Statements for additional information on the more significant activities, including the 2012 Ironwood Acquisition.

Environmental Matters

Extensive federal, state and local environmental laws and regulations are applicable to PPL Energy Supply's air emissions, water discharges and the management of hazardous and solid waste, among other areas; and the cost of compliance or alleged non-compliance cannot be predicted with certainty but could be material. In addition, costs may increase significantly if the requirements or scope of environmental laws or regulations, or similar rules, are expanded or changed by the relevant agencies. 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 of their products or their demand for PPL Energy Supply's services.

Physical effects associated with climate change could include the impact of changes in weather patterns, such as storm frequency and intensity, and the resultant potential damage to PPL Energy Supply's generation assets as well as impacts on customers. In addition, changed weather patterns could potentially reduce annual rainfall in areas where PPL Energy Supply has hydro generating facilities or where river water is used to cool its fossil and nuclear powered generators. PPL Energy Supply cannot currently predict whether its businesses will experience these potential climate change-related risks or estimate the potential cost of their related consequences.

The below provides a discussion of the more significant environmental matters.

Coal Combustion Residuals (CCRs)
In June 2010, the EPA proposed two approaches to regulating CCRs (as either hazardous or non-hazardous) under existing solid waste regulations. A final rulemaking is currently expected before the end of 2015. However, the timing of the final regulations could be accelerated by certain litigation that could require the EPA to issue its regulations sooner. Regulations could impact handling, disposal and/or beneficial use of CCRs. The economic impact could be material if CCRs are regulated as hazardous waste, and significant if regulated as non-hazardous, in accordance with the proposed rule.

Effluent Limitation Guidelines
The EPA is to issue guidelines for technology-based limits in discharge permits for scrubber wastewater and is expected to require dry ash handling. The EPA agreed, in recent settlement negotiations with environmentalists, to propose revisions to its effluent limitation guidelines (ELGs) by April 2013, with a final rule in late 2014. Limits could be so stringent that plants may consider extensive new or modified wastewater treatment facilities and possibly zero liquid discharge operations, the cost of which could be significant. Impacts should be better understood after the proposed rule is issued.

316(b) Cooling Water Intake Structures Rule
In April 2011, the EPA published a draft regulation under Section 316(b) of the Clean Water Act, which regulates cooling water intakes for power plants. The draft rule has two provisions: one requires installation of Best Technology Available (BTA) to reduce mortality of aquatic organisms that are pulled into the plants cooling water system (entrainment), and the second imposes standards for reduction of mortality of aquatic organisms trapped on water intake screens (impingement). A final rule is expected in June 2013. The proposed regulation would apply to nearly all PPL Energy Supply-owned steam electric plants in Pennsylvania and Montana, potentially even including those equipped with closed-cycle cooling systems. PPL Energy Supply's compliance costs could be significant, especially if the final rule requires closed-cycle systems at plants that do not currently have them or conversions of once-through systems to closed-cycle.

GHG Regulations
In 2013, the EPA is expected to finalize limits on GHG emissions from new power plants and to begin working on a proposal for such emissions from existing power plants. The EPA's proposal on GHG emissions from new power plants would effectively preclude construction on any coal-fired plants and could even be difficult for new gas-fired plants to meet. With respect to existing power plants, the impact could be very significant, depending on the structure and stringency of the final rule. PPL Energy Supply, along with others in the industry, filed comments on the EPA's proposal related to GHG emissions from new plants. With respect to GHG limits for existing plants, PPL Energy Supply will advocate for reasonable, flexible requirements.

MATS
The EPA finalized MATS requiring fossil-fuel fired plants to reduce emissions of mercury and other hazardous air pollutants by April 16, 2015. The rule is being challenged by industry groups and states. The EPA has subsequently proposed changes to the rule with respect to new sources to address the concern that the rule effectively precludes new coal plants. PPL Energy Supply is generally well-positioned to comply with MATS due to its recent investment in, and installation of, environmental controls such as wet flue gas desulfurization systems. PPL Energy Supply is evaluating chemical additive systems for mercury control at Brunner Island, and modifications to existing controls at Colstrip for improved particulate matter reductions. In September 2012, PPL Energy Supply announced its intention to place its Corette plant in long-term reserve status beginning in April 2015 due to expected market conditions and costs to comply with MATS.

CSAPR and CAIR
In 2011, the EPA finalized its CSAPR regulating emissions of nitrous oxide and sulfur dioxide through new allowance trading programs which were to be implemented in two phases (2012 and 2014). Like its predecessor, the CAIR, CSAPR targeted sources in the eastern United States. In December 2011, the Court of Appeals for the D.C. Circuit (the Court) stayed implementation of CSAPR, leaving CAIR in place. Subsequently, in August 2012, the Court vacated and remanded CSAPR back to the EPA for further rulemaking, again leaving CAIR in place, pending further EPA action. PPL Energy Supply plants in Pennsylvania will continue to comply with CAIR through optimization of existing controls, balanced with emission allowance purchases. The Court's August decision leaves plants in CSAPR-affected states potentially exposed to more stringent emission reductions due to regional haze implementation (it was previously determined that CSAPR or CAIR participation satisfies regional haze requirements), and/or petitions to the EPA by downwind states under Section 126 of the Clean Air Act requesting the EPA to require plants that allegedly contribute to downwind non-attainment to take action to reduce emissions.

Regional Haze - Montana
The EPA signed its final Federal Implementation Plan (FIP) of the Regional Haze Rules for Montana in September 2012, with tighter emissions limits for Colstrip Units 1 & 2 based on the installation of new controls (no limits or additional controls were specified for Colstrip Units 3 & 4), and tighter emission limits for Corette (which are not based on additional controls). The cost of the potential additional controls for Colstrip Units 1 & 2, if required, could be significant. PPL Energy Supply expects to meet the tighter permit limits at Corette without any significant changes to operations, although other requirements have led to the planned suspension of operations at Corette beginning in April 2015 (see "MATS" discussion above).

See "Item 1. Business - Environmental Matters" and Note 15 to the Financial Statements for additional information on environmental matters.

Competition

See "Item 1. Business - Segment Information - Supply Segment - Competition" and "Item 1A. Risk Factors" for a discussion of competitive factors affecting PPL Energy Supply.

New Accounting Guidance

See Notes 1 and 24 to the Financial Statements for a discussion of new accounting guidance adopted and pending adoption.

Application of Critical Accounting Policies

Financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following accounting policies are particularly important to the financial condition or results of operations, and require estimates or other judgments of matters inherently uncertain. Changes in the estimates or other judgments included within these accounting policies could result in a significant change to the information presented in the Financial Statements (these accounting policies are also discussed in Note 1 to the Financial Statements). Senior management has reviewed these critical accounting policies, the following disclosures regarding their application and the estimates and assumptions regarding them, with PPL's Audit Committee.

Price Risk Management

See "Price Risk Management" in Note 1 to the Financial Statements, as well as "Risk Management - Energy Marketing & Trading and Other" above.

Defined Benefits

PPL Energy Supply subsidiaries sponsor and participate in various qualified funded and non-qualified unfunded defined benefit pension plans. A PPL Energy Supply subsidiary also sponsors an unfunded other postretirement benefit plan. PPL Energy Supply records the liability and net periodic defined benefit costs of its plans and the allocated portion of those plans sponsored by PPL Services based on participation in those plans. PPL Energy Supply subsidiaries record an asset or liability to recognize the funded status of all defined benefit plans with an offsetting entry to OCI. Consequently, the funded status of all defined benefit plans is fully recognized on the Balance Sheets. See Note 13 to the Financial Statements for additional information about the plans and the accounting for defined benefits.

PPL Services and PPL Energy Supply make certain assumptions regarding the valuation of benefit obligations and the performance of plan assets. When accounting for defined benefits, delayed recognition in earnings of differences between actual results and expected or estimated results is a guiding principle. Annual net periodic defined benefit costs are recorded in current earnings based on estimated results. Any differences between actual and estimated results are recorded in OCI. These amounts in AOCI are amortized to income over future periods. The delayed recognition allows for a smoothed recognition of costs over the working lives of the employees who benefit under the plans. The primary assumptions are:

- Discount Rate - The discount rate is used in calculating the present value of benefits, which is based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.

- Expected Return on Plan Assets - Management projects the long-term rates of return on plan assets based on historical performance, future expectations and periodic portfolio rebalancing among the diversified asset classes. These projected returns reduce the net benefit costs PPL records currently.

- Rate of Compensation Increase - Management projects employees' annual pay increases, which are used to project employees' pension benefits at retirement.

- Health Care Cost Trend Rate - Management projects the expected increases in the cost of health care.

In selecting a discount rate for their U.S. defined benefit plans, PPL Services and PPL Energy Supply start with a cash flow analysis of the expected benefit payment stream for their plans. The plan-specific cash flows are matched against the coupons and expected maturity values of individually selected bonds. This bond matching process begins with the full universe of Aa-rated non-callable (or callable with make-whole provisions) bonds, serving as the base from which those with the lowest and highest yields were eliminated to develop an appropriate subset of bonds. Individual bonds were then selected based on the timing of each plan's cash flows and parameters were established as to the percentage of each individual bond issue that could be hypothetically purchased and the surplus reinvestment rates to be assumed. At December 31, 2012, PPL Services decreased the discount rate for its U.S. pension plans from 5.07% to 4.22% and PPL Energy Supply decreased the discount rate for its pension plan from 5.12% to 4.25%. PPL Services decreased the discount rate for its other postretirement benefit plan from 4.81% to 4.02% and PPL Energy Supply decreased the discount rate for its other postretirement benefit plan from 4.60% to 3.77%.

The expected long-term rates of return for PPL Services and PPL Energy Supply's U.S. defined benefit pension and other postretirement benefit plans have been developed using a best-estimate of expected returns, volatilities and correlations for each asset class. PPL management corroborates these rates with expected long-term rates of return calculated by its independent actuary, who uses a building block approach that begins with a risk-free rate of return with factors being added such as inflation, duration, credit spreads and equity risk. Each plan's specific asset allocation is also considered in developing a reasonable return assumption. At December 31, 2012, PPL Services' and PPL Energy Supply's expected return on plan assets remained at 7.00% for their U.S. pension plans and increased from 5.70% to 5.75% for PPL Services' other postretirement benefit plan.

In selecting a rate of compensation increase, PPL Energy Supply considers past experience in light of movements in inflation rates. At December 31, 2012, PPL Services and PPL Energy Supply's rate of compensation increase decreased from 4.00% to 3.95% for their U.S. plans.

In selecting health care cost trend rates, PPL Services and PPL Energy Supply consider past performance and forecasts of health care costs. At December 31, 2012, PPL Services' and PPL Energy Supply's health care cost trend rates were 8.00% for 2013, gradually declining to 5.50% for 2019.

A variance in the assumptions listed above could have a significant impact on accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and OCI. While the charts below reflect either an increase or decrease in each assumption, the inverse of this change would impact the accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and OCI by a similar amount in the opposite direction. The sensitivities below reflect an evaluation of the change based solely on a change in that assumption and does not include income tax effects.

At December 31, 2012, the defined benefit plans were recorded as follows.

Pension liabilities	$	(295)
Other postretirement benefit liabilities		(77)

The following chart reflects the sensitivities in the December 31, 2012 Balance Sheet associated with a change in certain assumptions based on PPL Services' and PPL Energy Supply's primary defined benefit plans.

	Increase (Decrease)				
Actuarial assumption	**Change in assumption**		**Impact on defined benefit liabilities**		**Impact on OCI**
Discount Rate	(0.25)%	$	56	$	(56)
Rate of Compensation Increase	0.25%		9		(9)
Health Care Cost Trend Rate (a)	1.00%		1		(1)

(a) Only impacts other postretirement benefits.

In 2012, PPL Energy Supply was allocated and recognized net periodic defined benefit costs charged to operating expense of $44 million. This amount represents a $10 million increase from 2011.

The following chart reflects the sensitivities in the 2012 Statement of Income (excluding income tax effects) associated with a change in certain assumptions based on PPL's and PPL Energy Supply's primary defined benefit plans.

Actuarial assumption	**Change in assumption**		**Impact on defined benefit costs**
Discount Rate	(0.25)%	$	4
Expected Return on Plan Assets	(0.25)%		3
Rate of Compensation Increase	0.25%		2

Asset Impairment (Excluding Investments)

Impairment analyses are performed for long-lived assets that are subject to depreciation or amortization whenever events or changes in circumstances indicate that a long-lived asset's carrying amount may not be recoverable. For these long-lived assets classified as held and used, such events or changes in circumstances are:

- a significant decrease in the market price of an asset;
- a significant adverse change in the manner in which an asset is being used or in its physical condition;
- a significant adverse change in legal factors or in the business climate;
- an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of an asset;
- a current period operating or cash flow loss combined with a history of losses or a forecast that demonstrates continuing losses; or
- a current expectation that, more likely than not, an asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

For a long-lived asset classified as held and used, an impairment is recognized when the carrying amount of the asset is not recoverable and exceeds its fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the asset is impaired, an impairment loss is recorded to adjust the asset's carrying amount to its estimated fair value. Management must make significant judgments to estimate future cash flows, including the useful lives of long-lived assets, the fair value of the assets and management's intent to use the assets. Alternate courses of action are considered to recover the carrying amount of a long-lived asset, and estimated cash flows from the "most likely" alternative are used to assess impairment whenever one alternative is clearly the most likely outcome. If no alternative is clearly the most likely, then a probability-weighted approach is used taking into consideration estimated cash flows from the alternatives. For assets tested for impairment as of the balance sheet date, the estimates of future cash flows used in that test consider the likelihood of possible outcomes that existed at the balance sheet date, including the assessment of the likelihood of a future sale of the assets. That assessment is not revised based on events that occur after the balance sheet date. Changes in assumptions and estimates could result in significantly different results than those identified and recorded in the financial statements.

In September 2012, PPL Energy Supply announced its intention, beginning in April 2015, to place the Corette coal-fired plant in Montana in long-term reserve status, suspending the plant's operation, due to expected market conditions and the costs to comply with MATS requirements. The Corette plant asset group's carrying amount at December 31, 2012 was approximately $68 million. An impairment analysis was performed for this asset group in the third and fourth quarters of 2012 and it was determined to not be impaired. It is reasonably possible that an impairment could occur in future periods, as higher priced sales contracts settle, adversely impacting projected cash flows.

For a long-lived asset classified as held for sale, an impairment exists when the carrying amount of the asset (disposal group) exceeds its fair value less cost to sell. If the asset (disposal group) is impaired, an impairment loss is recorded to adjust the carrying amount to its fair value less cost to sell. A gain is recognized for any subsequent increase in fair value less cost to sell, but not in excess of the cumulative impairment previously recognized.

For determining fair value, quoted market prices in active markets are the best evidence. However, when market prices are unavailable, the Registrant considers all valuation techniques appropriate under the circumstances and for which market participant inputs can be obtained. Generally discounted cash flows are used to estimate fair value, which incorporates market participant inputs when available. Discounted cash flows are calculated by estimating future cash flow streams and applying appropriate discount rates to determine the present value of the cash flow streams.

Goodwill is tested for impairment at the reporting unit level. PPL Energy Supply's reporting unit has been determined to be at the operating segment level. A goodwill impairment test is performed annually or more frequently if events or changes in circumstances indicate that the carrying amount of the reporting unit may be greater than the unit's fair value. Additionally, goodwill is tested for impairment after a portion of goodwill has been allocated to a business to be disposed of.

Beginning in 2012, PPL Energy Supply may elect either to initially make a qualitative evaluation about the likelihood of an impairment of goodwill or to bypass the qualitative evaluation and test goodwill for impairment using a two-step quantitative test. If the qualitative evaluation (referred to as "step zero") is elected and the assessment results in a determination that it is not more likely than not the fair value of the reporting unit is less than the carrying amount, the two-step quantitative impairment test is not necessary. However, the quantitative impairment test is required if PPL Energy Supply concludes it is more likely than not that the fair value of the reporting unit is less than the carrying amount based on the step zero assessment.

When the two-step quantitative impairment test is elected or required as a result of the step zero assessment, in step one, PPL Energy Supply identifies a potential impairment by comparing the estimated fair value of PPL Energy Supply (the goodwill reporting unit) with its carrying amount, including goodwill, on the measurement date. If the estimated fair value exceeds its carrying amount, goodwill is not considered impaired. If the carrying amount exceeds the estimated fair value, the second step is performed to measure the amount of impairment loss, if any.

The second step of the quantitative test requires a calculation of the implied fair value of goodwill, which is determined in the same manner as the amount of goodwill in a business combination. That is, the estimated fair value is allocated to all of PPL Energy Supply's assets and liabilities as if PPL Energy Supply had been acquired in a business combination and the estimated fair value of PPL Energy Supply was the price paid. The excess of the estimated fair value of PPL Energy Supply over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. The implied fair value of PPL Energy Supply's goodwill is then compared with the carrying amount of that goodwill. If the carrying amount exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of PPL Energy Supply's goodwill.

PPL Energy Supply elected to perform the two-step quantitative impairment test of goodwill in the fourth quarter of 2012 and no impairment was recognized. Management used both discounted cash flows and market multiples, which required significant assumptions, to estimate the fair value of PPL Energy Supply. Applying an appropriate weighting to both the discounted cash flow and market multiple valuations, a decrease in the forecasted cash flows of 10%, an increase in the discount rate by 25 basis points, or a 10% decrease in the multiples would not have resulted in an impairment of goodwill.

Loss Accruals

Losses are accrued for the estimated impacts of various conditions, situations or circumstances involving uncertain or contingent future outcomes. For loss contingencies, the loss must be accrued if (1) information is available that indicates it is probable that a loss has been incurred, given the likelihood of the uncertain future events, and (2) the amount of the loss can be reasonably estimated. Accounting guidance defines "probable" as cases in which "the future event or events are likely to occur." The accrual of contingencies that might result in gains is not recorded unless recovery is assured. Potential loss contingencies for environmental remediation, litigation claims, regulatory penalties and other events are continuously assessed.

The accounting aspects of estimated loss accruals include (1) the initial identification and recording of the loss, (2) the determination of triggering events for reducing a recorded loss accrual, and (3) the ongoing assessment as to whether a recorded loss accrual is sufficient. All three of these aspects require significant judgment by management. Internal expertise and outside experts (such as lawyers and engineers) are used, as necessary, to help estimate the probability that a loss has been incurred and the amount (or range) of the loss.

No new significant loss accruals were recorded in 2012.

Certain other events have been identified that could give rise to a loss, but that do not meet the conditions for accrual. Such events are disclosed, but not recorded, when it is "reasonably possible" that a loss has been incurred.

When an estimated loss is accrued, the triggering events for subsequently reducing the loss accrual are identified, where applicable. The triggering events generally occur when the contingency has been resolved and the actual loss is paid or written off, or when the risk of loss has diminished or been eliminated. The following are some of the triggering events that provide for the reduction of certain recorded loss accruals:

- Allowances for uncollectible accounts are reduced when accounts are written off after prescribed collection procedures have been exhausted, a better estimate of the allowance is determined or underlying amounts are ultimately collected.

- Environmental and other litigation contingencies are reduced when the contingency is resolved and actual payments are made, a better estimate of the loss is determined or the loss is no longer considered probable.

Loss accruals are reviewed on a regular basis to assure that the recorded potential loss exposures are appropriate. This involves ongoing communication and analyses with internal and external legal counsel, engineers, operation management and other parties.

See Note 15 to the Financial Statements for disclosure of loss contingencies accrued and other potential loss contingencies that have not met the criteria for accrual.

Asset Retirement Obligations

PPL Energy Supply is required to recognize a liability for legal obligations associated with the retirement of long-lived assets. The initial obligation should be measured at its estimated fair value. A conditional ARO must be recognized when incurred if the fair value of the ARO can be reasonably estimated. An equivalent amount should be recorded as an increase in the value of the capitalized asset and allocated to expense over the useful life of the asset. Until the obligation is settled, the liability is increased, through the recognition of accretion expense in the statement of income, for changes in the obligation due to the passage of time. See Note 21 to the Financial Statements for further discussion of AROs.

In determining AROs, management must make significant judgments and estimates to calculate fair value. Fair value is developed using an expected present value technique based on assumptions of market participants that considers estimated retirement costs in current period dollars that are inflated to the anticipated retirement date and then discounted back to the date the ARO was incurred. Changes in assumptions and estimates included within the calculations of the fair value of AROs could result in significantly different results than those identified and recorded in the financial statements. Estimated ARO costs and settlement dates, which affect the carrying value of the ARO and the related capitalized asset, are reviewed periodically to ensure that any material changes are incorporated into the latest estimate of the ARO. Any change to the capitalized asset, positive or negative, is amortized over the remaining life of the associated long-lived asset.

At December 31, 2012, AROs totaling $375 million were recorded on the Balance Sheet, of which $10 million is included in "Other current liabilities." Of the total amount, $316 million, or 84%, relates to the nuclear decommissioning ARO. The most significant assumptions surrounding AROs are the forecasted retirement costs, the discount rates and the inflation rates. A variance in any of these inputs could have a significant impact on the ARO liabilities.

The following table reflects the sensitivities related to the nuclear decommissioning ARO liability associated with a change in these assumptions as of December 31, 2012. There is no significant change to the annual depreciation expense of the ARO asset or the annual accretion expense of the ARO liability as a result of changing the assumptions. The sensitivities below reflect an evaluation of the change based solely on a change in that assumption.

	Change in Assumption	Impact on ARO Liability
Retirement Cost	10%	$ 32
Discount Rate	(0.25)%	28
Inflation Rate	0.25%	32

Income Taxes

Significant management judgment is required in developing the provision for income taxes, primarily due to the uncertainty related to tax positions taken or expected to be taken in tax returns and the determination of deferred tax assets, liabilities and valuation allowances.

Significant management judgment is required to determine the amount of benefit recognized related to an uncertain tax position. Tax positions are evaluated following a two-step process. The first step requires an entity to determine whether, based on the technical merits supporting a particular tax position, it is more likely than not (greater than a 50% chance) that the tax position will be sustained. This determination assumes that the relevant taxing authority will examine the tax position and is aware of all the relevant facts surrounding the tax position. The second step requires an entity to recognize in the financial statements the benefit of a tax position that meets the more-likely-than-not recognition criterion. The benefit recognized is measured at the largest amount of benefit that has a likelihood of realization, upon settlement, that exceeds 50%. Management considers a number of factors in assessing the benefit to be recognized, including negotiation of a settlement.

On a quarterly basis, uncertain tax positions are reassessed by considering information known at the reporting date. Based on management's assessment of new information, a tax benefit may subsequently be recognized for a previously unrecognized tax position, a previously recognized tax position may be derecognized, or the benefit of a previously recognized tax position may be remeasured. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements in the future.

At December 31, 2012, it was reasonably possible that during the next 12 months the total amount of unrecognized tax benefits could increase by as much as $1 million or decrease by up to $30 million. This change could result from subsequent recognition, derecognition and/or changes in the measurement of uncertain tax positions related to the timing and utilization of tax credits and the related impact on alternative minimum tax, the timing and/or valuation of certain deductions, intercompany transactions and unitary filing groups. The events that could cause these changes are direct settlements with taxing authorities, litigation, legal or administrative guidance by relevant taxing authorities and the lapse of an applicable statute of limitation.

The balance sheet classification of unrecognized tax benefits and the need for valuation allowances to reduce deferred tax assets also require significant management judgment. Unrecognized tax benefits are classified as current to the extent management expects to settle an uncertain tax position by payment or receipt of cash within one year of the reporting date. Valuation allowances are initially recorded and reevaluated each reporting period by assessing the likelihood of the ultimate realization of a deferred tax asset. Management considers a number of factors in assessing the realization of a deferred tax asset, including the reversal of temporary differences, future taxable income and ongoing prudent and feasible tax planning strategies. Any tax planning strategy utilized in this assessment must meet the recognition and measurement criteria utilized to account for an uncertain tax position. Management also considers the uncertainty posed by political risk and the effect of this uncertainty on the various factors that management takes into account in evaluating the need for valuation allowances. The amount of deferred tax assets ultimately realized may differ materially from the estimates utilized in the computation of valuation allowances and may materially impact the financial statements in the future. See Note 5 to the Financial Statements for income tax disclosures.

Other Information

PPL's Audit Committee has approved the independent auditor to provide audit, audit-related and tax services permitted by Sarbanes-Oxley and SEC rules. The audit and audit-related services include services in connection with statutory and regulatory filings, reviews of offering documents and registration statements, and internal control reviews.   See "Item 14. Principal Accounting Fees and Services" for more information.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information provided in this Item 7 should be read in conjunction with PPL Electric's Consolidated Financial Statements and the accompanying Notes. Capitalized terms and abbreviations are defined in the glossary. Dollars are in millions unless otherwise noted.

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

- "Overview" provides a description of PPL Electric and its business strategy, a summary of Net Income Available to PPL and a discussion of certain events related to PPL Electric's results of operations and financial condition.

- "Results of Operations" provides a summary of PPL Electric's earnings and a description of key factors expected to impact future earnings. This section ends with explanations of significant changes in principal items on PPL Electric's Statements of Income, comparing 2012 with 2011 and 2011 with 2010.

- "Financial Condition - Liquidity and Capital Resources" provides an analysis of PPL Electric's liquidity position and credit profile. This section also includes a discussion of forecasted sources and uses of cash and rating agency actions.

- "Financial Condition - Risk Management" provides an explanation of PPL Electric's risk management programs relating to market and credit risk.

- "Application of Critical Accounting Policies" provides an overview of the accounting policies that are particularly important to the results of operations and financial condition of PPL Electric and that require its management to make significant estimates, assumptions and other judgments of matters inherently uncertain.

Overview

Introduction

PPL Electric is an electricity transmission and distribution service provider in eastern and central Pennsylvania with headquarters in Allentown, 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 FERC under the Federal Power Act. PPL Electric delivers electricity in its Pennsylvania service area and provides electricity supply to retail customers in that territory as a PLR under the Customer Choice Act.

Business Strategy

PPL Electric's strategy and principal challenge is to own and operate its electricity delivery business at the most efficient cost while maintaining high quality customer service and reliability. PPL Electric anticipates that it will have significant capital expenditure requirements for at least the next five years. In order to manage financing costs and access to credit markets, a key objective for PPL Electric's business is to maintain a strong credit profile and strong liquidity position.

Timely recovery of costs to maintain and enhance the reliability of PPL Electric's delivery system including the replacement of aging distribution assets is required in order to maintain strong cash flows and a strong credit profile. Traditionally, such cost recovery would be pursued through periodic base rate case proceedings with the PUC. As such costs continue to increase, more frequent rate case proceedings may be required or an alternative rate-making process would need to be implemented in order to achieve more timely recovery. See "Regulatory Matters - Pennsylvania Activities - Legislation - Regulatory Procedures and Mechanisms" in Note 6 to the Financial Statements for information on Pennsylvania's new alternative rate-making mechanism.

Transmission costs are recovered through a FERC Formula Rate mechanism which is updated annually for costs incurred and assets placed in service. Accordingly, increased costs including for the replacement of aging transmission assets and the PJM-approved Regional Transmission Line Expansion Plan are recovered on a timely basis.

Financial and Operational Developments

Net Income Available to PPL

Net Income Available to PPL for 2012, 2011 and 2010 was $132 million, $173 million and $115 million. Earnings in 2012 decreased 24% from 2011 and earnings in 2011 increased 50% over 2010.

See "Results of Operations" below for further discussion and analysis of PPL Electric's earnings.

Redemption of Preference Stock

In June 2012, PPL Electric redeemed all 2.5 million shares of its 6.25% Series Preference Stock, par value $100 per share. The price paid for the redemption was the par value, without premium ($250 million in the aggregate). At December 31, 2011, the preference stock was reflected on PPL Electric's Balance Sheet in "Preferred securities."

Storm Costs

During 2012, PPL Electric experienced several PUC-reportable storms, including Hurricane Sandy, resulting in total restoration costs of $81 million, of which $61 million were initially recorded in "Other operation and maintenance" on the Statement of Income. In particular, in late October 2012, PPL Electric experienced widespread significant damage to its distribution network from Hurricane Sandy resulting in total restoration costs of $66 million, of which $50 million were initially recorded in "Other operation and maintenance" on the Statement of Income. Although PPL Electric had storm insurance coverage, the costs incurred from Hurricane Sandy exceeded the policy limits. Probable insurance recoveries recorded during 2012 were $18.25 million, of which $14 million were included in "Other operation and maintenance" on the Statements of Income. PPL Electric recorded a regulatory asset of $28 million in December 2012 (offset to "Other operation and maintenance" on the Statement of Income). In February 2013, PPL Electric received an order from the PUC granting permission to defer qualifying storm costs in excess of insurance recoveries associated with Hurricane Sandy.

See "Regulatory Matters - Pennsylvania Activities - Storm Costs" in Note 6 to the Financial Statements for information on $84 million of storm costs incurred in 2011.

Rate Case Proceeding

In March 2012, PPL Electric filed a request with the PUC to increase distribution rates by approximately $105 million, effective January 1, 2013. In its December 28, 2012 final order, the PUC approved a 10.4% return on equity and a total distribution revenue increase of about $71 million. The approved rates became effective January 1, 2013.

Also, in its December 28, 2012 final order, the PUC directed PPL Electric to file a proposed Storm Damage Expense Rider within 90 days following the order. PPL Electric plans to file a proposed Storm Damage Expense Rider with the PUC and, as part of that filing, request recovery of the $28 million of qualifying storm costs incurred as a result of the October 2012 landfall of Hurricane Sandy.

Regional Transmission Line Expansion Plan

Susquehanna-Roseland

In 2007, PJM directed the construction of a new 150-mile, 500-kilovolt transmission line between the Susquehanna substation in Pennsylvania and the Roseland substation in New Jersey that it identified as essential to long-term reliability of the Mid-Atlantic electricity grid. PJM determined that the line was needed to prevent potential overloads that could occur on several existing transmission lines in the interconnected PJM system. PJM directed PPL Electric to construct the portion of the Susquehanna-Roseland line in Pennsylvania and Public Service Electric & Gas Company to construct the portion of the line in New Jersey.

On October 1, 2012, the National Park Service (NPS) issued its Record of Decision (ROD) on the proposed Susquehanna-Roseland transmission line affirming the route chosen by PPL Electric and Public Service Electric & Gas Company as the preferred alternative under the NPS's National Environmental Policy Act review. On October 15, 2012, a complaint was filed in the United States District Court for the District of Columbia by various environmental groups, including the Sierra Club, challenging the ROD and seeking to prohibit its implementation; and on December 6, 2012, the groups filed a petition for injunctive relief seeking to prohibit all construction activities until the court issues a final decision on the complaint. PPL Electric has intervened in the lawsuit. The chosen route had previously been approved by the PUC and New Jersey Board of Public Utilities.

On December 13, 2012, PPL Electric received federal construction and right of way permits to build on National Park Service lands.

Construction activities have begun on portions of the 101-mile route in Pennsylvania. The line is expected to be in service before the peak summer demand period of 2015. At December 31, 2012, PPL Electric's estimated share of the project cost was $560 million.

PPL and PPL Electric cannot predict the ultimate outcome or timing of any legal challenges to the project or what additional actions, if any, PJM might take in the event of a further delay to its scheduled in-service date for the new line.

Northeast/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, three new substations and upgrades to adjacent facilities). The incentives were specifically tailored to address the risks and challenges PPL Electric will face in building the project. The FERC granted the incentive for inclusion of all prudently incurred construction work in progress (CWIP) costs in rate base and denied the request for a 100 basis point adder to the return on equity incentive. The order required a follow-up compliance filing from PPL Electric to ensure proper accounting treatment of AFUDC and CWIP for the project, which PPL Electric will submit to the FERC in March 2013. PPL Electric expects the project to be completed in 2017. At December 31, 2012, PPL Electric estimates the total project costs to be approximately $200 million with approximately $190 million qualifying for the CWIP incentive.

Legislation - Regulatory Procedures and Mechanisms

Act 11 authorizes the PUC to approve two specific ratemaking mechanisms - the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, the use of a DSIC. Such alternative ratemaking procedures and mechanisms provide opportunity for accelerated cost-recovery and, therefore, are important to PPL Electric as it begins a period of significant capital investment to maintain and enhance the reliability of its delivery system, including the replacement of aging distribution assets. In August 2012, the PUC issued a final implementation order adopting procedures, guidelines and a model tariff for the implementation of Act 11. Act 11 requires utilities to file an LTIIP as a prerequisite to filing for recovery through the DISC. The LTIIP is mandated to be a five- to ten-year plan describing projects eligible for inclusion in the DISC. In September 2012, PPL Electric filed its LTIIP describing projects eligible for inclusion in the DSIC. The PUC approved the LTIIP on January 10, 2013 and PPL Electric filed a petition requesting permission to establish a DSIC on January 15, 2013, with rates proposed to be effective beginning May 1, 2013.

FERC Formula Rates

In March 2012, PPL Electric filed a request with the FERC seeking recovery of its regulatory asset related to the deferred state tax liability that existed at the time of the transition from the flow-through treatment of state income taxes to full normalization. This change in tax treatment occurred in 2008 as a result of prior FERC initiatives that transferred regulatory jurisdiction of certain transmission assets from the PUC to FERC. At December 31, 2012 and December 31, 2011, $52 million and $53 million respectively, are classified as taxes recoverable through future rates and are included on the Balance Sheets in "Other Noncurrent Assets - Regulatory assets." In May 2012, the FERC issued an order approving PPL Electric's request recover the deferred tax regulatory asset over a 34 year period beginning June 1, 2012.

Results of Operations

The following discussion provides a summary of PPL Electric's earnings and a description of factors that are expected to impact future earnings. This section ends with "Statement of Income Analysis," which includes explanations of significant year-to-year changes in Pennsylvania Gross Delivery Margins by component and principal line items on PPL Electric's Statements of Income.

The utility business is influenced by seasonality in the weather. As a result, operating revenues (and associated operating expenses) are not generated evenly throughout the year. Revenue is generally higher during the first and third quarters of a year due to higher demand as a result of winter and summer periods. On the other hand, revenue tends to be lower during the second and fourth quarters due to lower demand as a result of milder weather.

Earnings

Net Income Available to PPL was:

	2012	2011	2010
Net Income Available to PPL	$ 132	$ 173	$ 115

The changes in the components of Net Income Available to PPL between these periods were due to the following factors which reflect reclassifications for items included in gross delivery margins.

	2012 vs. 2011	2011 vs. 2010
Pennsylvania Gross Delivery Margins	$ 19	$ 66
Other operation and maintenance	(50)	4
Depreciation	(14)	(10)
Taxes, other than income	(9)	4
Other	1	1
Income Taxes		(11)
Distributions on Preferred Securities	12	4
Total	$ (41)	$ 58

- See "Statement of Income Analysis - Margins - Changes in Non-GAAP Financial Measures" for an explanation of Pennsylvania Gross Delivery Margins.

- Higher other operation and maintenance for 2012 compared with 2011, primarily due to $17 million in higher payroll-related costs due to less project costs being capitalized in 2012, higher support group costs of $11 million and $10 million for increased vegetation management.

- Higher depreciation for 2012 compared with 2011 and 2011 compared with 2010 primarily due to PP&E additions.

- Higher taxes, other than income for 2012 primarily due to a $10 million tax provision related to gross receipts tax.

- Income taxes were flat in 2012 compared with 2011 primarily due to the $22 million impact of lower 2012 pre-tax income primarily offset by $9 million of depreciation not normalized and $9 million of income tax return adjustments, largely related to changes in flow-through regulated tax depreciation.

  Income taxes were higher in 2011 compared with 2010, due to the $26 million impact of higher 2011 pre-tax income, partially offset by a $14 million tax benefit related to changes in flow-through regulated tax depreciation.

- Lower distributions on preferred securities in 2012 compared to 2011 due to the preference stock redemption in June 2012.

2013 Outlook

PPL Electric projects higher earnings in 2013 compared with 2012, due to higher distribution revenues from a distribution base rate increase effective January 1, 2013, and higher transmission margins, partially offset by higher depreciation.

Earnings in future periods are subject to various risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 1A. Risk Factors," the rest of this Item 7 and Notes 6 and 15 to the Financial Statements for a discussion of the risks, uncertainties and factors that may impact future earnings.

Statement of Income Analysis --

Pennsylvania Gross Delivery Margins

Non-GAAP Financial Measure

The following discussion includes financial information prepared in accordance with GAAP, as well as a non-GAAP financial measure, "Pennsylvania Gross Delivery Margins." "Pennsylvania Gross Delivery Margins" is a single financial performance measure of PPL Electric's Pennsylvania regulated electric delivery operations, which includes transmission and distribution activities. In calculating this measure, utility revenues and expenses associated with approved recovery mechanisms, including energy provided as a PLR, are offset with minimal impact on earnings. Costs associated with these mechanisms are recorded in "Energy purchases," "Energy purchases from affiliate," "Other operation and maintenance," which is primarily Act 129 costs, and "Taxes, other than income" which is primarily gross receipts tax. As a result, this measure represents the net revenues from PPL Electric's Pennsylvania regulated electric delivery operations. This measure is 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 to report on the results of their operations. PPL Electric believes that "Pennsylvania Gross Delivery Margins" provides another criterion to make investment decisions. This performance measure is used, in conjunction with other information, internally by senior management to manage PPL Electric's operations and analyze actual results to budget.

Reconciliation of Non-GAAP Financial Measures

The following tables reconcile "Operating Income" to "Pennsylvania Gross Delivery Margins" as defined by PPL Electric for the period ended December 31.

	2012			2011		
	PA Gross Delivery Margins	**Other (a)**	**Operating Income (b)**	**PA Gross Delivery Margins**	**Other (a)**	**Operating Income (b)**
Operating Revenues						
Retail electric	$ 1,760		$ 1,760	$ 1,881		$ 1,881
Electric revenue from affiliate	3		3	11		11
Total Operating Revenues	1,763		1,763	1,892		1,892
Operating Expenses						
Energy purchases	550		550	738		738
Energy purchases from affiliate	78		78	26		26
Other operation and maintenance	104	$ 472	576	108	$ 422	530
Depreciation		160	160		146	146
Taxes, other than income	91	14	105	99	5	104
Total Operating Expenses	823	646	1,469	971	573	1,544
Total	$ 940	$ (646)	$ 294	$ 921	$ (573)	$ 348

	2010		
	PA Gross Delivery Margins	**Other (a)**	**Operating Income (b)**
Operating Revenues			
Retail electric	$ 2,448		$ 2,448
Electric revenue from affiliate	7		7
Total Operating Revenues	2,455		2,455
Operating Expenses			
Energy purchases	1,075		1,075
Energy purchases from affiliate	320		320
Other operation and maintenance	76	$ 426	502
Amortization of recoverable			
Depreciation		136	136
Taxes, other than income	129	9	138
Total Operating Expenses	1,600	571	2,171
Total	$ 855	$ (571)	$ 284

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

Changes in Non-GAAP Financial Measures

The following table shows PPL Electric's non-GAAP financial measure, "Pennsylvania Gross Delivery Margins" for the periods ended December 31, as well as the change between periods. The factors that gave rise to the change are described below the table.

	2012	2011	Change	2011	2010	Change
PA Gross Delivery Margins by Component						
Distribution	$ 730	$ 741	$ (11)	$ 741	$ 679	$ 62
Transmission	210	180	30	180	176	4
Total	$ 940	$ 921	$ 19	$ 921	$ 855	$ 66

Distribution

Margins decreased in 2012 compared with 2011, primarily due to a $14 million unfavorable effect of mild weather early in 2012 and lower revenue applicable to certain energy-related costs of $3 million due to fewer PLR customers in 2012, partially offset by a $7 million charge recorded in 2011 to reduce a portion of the transmission service charge regulatory asset associated with a 2005 undercollection that was not included in any subsequent rate reconciliations filed with the PUC.

Margins increased in 2011 compared with 2010, largely due to the PPL Electric distribution rate case which increased rates by approximately 1.6% effective January 1, 2011, resulting in improved residential distribution margins of $68 million. Additionally, residential volume variances increased margins by an additional $4 million in 2011, compared with 2010, offset by unfavorable weather of $3 million for residential customers in 2011 compared with 2010. Lastly, lower demand charges and increased efficiency as a result of Act 129 programs resulted in a $5 million decrease in margins for commercial and industrial customers.

Transmission

Margins increased in 2012 compared with 2011, primarily due to increased investment in plant and the recovery of additional costs through the FERC formula-based rates.

Other Operation and Maintenance

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

	2012 vs. 2011	2011 vs. 2010
Act 129 costs incurred (a)	$ (6)	$ 26
Vegetation management (b)	10	(8)
Payroll-related costs (c)	17	4
Allocation of certain corporate support group costs	11	3
PUC-reportable storm costs, net of insurance recovery	7	
Uncollectible accounts	1	7
Other	6	(4)
Total	$ 46	$ 28

(a) Relates to costs associated with PPL Electric's PUC-approved energy efficiency and conservation plan. These costs are recovered in customer rates. There were initially 15 Act 129 programs which began in 2010 and continued to ramp up in 2011. Some of the energy efficiency programs were reduced or closed in 2012 resulting in lower operation and maintenance expense.

(b) PPL Electric incurred more expense in 2010 and 2012 compared to 2011 due to increased vegetation management activities related to transmission lines to comply with federal reliability requirements as well as increased vegetation management for the distribution system in 2012 in an effort to maintain and increase system reliability.

(c) Higher payroll costs of $17 million in 2012 compared to 2011 due to less project costs being capitalized.

Taxes, Other Than Income

Taxes, other than income increased by $1 million in 2012 compared with 2011. The increase was primarily a result of the net effect of the fully amortized PURTA refund to customers of $10 million in 2011, partially offset by a decrease in gross receipts tax of $7 million in 2012.

Taxes, other than income decreased by $34 million in 2011 compared with 2010. This decrease was primarily due to $21 million of lower Pennsylvania gross receipts tax expense on lower retail electricity revenue as customers continue to select alternative suppliers in 2011. The decrease was also impacted by the amortization of a PURTA refund of $10 million in 2011. Pennsylvania gross receipts tax and the PURTA refund are included in "Pennsylvania Gross Delivery Margins."

Depreciation

Depreciation increased by $14 million in 2012 compared with 2011 and by $10 million in 2011 compared with 2010, primarily due to PP&E additions as part of ongoing investments to replace aging infrastructure.

Financing Costs

The increase (decrease) in financing costs, which includes "Interest Expense", "Interest Expense with Affiliate" and "Distributions on Preferred Securities," was due to:

	2012 vs. 2011	2011 vs. 2010
Long-term debt interest expense	$ 1	$ (3)
Distributions on preferred securities (a)	(12)	(4)
Amortization of debt issuance costs (b)	1	5
Other	(1)	(3)
Total	$ (11)	$ (5)

(a) Decreases for both periods are due to the redemption of preference stock in 2012 and preferred stock in 2010.
(b) The increase in 2011 compared with 2010 was primarily due to amortization of loss on reacquired debt associated with the redemption of senior secured bonds in 2011.

Income Taxes

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

	2012 vs. 2011	2011 vs. 2010
Higher (lower) pre-tax book income	$ (22)	$ 26
Federal and state tax reserve adjustments (a)	1	3
Federal and state tax return adjustments (b)	11	(3)
Depreciation not normalized (c)	9	(14)
Other	1	(1)
Total	$	$ 11

(a) In July 2010, the U.S. Tax Court ruled in PPL Electric's favor in a dispute with the IRS, concluding that street lighting assets are depreciable for tax purposes over seven years. As a result, PPL Electric recorded a $7 million tax benefit to federal and state income tax reserves and related deferred income taxes during 2010.

(b) PPL Electric changed its method of accounting for repair expenditures for tax purposes effective for its 2008 tax year. In August, 2011, the IRS issued guidance regarding the use and evaluation of statistical samples and sampling estimates for network assets. The IRS guidance provided a safe harbor method of determining whether the repair expenditures for electric transmission and distribution property can be currently deducted for tax purposes. PPL Electric adopted the safe harbor method with the filing of its 2011 federal income tax return and recorded a $5 million adjustment to federal and state income tax expense resulting from the reversal of prior years' state income tax benefits related to regulated depreciation.

During 2011, PPL Electric recorded a $5 million federal and state income tax benefit as a result of filing its 2010 federal and state income tax returns. The tax benefit primarily related to the flow-through impact of Pennsylvania regulated 100% bonus tax depreciation.

(c) During 2011, the Pennsylvania Department of Revenue issued interpretive guidance on the treatment of bonus depreciation for Pennsylvania income tax purposes. The guidance allows 100% bonus depreciation for qualifying assets in the same year bonus depreciation is allowed for federal income tax purposes. The 100% Pennsylvania bonus depreciation deduction created a current state income tax benefit for the flow-through impact of Pennsylvania regulated state tax depreciation. The federal provision for 100% bonus depreciation generally applies to property placed in service before January 1, 2012. The placed in-service deadline is extended to January 1, 2013 for property that has a cost in excess of $1 million, has a production period longer that one year and has a tax life of at least ten years. The PPL Electric's tax deduction for 100% bonus depreciation was significantly lower in 2012 than in 2011.

See Note 5 to the Financial Statements for additional information on income taxes.

Financial Condition

Liquidity and Capital Resources

PPL Electric continues to focus on maintaining a strong credit profile and liquidity position. PPL Electric expects to continue to have adequate liquidity available through operating cash flows, cash and cash equivalents, credit facilities and commercial paper issuances. Additionally, subject to market conditions, PPL Electric currently plans to issue long-term debt in 2013.

PPL Electric's cash flows from operations and access to cost-effective bank and capital markets are subject to risks and uncertainties including, but not limited to:

- unusual or extreme weather that may damage PPL Electric's transmission and distribution facilities or affect energy sales to customers;
- the ability to recover and the timeliness and adequacy of recovery of costs associated with regulated utility businesses;
- any adverse outcome of legal proceedings and investigations with respect to PPL Electric's current and past business activities;
- deterioration in the financial markets that could make obtaining new sources of bank and capital markets funding more difficult and more costly; and
- a downgrade in PPL Electric's credit ratings that could adversely affect its ability to access capital and increase the cost of credit facilities and any new debt.

See "Item 1A. Risk Factors" for further discussion of risks and uncertainties that could affect PPL Electric's cash flows.

At December 31, PPL Electric had the following:

	2012	2011	2010
Cash and cash equivalents	$ 140	$ 320	$ 204

The changes in PPL Electric's cash and cash equivalents position resulted from:

	2012	2011	2010
Net cash provided by (used in) operating activities	$ 389	$ 420	$ 212
Net cash provided by (used in) investing activities	(613)	(477)	(403)
Net cash provided by (used in) financing activities	44	173	(90)
Net Increase (Decrease) in Cash and Cash Equivalents	$ (180)	$ 116	$ (281)

Operating Activities

Net cash provided by operating activities decreased by 7%, or $31 million, in 2012 compared with 2011, primarily due to changes in working capital of $82 million partially offset by a decrease in defined benefit plan contributions of $54 million. Changes in working capital included $108 million from regulatory assets and liabilities, net and $56 million from prepayments, partially offset by $95 million from accounts payable.

Net cash provided by operating activities increased by 98%, or $208 million, in 2011 compared with 2010, primarily due to changes in working capital of $322 million (including lower gross receipts tax payments, a federal income tax refund and changes in over/under collections of the generation supply and transmission service charges). These changes were partially offset by an increase in defined benefit plan contributions of $58 million and $25 million related to storm costs incurred in 2011 and recorded as a long-term regulatory asset.

Investing Activities

The primary use of cash in investing activities is capital expenditures. See "Forecasted Uses of Cash" for detail regarding projected capital expenditures for the years 2013 through 2017.

Net cash used in investing activities was $613 million in 2012 compared with $477 million in 2011. The change from 2011 to 2012 primarily reflects an increase of $143 million in capital expenditures in 2012.

Net cash used in investing activities was $477 million in 2011 compared with $403 million in 2010. The change from 2010 to 2011 primarily reflects an increase of $80 million in capital expenditures in 2011.

Financing Activities

Net cash provided by financing activities was $44 million in 2012 compared with $173 million in 2011. The change from 2011 to 2012 primarily reflects the $250 million preference stock redemption in 2012, offset by a $62 million increase in net debt issuances and a $50 million increase in contributions from PPL.

Net cash provided by financing activities was $173 million in 2011 compared with net cash used in financing activities of $90 million in 2010. The change from 2010 to 2011 primarily reflects $187 million of net debt issuances in 2011 and $54 million of preferred stock redemptions in 2010.

PPL Electric's debt and equity financing activity in 2012 was:

	Issuance	Retirements
Preference Stock		$ (250)
First Mortgage Bonds, net of a discount or underwriting fees	$ 249	
Total	$ 249	$ (250)
Net decrease		$ (1)

See Note 7 to the Financial Statements for more detailed information regarding PPL Electric's financing activities in 2012.

Forecasted Sources of Cash

PPL Electric expects to continue to have sufficient sources of liquidity available in the near term, including cash flows from operations, credit facilities, commercial paper issuances and the issuance of long-term debt.

Credit Facilities

At December 31, 2012, PPL Electric's total committed borrowing capacity under its credit facilities and the use of this borrowing capacity were:

	Committed Capacity	Borrowed	Letters of Credit Issued and Commercial Paper Backstop	Unused Capacity
Syndicated Credit Facility (a)	$ 300		$ 1	$ 299
Asset-backed Credit Facility (b)	100		n/a	100
Total PPL Electric Credit Facilities	$ 400		$ 1	$ 399

(a) PPL Electric's Syndicated Credit Facility contains a financial covenant requiring PPL Electric's debt to total capitalization not to exceed 70%, as calculated in accordance with the credit facility, and other customary covenants.

The commitments under this credit facility are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than 5% of the total committed capacity.

(b) PPL Electric obtains financing by selling and contributing its eligible accounts receivable and unbilled revenue to a special purpose, wholly owned subsidiary on an ongoing basis. The subsidiary pledges these assets to secure loans of up to an aggregate of $100 million from a commercial paper conduit sponsored by a financial institution. At December 31, 2012, based on accounts receivable and unbilled revenue pledged, the amount available for borrowing under this facility was $100 million.

In addition to the financial covenants noted above, the credit agreements governing the credit facilities contain financial and various other covenants. Failure to comply with the covenants after applicable grace periods could result in acceleration of repayment of borrowings and/or termination of the agreements. PPL Electric monitors compliance with the covenants on a regular basis. At December 31, 2012, PPL Electric was in compliance with these covenants. At this time, PPL Electric believes that these covenants and other borrowing conditions will not limit access to these funding sources.

See Note 7 to the Financial Statements for further discussion of PPL Electric's credit facilities.

Commercial Paper

PPL Electric maintains a $300 million commercial paper program to provide an additional financing source to fund its short-term liquidity needs, if and when necessary. Commercial paper issuances are currently supported by PPL Electric's Syndicated Credit Facility. PPL Electric had no commercial paper outstanding at December 31, 2012.

Contributions from PPL

From time to time PPL may make capital contributions to PPL Electric. PPL Electric may use these contributions for general corporate purposes.

Long-term Debt Securities

PPL Electric currently plans to incur, subject to market conditions, up to $400 million of long-term indebtedness in 2013, the proceeds of which will be used to fund capital expenditures and for other general corporate purposes.

The Economic Stimulus Package

In April 2010, PPL Electric entered into an agreement with the DOE, in which the agency is to provide funding for one-half of a $38 million smart grid project. The project included the deployment of smart grid technology to strengthen reliability, save energy and improve electric service for 60,000 Harrisburg, Pennsylvania area customers. It also provides benefits beyond the Harrisburg region, helping to speed power restoration across PPL Electric's 29-county service territory. Work on the grant project is complete as of December 31, 2012.

Forecasted Uses of Cash

In addition to expenditures required for normal operating activities, such as purchased power, payroll, and taxes, PPL Electric currently expects to incur future cash outflows for capital expenditures, various contractual obligations, payment of dividends on its common stock and possibly the purchase or redemption of a portion of its debt securities.

Capital Expenditures

The table below shows PPL Electric's current capital expenditure projections for the years 2013 through 2017.

	Projected				
	2013	**2014**	**2015**	**2016**	**2017**
Construction expenditures (a) (b)					
Distribution facilities	$ 352	$ 321	$ 309	$ 294	$ 297
Transmission facilities	616	532	399	357	313
Total Capital Expenditures	$ 968	$ 853	$ 708	$ 651	$ 610

(a) Construction expenditures include AFUDC, which is expected to total approximately $54 million for the years 2013 through 2017.
(b) Includes expenditures for intangible assets.

PPL Electric's capital expenditure projections for the years 2013 through 2017 total approximately $3.8 billion. Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions. The table includes projected costs for the asset optimization program focused on the replacement of aging transmission and distribution assets, and the PJM-approved regional transmission line expansion project. See Note 8 to the Financial Statements for additional information.

PPL Electric plans to fund its capital expenditures in 2013 with cash from operations, equity contributions from PPL, and proceeds from the issuance of debt securities.

Contractual Obligations

PPL Electric has assumed various financial obligations and commitments in the ordinary course of conducting its business. At December 31, 2012, the estimated contractual cash obligations of PPL Electric were:

	Total	**2013**	**2014 - 2015**	**2016 - 2017**	**After 2017**
Long-term Debt (a)	$ 1,974		$ 110		$ 1,864
Interest on Long-term Debt (b)	1,711	$ 91	181	$ 171	1,268
Purchase Obligations (c)	357	111	103	53	90
Other Long-term Liabilities Reflected on the Balance Sheet under GAAP (d) (e)	88	88			
Total Contractual Cash Obligations	$ 4,130	$ 290	$ 394	$ 224	$ 3,222

(a) Reflects principal maturities only based on stated maturity dates. PPL Electric does not have any capital or operating lease obligations.
(b) Assumes interest payments through stated maturity.

(c) The amounts include agreements to purchase goods or services that are enforceable and legally binding and specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Primarily includes PPL Electric's purchase obligations of electricity. Open purchase orders that are provided on demand with no firm commitment are excluded from the amounts presented.
(d) The amounts represent contributions made or committed to be made for 2013 for PPL's U.S. pension plans. See Note 13 to the Financial Statements for a discussion of expected contributions.
(e) At December 31, 2012, total unrecognized tax benefits of $26 million were excluded from this table as PPL Electric cannot reasonably estimate the amount and period of future payments. See Note 5 to the Financial Statements for additional information.

Dividends

From time to time, as determined by its Board of Directors, PPL Electric pays dividends on its common stock to its parent, PPL.

Purchase or Redemption of Debt Securities

PPL Electric will continue to evaluate its outstanding debt securities and may decide to purchase or redeem these securities depending upon prevailing market conditions and available cash.

Rating Agency Actions

Moody's, S&P and Fitch periodically review the credit ratings on the debt securities of PPL Electric. 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 PPL Electric are based on information provided by PPL Electric and other sources. The ratings of Moody's, S&P and Fitch are not a recommendation to buy, sell or hold any securities of PPL Electric. 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. PPL Electric's credit ratings affect its liquidity, access to capital markets and cost of borrowing under its credit facilities.

The following table sets forth PPL Electric's security credit ratings as of December 31, 2012.

	Senior Secured			Commercial Paper		
Issuer	**Moody's**	**S&P**	**Fitch**	**Moody's**	**S&P**	**Fitch**
PPL Electric	A3	A-	A-	P-2	A-2	F-2

A downgrade in PPL Electric's credit ratings could result in higher borrowing costs and reduced access to capital markets. PPL Electric does not have credit rating triggers that would result in the reduction of access to capital markets or the acceleration of maturity dates of outstanding debt.

In addition to the credit ratings noted above, the rating agencies took the following actions related to PPL Electric in 2012.

In August 2012, Fitch assigned a rating and outlook to PPL Electric's $250 million First Mortgage Bonds.

In August 2012, S&P and Moody's assigned a rating to PPL Electric's $250 million First Mortgage Bonds.

In December 2012, Fitch affirmed the issuer default rating, individual security rating and the outlook for PPL Electric.

Off-Balance Sheet Arrangements

PPL Electric has entered into certain agreements that may contingently require payment to a guaranteed or indemnified party. See Note 15 to the Financial Statements for a discussion of these agreements.

Risk Management

Market Risk

Commodity Price and Volumetric Risk - PLR Contracts

PPL Electric is exposed to market price and volumetric risks from its obligation as PLR. The PUC has approved a cost recovery mechanism that allows PPL Electric to pass through to customers the cost associated with fulfilling its PLR obligation. This cost recovery mechanism substantially eliminates PPL Electric's exposure to market price risk. PPL Electric also mitigates its exposure to volumetric risk by entering into full-requirement energy supply contracts for the majority of its PLR obligations. These supply contracts transfer the volumetric risk associated with the PLR obligation to the energy suppliers.

Interest Rate Risk

PPL Electric issues debt to finance its operations, which exposes it to interest rate risk. At December 31, 2012 and 2011, PPL Electric had no potential annual exposure to increased interest expense, based on its current debt portfolio. PPL Electric is also exposed to changes in the fair value of its debt portfolio. PPL Electric estimated that a 10% decrease in interest rates at December 31, 2012 would increase the fair value of its debt portfolio by $93 million, compared with $94 million at December 31, 2011.

Credit Risk

Credit risk is the risk that PPL Electric would incur a loss as a result of nonperformance by counterparties of their contractual obligations. PPL Electric requires that counterparties maintain specified credit ratings and requires other assurances in the form of credit support or collateral in certain circumstances in order to limit counterparty credit risk. However, PPL Electric has concentrations of suppliers, financial institutions and customers. These concentrations may impact PPL Electric's overall exposure to credit risk, positively or negatively, as counterparties may be similarly affected by changes in economic, regulatory or other conditions.

In 2009, the PUC approved PPL Electric's PLR procurement plan for the period January 2011 through May 2013. To date, PPL Electric has conducted all of its planned competitive solicitations.

Under the standard Supply Master Agreement (the Agreement) for the competitive solicitation process, PPL Electric requires all suppliers to post collateral if their credit exposure exceeds an established credit limit. In the event a supplier defaults on its obligation, PPL Electric would be required to seek replacement power in the market. All incremental costs incurred by PPL Electric would be recoverable from customers in future rates. At December 31, 2012, most of the successful bidders under all of the solicitations had an investment grade credit rating from S&P, and were not required to post collateral under the Agreement. A small portion of bidders were required to post collateral, which totaled less than $1 million, under the Agreement. There is no instance under the Agreement in which PPL Electric is required to post collateral to its suppliers.

See Notes 15, 16, 18 and 19 to the Financial Statements for additional information on the competitive solicitations, the Agreement, credit concentration and credit risk.

Related Party Transactions

PPL Electric is not aware of any material ownership interests or operating responsibility by senior management of PPL Electric in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with PPL Electric. See Note 16 to the Financial Statements for additional information on related party transactions.

Environmental Matters

Physical effects associated with climate change could include the impact of changes in weather patterns, such as storm frequency and intensity, and the resultant potential damage to PPL Electric's electricity transmission and distribution systems, as well as impacts on customers. PPL Electric cannot currently predict whether its businesses will experience these potential climate change-related risks or estimate the potential cost of their related consequences.

See "Item 1. Business - Environmental Matters" and Note 15 to the Financial Statements for a discussion of environmental matters.

Competition

See "Item 1. Business - Segment Information - Pennsylvania Regulated Segment - Competition" for a discussion of competitive factors affecting PPL Electric.

New Accounting Guidance

See Notes 1 and 24 to the Financial Statements for a discussion of new accounting guidance adopted and pending adoption.

Application of Critical Accounting Policies

Financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following accounting policies are particularly important to the financial condition or results of operations, and require estimates or other judgments of matters inherently uncertain. Changes in the estimates or other judgments included within these accounting policies could result in a significant change to the information presented in the Financial Statements (these accounting policies are also discussed in Note 1 to the Financial Statements). Senior management has reviewed these critical accounting policies, the following disclosures regarding their application and the estimates and assumptions regarding them, with PPL's Audit Committee.

Defined Benefits

PPL Electric participates in a qualified funded defined benefit pension plan, an unfunded non-qualified defined benefit plan and a funded other postretirement benefit plan, sponsored by other PPL subsidiaries and administered through PPL Services. PPL Electric is allocated a significant portion of the liability and net periodic defined benefit pension and other postretirement costs of the plans sponsored by other PPL subsidiaries based on participation in those plans. PPL Electric records an asset or liability to recognize the funded status of all defined benefit plans with an offsetting entry to regulatory assets. Consequently, the funded status of all defined benefit plans is fully recognized on the Balance Sheets. See Note 13 to the Financial Statements for additional information about the plans and the accounting for defined benefits.

PPL Services makes certain assumptions regarding the valuation of benefit obligations and the performance of plan assets. When accounting for defined benefits, delayed recognition in earnings of differences between actual results and expected or estimated results is a guiding principle. Annual net periodic defined benefit costs are recorded in current earnings based on estimated results. Any differences between actual and estimated results are recorded in regulatory assets for amounts that are expected to be recovered through regulated customer rates. The amount in regulatory assets is amortized to income over future periods. The delayed recognition allows for a smoothed recognition of costs over the working lives of the employees who benefit under the plans. The primary assumptions are:

- Discount Rate - The discount rate is used in calculating the present value of benefits, which is based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.

- Expected Return on Plan Assets - Management projects the long-term rates of return on plan assets based on historical performance, future expectations and periodic portfolio rebalancing among the diversified asset classes. These projected returns reduce the net benefit costs PPL records currently.

- Rate of Compensation Increase - Management projects employees' annual pay increases, which are used to project employees' pension benefits at retirement.

- Health Care Cost Trend Rate - Management projects the expected increases in the cost of health care.

In selecting a discount rate for its U.S. defined benefit plans, PPL Services starts with a cash flow analysis of the expected benefit payment stream for its plans. The plan-specific cash flows are matched against the coupons and expected maturity values of individually selected bonds. This bond matching process begins with the full universe of Aa-rated non-callable (or callable with make-whole provisions) bonds, serving as the base from which those with the lowest and highest yields were eliminated to develop an appropriate subset of bonds. Individual bonds were then selected based on the timing of each plan's cash flows and parameters were established as to the percentage of each individual bond issue that could be hypothetically purchased and the surplus reinvestment rates to be assumed. At December 31, 2012, PPL Services decreased the discount rate for its U.S. pension plans from 5.07% to 4.22% and decreased the discount rate for its other postretirement benefit plans from 4.81% to 4.02%.

The expected long-term rates of return for PPL Services' U.S. defined benefit pension and other postretirement benefit plans have been developed using a best-estimate of expected returns, volatilities and correlations for each asset class. PPL management corroborates these rates with expected long-term rates of return calculated by its independent actuary, who uses a building block approach that begins with a risk-free rate of return with factors being added such as inflation, duration, credit spreads and equity risk. Each plan's specific asset allocation is also considered in developing a reasonable return assumption. At December 31, 2012, PPL Services' expected return on plan assets remained at 7.00% for its U.S. pension plan and increased from 5.70% to 5.75% for its other postretirement benefit plan.

In selecting a rate of compensation increase, PPL Services considers past experience in light of movements in inflation rates. At December 31, 2012, PPL Services' rate of compensation increase decreased from 4.00% to 3.95% for its U.S. plans.

In selecting health care cost trend rates for PPL Services' other postretirement benefit plans, PPL Services considers past performance and forecasts of health care costs. At December 31, 2012, PPL Services' health care cost trend rates were 8.00% for 2013, gradually declining to 5.50% for 2019.

A variance in the assumptions listed above could have a significant impact on the accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and the regulatory assets allocated to PPL Electric. While the charts below reflect either an increase or decrease in each assumption, the inverse of this change would impact the accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and regulatory assets by a similar amount in the opposite direction. The sensitivities below reflect an evaluation of the change based solely on a change in that assumption and does not include income tax effects.

At December 31, 2012, the defined benefit plans were recorded as follows.

Pension liabilities	$ (237)
Other postretirement benefit liabilities	(61)

The following chart reflects the sensitivities in the December 31, 2012 Balance Sheet associated with a change in certain assumptions based on PPL Services' primary defined benefit plans.

	Increase (Decrease)		
Actuarial assumption	Change in assumption	Impact on defined benefit liabilities	Impact on regulatory assets
Discount Rate	(0.25)%	$ 46	$ (46)
Rate of Compensation Increase	0.25%	7	(7)
Health Care Cost Trend Rate (a)	1.00%	1	(1)

(a) Only impacts other postretirement benefits.

In 2012, PPL Electric was allocated net periodic defined benefit costs charged to operating expense of $22 million. This amount represents a $4 million increase compared with the charge recognized during 2011.

The following chart reflects the sensitivities in the 2012 Statement of Income (excluding income tax effects) associated with a change in certain assumptions based on PPL Services' primary defined benefit plans.

Actuarial assumption	Change in assumption	Impact on defined benefit costs
Discount Rate	(0.25)%	$ 3
Expected Return on Plan Assets	(0.25)%	3
Rate of Compensation Increase	0.25%	1

Loss Accruals

Losses are accrued for the estimated impacts of various conditions, situations or circumstances involving uncertain or contingent future outcomes. For loss contingencies, the loss must be accrued if (1) information is available that indicates it is probable that a loss has been incurred, given the likelihood of the uncertain future events, and (2) the amount of the loss can be reasonably estimated. Accounting guidance defines "probable" as cases in which "the future event or events are likely to occur." The accrual of contingencies that might result in gains is not recorded unless recovery is assured. Potential loss contingencies for environmental remediation, litigation claims, regulatory penalties and other events are continuously assessed.

The accounting aspects of estimated loss accruals include (1) the initial identification and recording of the loss, (2) the determination of triggering events for reducing a recorded loss accrual, and (3) the ongoing assessment as to whether a recorded loss accrual is sufficient. All three of these aspects require significant judgment by management. Internal expertise and outside experts (such as lawyers and engineers) are used, as necessary, to help estimate the probability that a loss has been incurred and the amount (or range) of the loss.

No new significant loss accruals were recorded in 2012.

Certain other events have been identified that could give rise to a loss, but that do not meet the conditions for accrual. Such events are disclosed, but not recorded, when it is "reasonably possible" that a loss has been incurred.

When an estimated loss is accrued, the triggering events for subsequently reducing the loss accrual are identified, where applicable. The triggering events generally occur when the contingency has been resolved and the actual loss is paid or written off, or when the risk of loss has diminished or been eliminated. The following are some of the triggering events that provide for the reduction of certain recorded loss accruals:

- Allowances for uncollectible accounts are reduced when accounts are written off after prescribed collection procedures have been exhausted, a better estimate of the allowance is determined or underlying amounts are ultimately collected.

- Environmental and other litigation contingencies are reduced when the contingency is resolved and actual payments are made, a better estimate of the loss is determined or the loss is no longer considered probable.

Loss accruals are reviewed on a regular basis to assure that the recorded potential loss exposures are appropriate. This involves ongoing communication and analyses with internal and external legal counsel, engineers, operation management and other parties.

See Note 15 to the Financial Statements for disclosure of loss contingencies accrued and other potential loss contingencies that have not met the criteria for accrual.

Income Taxes

Significant management judgment is required in developing the provision for income taxes, primarily due to the uncertainty related to tax positions taken or expected to be taken in tax returns and the determination of deferred tax assets, liabilities and valuation allowances.

Significant management judgment is required to determine the amount of benefit recognized related to an uncertain tax position. Tax positions are evaluated following a two-step process. The first step requires an entity to determine whether, based on the technical merits supporting a particular tax position, it is more likely than not (greater than a 50% chance) that the tax position will be sustained. This determination assumes that the relevant taxing authority will examine the tax position and is aware of all the relevant facts surrounding the tax position. The second step requires an entity to recognize in the financial statements the benefit of a tax position that meets the more-likely-than-not recognition criterion. The benefit recognized is measured at the largest amount of benefit that has a likelihood of realization, upon settlement, that exceeds 50%. Management considers a number of factors in assessing the benefit to be recognized, including negotiation of a settlement.

On a quarterly basis, uncertain tax positions are reassessed by considering information known at the reporting date. Based on management's assessment of new information, a tax benefit may subsequently be recognized for a previously unrecognized tax position, a previously recognized tax position may be derecognized, or the benefit of a previously recognized tax position may be remeasured. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements in the future.

At December 31, 2012, it was reasonably possible that during the next 12 months the total amount of unrecognized tax benefits could increase by as much as $11 million or decrease by up to $25 million. This change could result from the timing and/or valuation of certain deductions, intercompany transactions and unitary filing groups. The events that could cause these changes are direct settlements with taxing authorities, litigation, legal or administrative guidance by relevant taxing authorities and the lapse of an applicable statute of limitation.

The balance sheet classification of unrecognized tax benefits and the need for valuation allowances to reduce deferred tax assets also require significant management judgment. Unrecognized tax benefits are classified as current to the extent management expects to settle an uncertain tax position by payment or receipt of cash within one year of the reporting date. Valuation allowances are initially recorded and reevaluated each reporting period by assessing the likelihood of the ultimate realization of a deferred tax asset. Management considers a number of factors in assessing the realization of a deferred tax asset, including the reversal of temporary differences, future taxable income and ongoing prudent and feasible tax planning strategies. Any tax planning strategy utilized in this assessment must meet the recognition and measurement criteria utilized to account for an uncertain tax position. See Note 5 to the Financial Statements for income tax disclosures.

Regulatory Assets and Liabilities

PPL Electric's electricity delivery business is subject to cost-based rate regulation. As a result, the effects of regulatory actions are required to be reflected in the financial statements. Assets and liabilities are recorded that result from the regulated ratemaking process that may not be recorded under GAAP for non-regulated entities. Regulatory assets generally represent incurred costs that have been deferred because such costs are probable of future recovery in regulated customer rates. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates. In certain cases, regulatory liabilities are recorded based on an understanding or agreement with the regulator that rates have been set to recover costs that are expected to be incurred in the future, and the regulated entity is accountable for any amounts charged pursuant to such rates and not yet expended for the intended purpose.

Management continually assesses whether the regulatory assets are probable of future recovery by considering factors such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders to other regulated entities, and the status of any pending or potential deregulation legislation. Based on this continual assessment, management believes the existing regulatory assets are probable of recovery. This assessment reflects the current political and regulatory climate at the state and federal levels, and is subject to change in the future. If future recovery of costs ceases to be probable, then asset write-offs would be required to be recognized in operating income. Additionally, the regulatory agencies can provide flexibility in the manner and timing of depreciation of PP&E and amortization of regulatory assets.

At December 31, 2012, PPL Electric had regulatory assets of $853 million and regulatory liabilities of $60 million. All regulatory assets are either currently being recovered under specific rate orders, represent amounts that are expected to be recovered in future rates or benefit future periods based upon established regulatory practices.

See Note 6 to the Financial Statements for additional information on regulatory assets and liabilities.

Revenue Recognition - Unbilled Revenue

Revenues related to the sale of energy are recorded when energy is delivered to customers. Because customers are billed on cycles which vary based on the timing of the actual meter reads taken throughout the month, PPL Electric records estimates for unbilled revenues at the end of each reporting period. Such unbilled revenue amounts reflect estimates of the amount of energy delivered to customers since the date of the last reading of their meters. The unbilled estimate is based on daily load models, the meter read schedule, and actual weather data. The unbilled accrual is based on estimated usage for each customer class, and the current rate schedule pricing. At December 31, 2012 and 2011, PPL Electric had unbilled revenue of $110 million and $102 million.

Other Information

PPL's Audit Committee has approved the independent auditor to provide audit, audit-related and tax services permitted by Sarbanes-Oxley and SEC rules. The audit and audit-related services include services in connection with statutory and regulatory filings, reviews of offering documents and registration statements, and internal control reviews. See "Item 14. Principal Accounting Fees and Services" for more information.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information provided in this Item 7 should be read in conjunction with LKE's Consolidated Financial Statements and the accompanying Notes. Capitalized terms and abbreviations are defined in the glossary. Dollars are in millions, unless otherwise noted.

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

- "Overview" provides a description of LKE and its business strategy, a summary of Net Income and a discussion of certain events related to LKE's results of operations and financial condition.

- "Results of Operations" provides a summary of LKE's earnings and a description of key factors expected to impact future earnings. This section ends with explanations of significant changes in principal items on LKE's Statements of Income, comparing 2012 with 2011 and 2011 with 2010.

- "Financial Condition - Liquidity and Capital Resources" provides an analysis of LKE's liquidity position and credit profile. This section also includes a discussion of forecasted sources and uses of cash and rating agency actions.

- "Financial Condition - Risk Management" provides an explanation of LKE's risk management programs relating to market and credit risk.

- "Application of Critical Accounting Policies" provides an overview of the accounting policies that are particularly important to the results of operations and financial condition of LKE and that require its management to make significant estimates, assumptions and other judgments of matters inherently uncertain.

Overview

Introduction

LKE, headquartered in Louisville, Kentucky, is a holding company. LKE became a wholly owned subsidiary of PPL when PPL acquired all of LKE's interests from E.ON US Investments Corp. on November 1, 2010. LKE has 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 electric energy. LG&E also engages in the distribution and sale of natural gas. LG&E and KU maintain their separate identities and serve customers in Kentucky under their respective names. KU also serves customers in Virginia under the Old Dominion Power name and in Tennessee under the KU name. Refer to "Item 1. Business - Background" for a description of LKE's business.

Business Strategy

LKE's overall strategy is to provide reliable, safe, competitively priced energy to its customers and reasonable returns on regulated investments to its member.

A key objective for LKE is to maintain a strong credit profile through managing financing costs and access to credit markets. LKE continually focuses on maintaining an appropriate capital structure and liquidity position.

Successor and Predecessor Financial Presentation

LKE's Financial Statements and related financial and operating data include the periods before and after PPL's acquisition of LKE on November 1, 2010 and have been segregated to present pre-acquisition activity as the Predecessor and post-acquisition activity as the Successor. Certain accounting and presentation methods were changed to acceptable alternatives to conform to PPL's accounting policies, and the cost bases of certain assets and liabilities were changed as of November 1, 2010 as a result of the application of push-down accounting. Consequently, the financial position, results of operations and cash flows for the Successor periods are not comparable to the Predecessor periods; however, the core operations of LKE have not changed as a result of the acquisition.

Financial and Operational Developments

Net Income

Net Income for 2012, 2011 and 2010 was $219 million, $265 million and $237 million. Earnings in 2012 decreased 17% from 2011 and earnings in 2011 increased 12% from 2010.

See "Results of Operations" for a discussion and analysis of LKE's earnings.

Rate Case Proceedings

In June 2012, LG&E and KU filed requests with the KPSC for increases in annual base electric rates of approximately $62 million at LG&E and approximately $82 million at KU and an increase in annual base gas rates of approximately $17 million at LG&E. In November 2012, LG&E and KU along with all of the parties filed a unanimous settlement agreement. Among other things, the settlement provided for increases in annual base electric rates of $34 million at LG&E and $51 million at KU and an increase in annual base gas rates of $15 million at LG&E. The settlement agreement also included revised depreciation rates that result in reduced annual electric depreciation expense of approximately $9 million for LG&E and approximately $10 million for KU. The settlement agreement included an authorized return on equity at LG&E and KU of 10.25%. On December 20, 2012, the KPSC issued orders approving the provisions in the settlement agreement. The new rates became effective on January 1, 2013. In addition to the increased base rates, the KPSC approved a gas line tracker mechanism for LG&E to provide for recovery of costs associated with LG&E's gas main replacement program, gas service lines and risers.

Equity Method Investment

KU owns 20% of the common stock of EEI. Through a power marketer affiliated with its majority owner, EEI sells its output to third parties. KU's investment in EEI is accounted for under the equity method of accounting. KU's direct exposure to loss as a result of its involvement with EEI is generally limited to the value of its investment. During the fourth quarter of 2012, KU concluded that an other-than-temporary decline in the value of its investment in EEI had occurred. Accordingly, KU recorded a $15 million impairment charge, net of taxes, related to this investment as of December 31, 2012, bringing the investment balance to zero. The impairment charge is shown in the line "Other-Than-Temporary Impairments" on the Statement of Income for the year ended December 31, 2012.

Registered Debt Exchange Offer by LKE

In June 2012, LKE completed an exchange of all its outstanding 4.375% Senior Notes due 2021 issued in September 2011 in a transaction not registered under the Securities Act of 1933, for similar securities that were issued in a transaction registered under the Securities Act of 1933. See Note 7 to the Financial Statements for additional information.

Commercial Paper

In February 2012, LG&E and KU each established a commercial paper program for up to $250 million to provide an additional financing source to fund their short-term liquidity needs, if and when necessary. Commercial paper issuances are supported by the issuer's credit facility. At December 31, 2012, $125 million of commercial paper was outstanding.

Terminated Bluegrass CTs Acquisition

In September 2011, LG&E and KU entered into an asset purchase agreement with Bluegrass Generation for the purchase of the Bluegrass CTs, aggregating approximately 495 MW, plus limited associated contractual arrangements required for operation of the units, for a purchase price of $110 million, pending receipt of applicable regulatory approvals. In May 2012, the KPSC issued an order approving the request to purchase the Bluegrass CTs. In November 2011, LG&E and KU filed an application with the FERC under the Federal Power Act requesting approval to purchase the Bluegrass CTs. In May 2012, the FERC issued an order conditionally authorizing the acquisition of the Bluegrass CTs, subject to approval by the FERC of satisfactory mitigation measures to address market-power concerns. After a review of potentially available mitigation options, LG&E and KU determined that the options were not commercially justifiable. In June 2012, LG&E and KU terminated the asset purchase agreement for the Bluegrass CTs in accordance with its terms and made applicable filings with the KPSC and FERC.

Cane Run Unit 7 Construction

In September 2011, LG&E and KU filed a CPCN with the KPSC requesting approval to build Cane Run Unit 7. In May 2012, the KPSC issued an order approving the request. A formal request for recovery of the costs associated with the construction was not included in the CPCN filing with the KPSC but is expected to be included in future rate case proceedings. LG&E and KU commenced preliminary construction activities in the third quarter of 2012 and project construction is expected to be completed by May 2015. The project, which includes building a natural gas supply pipeline and related transmission projects, has an estimated cost of approximately $600 million.

In conjunction with this construction and to meet new, more stringent EPA regulations with a 2015 compliance date, LG&E and KU anticipate retiring five older coal-fired electric generating units at the Cane Run and Green River plants, which have a combined summer capacity rating of 726 MW. In addition, KU retired the remaining 71 MW unit at the Tyrone plant in February 2013.

Future Capacity Needs

In addition to the construction of a combined cycle gas unit at the Cane Run station, LG&E and KU continue to assess future capacity needs. As a part of the assessment, LG&E and KU issued an RFP in September 2012 for up to 700 MW of capacity beginning as early as 2015.

Results of Operations

As previously noted, LKE's results for the periods after October 31, 2010 are on a basis of accounting different from its results for periods prior to November 1, 2010. See "Overview - Successor and Predecessor Financial Presentation" for further information.

The utility business is affected by seasonal weather. As a result, operating revenues (and associated operating expenses) are not generated evenly throughout the year. Revenue and earnings are generally higher during the first and third quarters and lower during the second and fourth quarters due to weather.

The following table summarizes the significant components of net income for 2012, 2011 and 2010 and the changes therein:

Earnings

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Net Income	$ 219	$ 265	$ 47	$ 190

The changes in the components of Net Income between these periods were due to the following factors, which reflect reclassifications for items included in Margins and certain items that management considers special. See additional detail of these special items in the table below.

	2012 vs. 2011	2011 vs. 2010
Margins	$ (8)	$ 92
Other operation and maintenance	(16)	(5)
Depreciation	(10)	(43)
Taxes, other than income	(9)	(14)
Other Income (Expense) - net	(14)	(13)
Interest Expense	(4)	29
Income Taxes	31	(18)
Special items, after-tax	(16)	
Total	$ (46)	$ 28

- See "Statement of Income Analysis - Margins - Changes in Non-GAAP Financial Measures" for an explanation of Margins.
- Higher other operation and maintenance in 2012 compared with 2011 primarily due to $11 million of expenses related to an increased scope of scheduled outages and a $6 million credit to establish a regulatory asset recorded when approved in 2011 related to 2009 storm costs.

- Higher depreciation in 2012 compared with 2011 due to PP&E additions.

  Higher depreciation in 2011 compared with 2010 primarily due to TC2 commencing dispatch in January 2011.

- Higher taxes, other than income in 2011 compared with 2010 primarily due to a $9 million state coal tax credit that was applied to 2010 property taxes. The remaining increase was due to higher assessments, primarily from significant property additions.

- Lower other income (expense) - net in 2012 compared with 2011 primarily due to losses from the EEI investment.

  Lower other income (expense) - net in 2011 compared with 2010 primarily due to $19 million of other income from the establishment of a regulatory asset in 2010 for previously recorded losses on interest rate swaps.

- Lower interest expense in 2011 compared with 2010 due to lower interest rates and lower average long-term debt balances. Lower interest rates contributed $17 million to the decrease in interest expense, as the interest rates on the first mortgage bonds were lower than the rates on the loans from E.ON AG affiliates, which were replaced.

- Lower income taxes in 2012 compared with 2011 primarily due to lower pre-tax income.

  Higher income taxes in 2011 compared with 2010 primarily due to higher pre-tax income.

The following after-tax gains (losses), which management considers special items, also impacted earnings.

	Income Statement Line Item	Successor 2012	Successor 2011	Successor 2010	Predecessor 2010
Net operating loss carryforward and other tax-related adjustments	Income Taxes and Other O&M	$ 4			
Asset impairment, net of tax of $10 (a)	Other-Than-Temporary Impairments	(15)			
Discontinued operations adjustment, net of tax of $4 (b)	Discontinued Operations	(5)			
Energy-related economic activity, net of tax of $0, ($1), $1, $0 (c)	Operating Revenues		$ 1	$ (1)	
BREC terminated lease, net of tax of $0, $1, ($2), $1 (d)	Discontinued Operations		(1)	2	$ (1)
Total		$ (16)	$	$ 1	$ (1)

(a) KU recorded an impairment of its equity method investment in EEI. See Note 18 to the Financial Statements for additional information.
(b) 2012 includes an adjustment to an indemnification liability.
(c) Represents net unrealized gains (losses) on contracts that economically hedge anticipated cash flows.
(d) Represents costs associated with a terminated lease of WKE for the generating facilities of BREC. See Note 9 to the Financial Statements for additional information.

2013 Outlook

Excluding special items, LKE projects higher earnings in 2013 compared with 2012, primarily driven by electric and gas base rate increases effective January 1, 2013, returns on additional environmental capital investments and retail load growth, partially offset by higher operation and maintenance.

Earnings in future periods are subject to various risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 1A. Risk Factors," the rest of this Item 7 and Notes 6 and 15 to the Financial Statements for a discussion of the risks, uncertainties and factors that may impact future earnings.

Statement of Income Analysis --

Margins

Non-GAAP Financial Measure

The following discussion includes financial information prepared in accordance with GAAP, as well as a non-GAAP financial measure, "Margins." Margins is 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 to report on the results of their operations. Margins is a single financial performance measure of LKE's electricity generation, transmission and distribution operations as well as its distribution and sale of natural gas. In calculating this measure, fuel and energy purchases are deducted from revenues. In addition, utility revenues and expenses associated with approved cost recovery mechanisms are offset. These mechanisms allow for recovery of certain expenses, returns on capital investments primarily associated with environmental regulations and performance incentives. Certain costs associated with these mechanisms, primarily ECR and DSM, are recorded as "Other operation and maintenance" and "Depreciation." As a result, this measure represents the net revenues from LKE's operations. This performance measure is used, in conjunction with other information, internally by senior management to manage operations and analyze actual results compared with budget.

<u>Reconciliation of Non-GAAP Financial Measures</u>

The following tables reconcile "Operating Income" to "Margins" as defined by LKE for 2012, 2011 and 2010.

	2012 Successor			2011 Successor		
	Margins	**Other (a)**	**Operating Income (b)**	**Margins**	**Other (a)**	**Operating Income (b)**
Operating Revenues	$ 2,759		$ 2,759	$ 2,791	$ 2	$ 2,793
Operating Expenses						
Fuel	872		872	866		866
Energy purchases	195		195	238		238
Other operation and maintenance	101	$ 677	778	90	661	751
Depreciation	51	295	346	49	285	334
Taxes, other than income		46	46		37	37
Total Operating Expenses	1,219	1,018	2,237	1,243	983	2,226
Total	$ 1,540	$ (1,018)	$ 522	$ 1,548	$ (981)	$ 567

	Successor			Predecessor		
	Two Months Ended December 31, 2010			Ten Months Ended October 31, 2010		
	Margins	**Other (a)**	**Operating Income (b)**	**Margins**	**Other (a)**	**Operating Income (b)**
Operating Revenues	$ 495	$ (1)	$ 494	$ 2,214		$ 2,214
Operating Expenses						
Fuel	138		138	723		723
Energy purchases	68		68	211		211
Other operation and maintenance	14	127	141	57	$ 529	586
Depreciation	7	42	49	35	200	235
Taxes, other than income		2	2		21	21
Total Operating Expenses	227	171	398	1,026	750	1,776
Total	$ 268	$ (172)	$ 96	$ 1,188	$ (750)	$ 438

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

<u>Changes in Non-GAAP Financial Measures</u>

Margins decreased by $8 million for 2012 compared with 2011, primarily due to $6 million of lower wholesale margins resulting from lower market prices. Retail margins were $2 million lower, as volumes were impacted by unseasonably mild weather during the first four months of 2012. Total heating degree days decreased 11% compared to 2011, partially offset by a 6% increase in cooling degree days.

Margins increased by $92 million for 2011 compared with 2010. New KPSC rates went into effect on August 1, 2010, contributing to an additional $112 million in operating revenue over the prior year. Partially offsetting the rate increase were lower retail volumes resulting from weather and economic conditions.

Other Operation and Maintenance

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

	2012 vs. 2011	2011 vs. 2010
Coal plant maintenance (a)	$ 19	$ 4
Distribution maintenance (b)	7	8
Administrative and general (c)	(7)	(1)
Steam operation (d)	2	10
Fuel for generation (e)		11
Other generation maintenance		(4)
Other	6	(4)
Total	$ 27	$ 24

(a) Coal plant maintenance costs increased in 2012 compared with 2011 primarily due to $11 million of expenses related to an increased scope of scheduled outages, as well as $5 million of increased maintenance at the Ghent plant on the scrubber system and primary fuel combustion system.

(b) Distribution maintenance costs increased in 2012 compared with 2011 primarily due to a $6 million credit to establish a regulatory asset recorded when approved in 2011 related to 2009 storm costs.

Distribution maintenance costs increased in 2011 compared with 2010 primarily due to $17 million of expenses related to amortization of storm restoration-related costs, a hazardous tree removal project initiated in August 2010 and an increase in pipeline integrity work. This increase was offset by a $6 million credit to establish a regulatory asset recorded when approved in 2011 related to 2009 storm costs.

(c) Administrative and general costs decreased in 2012 compared with 2011 primarily due to a decrease in pension expense resulting from pension funding and lower interest cost.

(d) Steam operation costs increased in 2011 compared with 2010 primarily due to higher variable costs as a result of TC2 commencing dispatch in 2011.

(e) Fuel handling costs are included in other operation and maintenance on the Statements of Income for the Successor periods and are in fuel on the Statement of Income for the Predecessor period.

Depreciation

The increase (decrease) in depreciation was due to:

	2012 vs. 2011	2011 vs. 2010
TC2 (dispatch began in January 2011)		$ 32
E.W. Brown sulfur dioxide scrubber equipment (placed in-service in June 2010)		8
Other additions to PP&E	$ 12	10
Total	$ 12	$ 50

Taxes, Other Than Income

Taxes, other than income increased by $9 million in 2012 compared with 2011 due in part to a $4 million increase in property taxes resulting from property additions, higher assessed values and changes in property classifications to categories with higher tax rates.

Taxes, other than income increased by $14 million in 2011 compared with 2010 primarily due to a $9 million state coal tax credit that was applied to 2010 property taxes. The remaining increase was due to higher assessments, primarily from significant property additions.

Other Income (Expense) - net

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

	2012 vs. 2011	2011 vs. 2010
Earnings (losses) from the EEI investment	$ (9)	$ (2)
Depreciation expense on TC2 joint-use assets held for future use		3
Losses on interest rate swaps (a)		(19)
Other	(5)	5
Total	$ (14)	$ (13)

(a) A regulatory asset was established in 2010 for previously recorded losses on interest rate swaps.

Other-Than-Temporary Impairments

Other-than-temporary impairments increased by $25 million in 2012 compared with 2011 due to the $25 million pre-tax impairment of the EEI investment. See Notes 1 and 18 to the Financial Statements for additional information.

Interest Expense

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

	2012 vs. 2011	2011 vs. 2010
Interest rates (a)	$ (2)	$ (17)
Long-term debt balances (b)	8	(15)
Other	(2)	3
Total	$ 4	$ (29)

(a) Interest expense decreased in 2011 compared with 2010 primarily due to lower interest rates on senior notes and first mortgage bonds issued in November 2010 compared with the rates on the loans from E.ON AG affiliates that were in place through October 2010.
(b) Interest expense increased in 2012 compared with 2011 due to the LKE $250 million senior notes that were issued in September 2011.

Interest expense decreased in 2011 compared with 2010 as the long-term debt balances were lower for the majority of 2011. The debt balances increased in September 2011 due to the issuance of the LKE $250 million senior notes.

Income Taxes

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

	2012 vs. 2011	2011 vs. 2010
Change in pre-tax income	$ (34)	$ 19
Net operating loss carryforward adjustments (a)	(9)	
Other	(4)	
Total	$ (47)	$ 19

(a) Adjustments to deferred taxes related to net operating loss carryforwards based on income tax return adjustments.

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

Income (loss) from discontinued operations (net of income taxes) decreased by $5 million in 2012 compared with 2011 primarily related to an adjustment to the estimated liability for indemnifications related to the termination of the WKE lease in 2009.

Financial Condition

Liquidity and Capital Resources

LKE expects to continue to have adequate liquidity available through operating cash flows, cash and cash equivalents and its credit facilities, including commercial paper issuances. Additionally, subject to market conditions, subsidiaries of LKE currently plan to access capital markets in 2013.

LKE's cash flows from operations and access to cost-effective bank and capital markets are subject to risks and uncertainties including, but not limited to:

- changes in commodity prices that may increase the cost of producing or purchasing power or decrease the amount LKE receives from selling power;
- operational and credit risks associated with selling and marketing products in the wholesale power markets;
- unusual or extreme weather that may damage LKE's transmission and distribution facilities or affect energy sales to customers;
- reliance on transmission facilities that LKE does not own or control to deliver its electricity and natural gas;
- unavailability of generating units (due to unscheduled or longer-than-anticipated generation outages, weather and natural disasters) and the resulting loss of revenues and additional costs of replacement electricity;
- the ability to recover and the timeliness and adequacy of recovery of costs associated with regulated utility businesses;
- costs of compliance with existing and new environmental laws;
- any adverse outcome of legal proceedings and investigations with respect to LKE's current and past business activities;

- deterioration in the financial markets that could make obtaining new sources of bank and capital markets funding more difficult and more costly; and
- a downgrade in LKE's or its rated subsidiaries' credit ratings that could adversely affect their ability to access capital and increase the cost of credit facilities and any new debt.

See "Item 1A. Risk Factors" for further discussion of risks and uncertainties affecting LKE's cash flows.

At December 31, LKE had the following:

	2012	2011	2010
Cash and cash equivalents	$ 43	$ 59	$ 11
Short-term investments (a)			163
	$ 43	$ 59	$ 174
Short-term debt (b)	$ 125		$ 163

(a) Represents tax-exempt bonds issued by Louisville/Jefferson County, Kentucky, on behalf of LG&E that were purchased from the remarketing agent in 2008. Such bonds were remarketed to unaffiliated investors in January 2011. See Note 7 to the Financial Statements for additional information.
(b) Borrowings in 2012 were made under LG&E's and KU's commercial paper programs and borrowings in 2010 were made under LG&E's syndicated credit facility. See Note 7 to the Financial Statements for additional information.

The changes in LKE's cash and cash equivalents position resulted from:

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Net cash provided by (used in) operating activities	$ 747	$ 781	$ 26	$ 488
Net cash provided by (used in) investing activities	(756)	(277)	(211)	(426)
Net cash provided by (used in) financing activities	(7)	(456)	167	(40)
Net Increase (Decrease) in Cash and Cash Equivalents	$ (16)	$ 48	$ (18)	$ 22

Operating Activities

Net cash provided by operating activities decreased by 4%, or $34 million, in 2012 compared with 2011, primarily as a result of:

- Net income adjusted for non-cash items declined by $94 million, which included an $85 million reduction in deferred income taxes due primarily to the utilization of a capital loss carry forward in 2011.
- Working capital cash flow changes declined by $66 million driven primarily by changes in receivables and unbilled revenues due to milder December weather in 2011 than in 2012 and 2010 and more income tax receivables collected in 2011 than in 2012.
- These items were offset by $126 million increase in other operating cash flows driven by $100 million reduction in pension funding.

Net cash provided by operating activities increased by 52%, or $267 million, in 2011 compared with 2010, primarily as a result of:

- an increase in net income adjusted for non-cash effects of $178 million (deferred income taxes and investment tax credits of $101 million, depreciation of $50 million, amortization of regulatory assets of $24 million and other noncash items of $3 million, partially offset by unrealized (gains) losses on derivatives of $14 million, defined benefit plans - expense of $13 million and loss from discontinued operations - net of tax of $1 million);
- an increase in cash inflows related to income tax receivable of $79 million primarily due to net operating losses of $40 million recorded in 2010 and the payment of $40 million received by LKE for tax benefits in 2011;
- a net decrease in cash provided from accounts receivable and unbilled revenues of $75 million due to colder weather in December 2010 as compared with December 2009 and milder weather in December 2011 as compared with December 2010; and

- a decrease in cash outflows of $28 million due to lower inventory levels in 2011 as compared with 2010 driven by $32 million for fuel inventory purchased in 2010 for TC2 that was not used until 2011 when TC2 began dispatch, $21 million due to lower coal burn as a result of unplanned outages at LG&E's Mill Creek plant and $6 million for decreases in gas storage volumes, partially offset by $22 million for KU's E.W. Brown and Ghent plants due primarily to increases in coal prices and $7 million for increases in coal in-transit; partially offset by
- an increase in discretionary defined benefit plan contributions of $105 million made in order to achieve LKE's long-term funding requirements.

Investing Activities

Net cash used in investing activities increased by 173%, or $479 million, in 2012 compared with 2011, primarily as a result of:

- an increase in capital expenditures of $291 million, primarily due to coal combustion residuals projects at Ghent and E.W. Brown, environmental air projects at Mill Creek and Ghent, and construction of Cane Run Unit 7 ; and
- a decrease in the proceeds from the sale of other investments of $163 million in 2011.

Net cash used in investing activities decreased by 57%, or $360 million, in 2011 compared with 2010, as a result of:

- proceeds from the sale of other investments of $163 million in 2011;
- a decrease in capital expenditures of $122 million, primarily due to the completion of KU's scrubber program in 2010 and TC2 being dispatched in 2011; and
- an increase from a change in notes receivable from affiliates of $107 million; partially offset by
- proceeds from sales of discontinued operations of $21 million in 2010; and
- a decrease in restricted cash of $11 million.

See "Forecasted Uses of Cash" for detail regarding capital expenditures for the years 2013 through 2017.

Financing Activities

Net cash used in financing activities was $7 million in 2012 compared with net cash used in financing activities of $456 million in 2011, primarily as a result of decrease in distributions to PPL.

In 2012, cash used in financing activities consisted of:

- distributions to PPL of $155 million; partially offset by
- the issuance of $ 125 million of short-term debt in the form of commercial paper; and
- an increase in notes payable with affiliates of $25 million.

Net cash used in financing activities was $456 million in 2011 compared with net cash provided by financing activities of $127 million in 2010, primarily as a result of increased distributions to PPL and reduced contributions from PPL.

In 2011, cash used in financing activities consisted of:

- distributions to PPL of $533 million, which includes $248 million using the proceeds of the long-term debt issuance noted below;
- a repayment on a revolving line of credit of $163 million;
- the payment of debt issuance and credit facility costs of $8 million; and
- the repayment of debt of $2 million; partially offset by
- the issuance of senior notes of $250 million.

In the two months of 2010 following PPL's acquisition of LKE, cash provided by financing activities of the Successor consisted of:

- the issuance of senior unsecured notes and first mortgage bonds of $2,890 million after discounts;
- the issuance of debt of $2,784 million to a PPL affiliate to repay debt due to E.ON AG affiliates upon the closing of PPL's acquisition of LKE;
- an equity contribution from PPL of $1,565 million; and
- a draw on a revolving line of credit of $163 million; partially offset by

- the repayment of debt to E.ON AG affiliates of $4,319 million upon the closing of PPL's acquisition of LKE;
- the repayment of debt to a PPL affiliate of $2,784 million upon the issuance of senior unsecured notes and first mortgage bonds;
- distributions to PPL of $100 million; and
- the payment of debt issuance and credit facility costs of $32 million.

In the ten months of 2010 preceding PPL's acquisition of LKE, cash used in financing activities by the Predecessor consisted of:

- the repayment of debt to an E.ON AG affiliate of $900 million;
- distributions to E.ON US Investments Corp. of $87 million; and
- a net decrease in notes payable with affiliates of $3 million; partially offset by
- the issuance of debt of $950 million to an E.ON AG affiliate.

See "Forecasted Sources of Cash" for a discussion of LKE's plans to issue debt securities, as well as a discussion of credit facility capacity available to LKE. Also see "Forecasted Uses of Cash" for a discussion of plans to pay dividends on common securities in the future, as well as maturities of long-term debt.

LKE's long-term debt securities activity through December 31, 2012 was:

	Debt	
	Issuances	Retirement
Non-cash Exchanges (a)		
LKE Senior Unsecured Notes	$ 250	$ (250)

(a) In June 2012, LKE completed an exchange of all of its outstanding 4.375% Senior Notes due 2021 issued in September 2011, in a transaction not registered under the Securities Act of 1933, for similar securities that were issued in a transaction registered under the Securities Act of 1933.

See Note 7 to the Financial Statements for additional information about long-term debt securities.

Auction Rate Securities

At December 31, 2012, LG&E's and KU's tax-exempt revenue bonds that are in the form of auction rate securities and total $231 million continue to experience failed auctions. Therefore, the interest rate continues to be set by a formula pursuant to the relevant indentures. For the period ended December 31, 2012, the weighted-average rate on LG&E's and KU's auction rate bonds in total was 0.22%.

Forecasted Sources of Cash

LKE expects to continue to have sufficient sources of cash available in the near term, including various credit facilities, its commercial paper programs, issuance of debt securities and operating cash flow.

Credit Facilities

At December 31, 2012, LKE's total committed borrowing capacity under its credit facilities and the use of this borrowing capacity were:

	Committed Capacity	Borrowed / Commercial Paper Issued	Letters of Credit Issued	Unused Capacity
LKE Credit Facility with a subsidiary of PPL Energy Funding Corporation	$ 300	$ 25		$ 275
LG&E Credit Facility (a) (d)	500	55		445
KU Credit Facilities (a) (b) (d)	598	70	$ 198	330
Total Credit Facilities (c)	$ 1,398	$ 150	$ 198	$ 1,050

(a) In November 2012, LG&E and KU amended their syndicated credit facilities to extend the expiration dates to November 2017. In addition, LG&E increased its credit facility's capacity to $500 million.
(b) In August 2012, the KU letter of credit facility agreement was amended and restated to allow for certain payments under the letter of credit facility to be converted to loans rather than requiring immediate payment.

(c) The $1.098 billion of commitments under LG&E's and KU's domestic credit facilities are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than 11% of the total committed capacity; however, the PPL affiliate provided a commitment of approximately 21% of the total facilities listed above. The syndicated credit facilities, as well as KU's letter of credit facility, each contain a financial covenant requiring debt to total capitalization not to exceed 70% for LG&E or KU, as calculated in accordance with the facility, and other customary covenants.
(d) Each company pays customary fees under their respective syndicated credit facilities, as well as KU's letter of credit facility, and borrowings generally bear interest at LIBOR-based rates plus an applicable margin.

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

Operating Leases

LKE and its subsidiaries also have available funding sources that are provided through operating leases. LKE's subsidiaries lease office space, gas storage and certain equipment. These leasing structures provide LKE additional operating and financing flexibility. The operating leases contain covenants that are typical for these agreements, such as maintaining insurance, maintaining corporate existence and timely payment of rent and other fees.

See Note 11 to the Financial Statements for further discussion of the operating leases.

Capital Contributions from PPL

From time to time PPL may make capital contributions to LKE. LKE may use these contributions to fund capital expenditures, make capital contributions to its subsidiaries and for other general corporate purposes.

Long-term Debt Securities

LG&E and KU currently plan to issue, subject to market conditions, up to $350 million for LG&E and $300 million for KU, of first mortgage bond indebtedness in 2013, the proceeds of which will be used to fund capital expenditures and for other general corporate purposes.

Forecasted Uses of Cash

In addition to expenditures required for normal operating activities, such as purchased power, payroll, fuel and taxes, LKE currently expects to incur future cash outflows for capital expenditures, various contractual obligations, distributions to PPL and possibly the purchase or redemption of a portion of debt securities.

Capital Expenditures

The table below shows LKE's current capital expenditure projections for the years 2013 through 2017.

	Projected				
	2013	**2014**	**2015**	**2016**	**2017**
Capital expenditures (a)					
Generating facilities	$ 427	$ 251	$ 267	$ 476	$ 540
Distribution facilities	233	227	263	257	281
Transmission facilities	107	68	59	56	77
Environmental	655	722	513	292	107
Other	48	45	43	48	39
Total Capital Expenditures	$ 1,470	$ 1,313	$ 1,145	$ 1,129	$ 1,044

(a) LKE generally expects to recover these costs over a period equivalent to the related depreciable lives of the assets through rates. The 2013 total excludes amounts included in accounts payable as of December 31, 2012.

LKE's capital expenditure projections for the years 2013 through 2017 total approximately $6.1 billion. Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions. This table includes current estimates for LKE's environmental projects related to existing and proposed EPA compliance standards. Actual costs may be significantly lower or higher depending on the final requirements and market conditions. Environmental compliance costs incurred by LG&E and KU in serving KPSC jurisdictional customers are generally eligible for recovery through the ECR mechanism.

LKE plans to fund its capital expenditures in 2013 with cash on hand, cash from operations, short-term debt and issuance of debt securities.

Contractual Obligations

LKE has assumed various financial obligations and commitments in the ordinary course of conducting its business. LKE is not liable for the debts of LG&E and KU, nor are LG&E and KU liable for the debts of one another. Accordingly, creditors of LG&E and KU may not satisfy their debts from the assets of LKE absent a specific contractual undertaking by LKE or LG&E and KU to pay the creditors or as required by applicable law or regulation. At December 31, 2012, the estimated contractual cash obligations of LKE were:

	Total	2013	2014 - 2015	2016 - 2017	After 2017
Long-term Debt (a)	$ 4,085		$ 900		$ 3,185
Interest on Long-term Debt (b)	2,586	$ 139	274	$ 250	1,923
Operating Leases (c)	90	15	27	14	34
Coal and Natural Gas Purchase Obligations (d)	2,558	789	1,176	501	92
Unconditional Power Purchase Obligations (e)	1,038	30	60	64	884
Construction Obligations (f)	1,757	836	639	282	
Pension Benefit Plan Obligations (g)	153	153			
Other Obligations (h)	30	7	14	8	1
Total Contractual Cash Obligations	$ 12,297	$ 1,969	$ 3,090	$ 1,119	$ 6,119

(a) Reflects principal maturities only based on stated maturity dates. See Note 7 to the Financial Statements for a discussion of variable-rate remarketable bonds issued on behalf of LG&E and KU. LKE has no capital lease obligations.
(b) Assumes interest payments through stated maturity. The payments herein are subject to change, as payments for debt that is or becomes variable-rate debt have been estimated.
(c) See Note 11 to the Financial Statements for additional information.
(d) Represents contracts to purchase coal, natural gas and natural gas transportation. See Note 15 to the Financial Statements for additional information.
(e) Represents future minimum payments under OVEC power purchase agreements through June 2040. See Note 15 to the Financial Statements for additional information.
(f) Represents construction commitments, including commitments for the Mill Creek and Ghent environmental air projects, Cane Run Unit 7, Ghent landfill and Ohio Falls refurbishment which are also reflected in the Capital Expenditures table presented above.
(g) Based on the current funded status of LKE's qualified pension plans, no cash contributions are required. See Note 13 to the Financial Statements for a discussion of expected contributions.
(h) Represents other contractual obligations.

Dividends

From time to time, as determined by its Board of Directors, LKE pays dividends to the sole member, PPL.

As discussed in Note 7 to the Financial Statements, LG&E's and KU's ability to pay dividends is limited under a covenant in each of their revolving line of credit facilities. This covenant restricts their debt to total capital ratio to not more than 70%. See Note 7 to the Financial Statements for other restrictions related to distributions on capital interests for LKE subsidiaries.

Purchase or Redemption of Debt Securities

LKE will continue to evaluate purchasing or redeeming outstanding debt securities and may decide to take action depending upon prevailing market conditions and available cash.

Rating Agency Actions

Moody's, S&P and Fitch periodically review the credit ratings on the debt securities of LKE and its 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 LKE and its subsidiaries are based on information provided by LKE and other sources. The ratings of Moody's, S&P and Fitch are not a recommendation to buy, sell or hold any securities of LKE or its 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 LKE and its subsidiaries affect its liquidity, access to capital markets and cost of borrowing under its credit facilities.

The following table sets forth LKE's and its subsidiaries' security credit ratings as of December 31, 2012.

	Senior Unsecured			Senior Secured			Commercial Paper		
Issuer	**Moody's**	**S&P**	**Fitch**	**Moody's**	**S&P**	**Fitch**	**Moody's**	**S&P**	**Fitch**
LKE	Baa2	BBB-	BBB+						
LG&E			A	A2	A-	A+	P-2	A-2	F-2
KU			A	A2	A-	A+	P-2	A-2	F-2

In addition to the credit ratings noted above, the rating agencies took the following actions related to LKE and its subsidiaries:

In February 2012, Fitch assigned ratings to the two newly established commercial paper programs for LG&E and KU.

In March 2012, Moody's affirmed the following ratings:

- the long-term ratings of the First Mortgage Bonds for LG&E and KU;
- the issuer ratings for LG&E and KU; and
- the bank loan ratings for LG&E and KU.

Also in March 2012, Moody's and S&P each assigned short-term ratings to the two newly established commercial paper programs for LG&E and KU.

In March and May 2012, Moody's, S&P and Fitch affirmed the long-term ratings for LG&E's 2003 Series A, and 2007 Series B pollution control bonds.

In November 2012, Moody's and S&P affirmed the long-term ratings for LG&E's 2007 Series A pollution control bonds.

In December 2012, Fitch affirmed the issuer default ratings, individual security ratings and outlooks for LKE, LG&E and KU.

Ratings Triggers

LKE and its subsidiaries have various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity, fuel, commodity transportation and storage and interest rate instruments, which contain provisions requiring LKE and its subsidiaries to post additional collateral, or permitting the counterparty to terminate the contract, if LKE's or the subsidiaries' credit rating were to fall below investment grade. See Note 19 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral that would have been required for derivative contracts in a net liability position at December 31, 2012. At December 31, 2012, if LKE's or its subsidiaries' credit ratings had been below investment grade, the maximum amount that LKE would have been required to post as additional collateral to counterparties was $78 million for both derivative and non-derivative commodity and commodity-related contracts used in its generation and marketing operations, gas supply and interest rate contracts.

Off-Balance Sheet Arrangements

LKE has entered into certain agreements that may contingently require payment to a guaranteed or indemnified party. See Note 15 to the Financial Statements for a discussion of these agreements.

Risk Management

Market Risk

See Notes 1, 18 and 19 to the Financial Statements for information about LKE's 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 disclosures are not precise indicators of expected future losses, but only indicators of possible losses under normal market conditions at a given confidence level.

Commodity Price Risk (Non-trading)

LG&E's and KU's rates are set by regulatory commissions and the fuel costs incurred are directly recoverable from customers. As a result, LG&E and KU are subject to commodity price risk for only a small portion of on-going business operations. LKE sells excess economic generation to maximize the value of the physical assets at times when the assets are not required to serve LG&E's or KU's customers. See Note 19 to the Financial Statements for additional disclosures.

The balance and change in net fair value of LKE's commodity derivative contracts for the periods ended December 31, 2012, 2011 and 2010 are shown in the table below.

	Gains (Losses)			
	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Fair value of contracts outstanding at the beginning of the period		$ (2)		
Contracts realized or otherwise settled during the period		(3)		$ 3
Fair value of new contracts entered into during the period				(4)
Other changes in fair value (a)		5	$ (2)	1
Fair value of contracts outstanding at the end of the period		$	$ (2)	$

(a) Represents the change in value of outstanding transactions and the value of transactions entered into and settled during the period.

Interest Rate Risk

LKE and its subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. LKE utilizes various financial derivative instruments to adjust the mix of fixed and floating interest rates in its debt portfolio when appropriate. Risk limits under LKE's risk management program are designed to balance risk, exposure to volatility in interest expense and changes in the fair value of LKE's debt portfolio due to changes in the absolute level of interest rates.

At December 31, 2012 and 2011, LKE's potential annual exposure to increased interest expense, based on a 10% increase in interest rates, was not significant.

LKE is also exposed to changes in the fair value of its debt portfolio. LKE estimated that a 10% decrease in interest rates at December 31, 2012, would increase the fair value of its debt portfolio by $113 million compared with $125 million at December 31, 2011.

LKE had the following interest rate hedges outstanding at:

	December 31, 2012			December 31, 2011		
	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates
Economic hedges						
Interest rate swaps (b)	$ 179	$ (58)	$ (3)	$ 179	$ (60)	$ (4)
Cash flow hedges						
Interest rate swaps (b)	300	14	(18)			

(a) Includes accrued interest.
(b) LKE utilizes various risk management instruments to reduce its exposure to the expected future cash flow variability of its debt instruments. These risks include exposure to adverse interest rate movements for outstanding variable rate debt and for future anticipated financing. While LKE is exposed to changes in the fair value of these instruments, any realized changes in the fair value of such economic and cash flow hedges are recoverable through regulated rates and any subsequent changes in fair value of these derivatives are included in regulatory assets or liabilities. Sensitivities represent a 10% adverse movement in interest rates. The positions outstanding at December 31, 2012 mature through 2043.

Credit Risk

LKE is exposed to potential losses as a result of nonperformance by counterparties of their contractual obligations. LKE maintains credit policies and procedures to limit counterparty credit risk including evaluating credit ratings and financial information along with having certain counterparties post margin if the credit exposure exceeds certain thresholds. LKE is exposed to potential losses as a result of nonpayment by customers. LKE maintains an allowance for doubtful accounts based on a historical charge-off percentage for retail customers. Allowances for doubtful accounts from wholesale and municipal customers and for miscellaneous receivables are based on specific identification by management. Retail, wholesale and municipal customer accounts are written-off after four months of no payment activity. Miscellaneous receivables are written-off as management determines them to be uncollectible.

Certain of LKE's derivative instruments contain provisions that require it to provide immediate and on-going collateralization of derivative instruments in net liability positions based upon LKE's credit ratings from each of the major credit rating agencies. See Notes 18 and 19 to the Financial Statements for information regarding exposure and the risk management activities.

Related Party Transactions

LKE is not aware of any material ownership interest or operating responsibility by senior management of LKE, LG&E or KU in outside partnerships, including leasing transactions with variable interest entities or other entities doing business with LKE. See Note 16 to the Financial Statements for additional information on related party transactions.

Environmental Matters

Protection of the environment is a major priority for LKE and a significant element of its business activities. Extensive federal, state and local environmental laws and regulations are applicable to LKE's air emissions, water discharges and the management of hazardous and solid waste, among other areas, and the costs of compliance or alleged non-compliance cannot be predicted with certainty but could be material. In addition, costs may increase significantly if the requirements or scope of environmental laws or regulations, or similar rules, are expanded or changed from prior versions by the relevant agencies. Costs may take the form of increased capital expenditures or operating and maintenance expenses; monetary fines, penalties or forfeitures or other restrictions. Many of these environmental law considerations are also applicable to the operations of key suppliers, or customers, such as coal producers, industrial power users, etc.; and may impact the costs for their products or their demand for LKE's services.

Physical effects associated with climate change could include the impact of changes in weather patterns, such as storm frequency and intensity, and the resultant potential damage to LKE's generation assets and electricity transmission and distribution systems, as well as impacts on customers. In addition, changed weather patterns could potentially reduce annual rainfall in areas where LKE has hydro generating facilities or where river water is used to cool its fossil powered generators. LKE cannot currently predict whether its businesses will experience these potential climate change-related risks or estimate the potential cost of their related consequences.

See "Item 1. Business - Environmental Matters" and Note 15 to the Financial Statements for a discussion of environmental matters.

New Accounting Guidance

See Notes 1 and 24 to the Financial Statements for a discussion of new accounting guidance adopted and pending adoption.

Application of Critical Accounting Policies

Financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following accounting policies are particularly important to the financial condition or results of operations, and require estimates or other judgments of matters inherently uncertain. Changes in the estimates or other judgments included within these accounting policies could result in a significant change to the information presented in the Financial Statements (these accounting policies are also discussed in Note 1 to the Financial Statements). LKE's senior management has reviewed these critical accounting policies, the following disclosures regarding their application and the estimates and assumptions regarding them, with PPL's Audit Committee.

Revenue Recognition - Unbilled Revenue

Revenues related to the sale of energy are recorded when service is rendered or when energy is delivered to customers. Because customers of LG&E's and KU's retail operations are billed on cycles which vary based on the timing of the actual reading of their electric and gas meters, LKE records estimates for unbilled revenues at the end of each reporting period. Such unbilled revenue amounts reflect estimates of the amount of electricity and gas delivered to customers since the date of the last reading of their meters. The unbilled revenues reflect consideration of estimated usage by customer class, the effect of different rate schedules, changes in weather, and where applicable, the impact of weather normalization or other regulatory provisions of rate structures. In addition to the unbilled revenue accrual resulting from cycle billing, LKE makes additional accruals resulting from the timing of customer bills. The accrual of unbilled revenues in this manner properly matches revenues and related costs. At December 31, 2012 and 2011, LKE had unbilled revenue balances of $156 million and $146 million.

Defined Benefits

LKE and certain of its subsidiaries sponsor and participate in qualified funded and non-qualified unfunded defined benefit pension plans. LKE also sponsors a funded other postretirement benefit plan. These plans are applicable to the majority of the employees of LKE and its subsidiaries. LKE records an asset or liability to recognize the funded status of all defined benefit plans with an offsetting entry to OCI or regulatory assets or liabilities. Consequently, the funded status of all defined benefit plans is fully recognized on the Balance Sheets. See Note 13 to the Financial Statements for additional information about the plans and the accounting for defined benefits.

Certain assumptions are made by LKE and certain of its subsidiaries regarding the valuation of benefit obligations and the performance of plan assets. When accounting for defined benefits, delayed recognition in earnings of differences between actual results and expected or estimated results is a guiding principle. Annual net periodic defined benefit costs are recorded in current earnings based on estimated results. Any differences between actual and estimated results are recorded in OCI or regulatory assets and liabilities for amounts that are expected to be recovered through regulated customer rates. These amounts in regulatory assets and liabilities are amortized to income over future periods. The delayed recognition allows for a smoothed recognition of costs over the working lives of the employees who benefit under the plans. The primary assumptions are:

- Discount Rate - The discount rate is used in calculating the present value of benefits, which is based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.

- Expected Long-term Return on Plan Assets - Management projects the long-term rates of return on plan assets based on historical performance, future expectations and periodic portfolio rebalancing among the diversified asset classes. These projected returns reduce the net benefit costs LKE records currently.

- Rate of Compensation Increase - Management projects employees' annual pay increases, which are used to project employees' pension benefits at retirement.

- Health Care Cost Trend Rate - Management projects the expected increases in the cost of health care.

In selecting a discount rate for its defined benefit plans LKE starts with a cash flow analysis of the expected benefit payment stream for its plans. The plan-specific cash flows are matched against the coupons and expected maturity values of individually selected bonds. This bond matching process begins with the full universe of Aa-rated non-callable (or callable with make-whole provisions) bonds, serving as the base from which those with the lowest and highest yields are eliminated to develop an appropriate subset of bonds. Individual bonds are then selected based on the timing of each plan's cash flows and parameters are established as to the percentage of each individual bond issue that could be hypothetically purchased and the surplus reinvestment rates to be assumed. At December 31, 2012, LKE decreased the discount rate for its pension plans from 5.08% to 4.24% and decreased the discount rate for its other postretirement benefit plan from 4.78% to 3.99%.

The expected long-term rates of return for LKE's defined benefit pension plans and defined other postretirement benefit plan have been developed using a best-estimate of expected returns, volatilities and correlations for each asset class. LKE management corroborates these rates with expected long-term rates of return calculated by its independent actuary, who uses a building block approach that begins with a risk-free rate of return with factors being added such as inflation, duration, credit spreads and equity risk. Each plan's specific asset allocation is also considered in developing a reasonable return assumption. At December 31, 2012, LKE's expected return on plan assets decreased from 7.25% to 7.10% .

In selecting a rate of compensation increase, LKE considers past experience in light of movements in inflation rates. At December 31, 2012, LKE's rate of compensation increase remained at 4.00%.

In selecting health care cost trend rates LKE considers past performance and forecasts of health care costs. At December 31, 2012, LKE's health care cost trend rates were 8.00% for 2013, gradually declining to 5.50% for 2019.

A variance in the assumptions listed above could have a significant impact on accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and OCI or regulatory assets and liabilities for LKE. While the charts below reflect either an increase or decrease in each assumption, the inverse of the change would impact the accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and OCI or regulatory assets and liabilities for LKE by a similar amount in the opposite direction. The sensitivities below reflect an evaluation of the change based solely on a change in that assumption and does not include income tax effects.

At December 31, 2012, the defined benefit plans were recorded as follows:

Pension liabilities (a)	$ 417
Other postretirement benefit liabilities	141

(a) Amount includes current and noncurrent portions.

The following chart reflects the sensitivities in the December 31, 2012 Balance Sheet associated with a change in certain assumptions based on LKE's primary defined benefit plans.

	Increase (Decrease)			
Actuarial assumption	**Change in assumption**	**Impact on defined benefit liabilities**	**Impact on OCI**	**Impact on regulatory assets**
Discount Rate	(0.25)%	$ 59	$ (22)	$ 37
Rate of Compensation Increase	0.25%	10	(6)	4
Health Care Cost Trend Rate (a)	1%	5	(1)	4

(a) Only impacts other postretirement benefits.

In 2012, LKE recognized net periodic defined benefit costs charged to operating expense of $40 million. This amount represents an $11 million decrease from 2011. This decrease in expense for 2012 was primarily attributable to the increase in the expected return on plan assets resulting from pension contributions of $57 million, a reduction in the amortization of outstanding losses and lower interest cost.

The following chart reflects the sensitivities in the 2012 Statement of Income (excluding income tax effects) associated with a change in certain assumptions based on LKE's primary defined benefit plans.

Actuarial assumption	**Change in assumption**	**Impact on defined benefit costs**
Discount Rate	(0.25)%	$ 4
Expected Return on Plan Assets	(0.25)%	3
Rate of Compensation Increase	0.25%	1
Health Care Cost Trend Rate (a)	1%	

(a) Only impacts other postretirement benefits.

Asset Impairment (Excluding Investments)

Impairment analyses are performed for long-lived assets that are subject to depreciation or amortization whenever events or changes in circumstances indicate that a long-lived asset's carrying amount may not be recoverable. For these long-lived assets classified as held and used, such events or changes in circumstances are:

- a significant decrease in the market price of an asset;
- a significant adverse change in the extent or manner in which an asset is being used or in its physical condition;
- a significant adverse change in legal factors or in the business climate;
- an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of an asset;
- a current-period operating or cash flow loss combined with a history of losses or a forecast that demonstrates continuing losses; or
- a current expectation that, more likely than not, an asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

For a long-lived asset classified as held and used, impairment is recognized when the carrying amount of the asset is not recoverable and exceeds its fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the asset is impaired, an impairment loss is recorded to adjust the asset's carrying amount to its estimated fair value. Management must make significant judgments to estimate future cash flows including the useful lives of long-lived assets, the fair value of the assets and management's intent to use the assets. Alternate courses of action are considered to recover the carrying amount of a long-lived asset, and estimated cash flows from the "most likely" alternative are used to assess impairment whenever one alternative is clearly the most likely outcome. If no alternative is clearly the most likely, then a probability-weighted approach is used taking into consideration estimated cash flows from the alternatives. For assets tested for impairment as of the balance sheet date, the estimates of future cash flows used in that test consider the likelihood of possible outcomes that existed at the balance sheet date, including the assessment of the likelihood of a future sale of the assets. That assessment is not revised based on events that occur after the balance sheet date. Changes in assumptions and estimates could result in significantly different results than those identified and recorded in the financial statements.

For a long-lived asset classified as held for sale, impairment exists when the carrying amount of the asset (disposal group) exceeds its fair value less cost to sell. If the asset (disposal group) is impaired, an impairment loss is recorded to adjust the carrying amount to its fair value less cost to sell. A gain is recognized for any subsequent increase in fair value less cost to sell, but not in excess of the cumulative impairment previously recognized.

For determining fair value, quoted market prices in active markets are the best evidence. However, when market prices are unavailable, LKE considers all valuation techniques appropriate under the circumstances and for which market participant inputs can be obtained. Generally discounted cash flows are used to estimate fair value, which incorporates market participant inputs when available. Discounted cash flows are calculated by estimating future cash flow streams and applying appropriate discount rates to determine the present value of the cash flow streams.

Goodwill is tested for impairment at the reporting unit level. LKE's reporting units have been determined to be at the operating segment level. A goodwill impairment test is performed annually or more frequently if events or changes in circumstances indicate that the carrying amount of the reporting unit may be greater than the unit's fair value. Additionally, goodwill is tested for impairment after a portion of goodwill has been allocated to a business to be disposed of.

Beginning in 2012, LKE may elect either to initially make a qualitative evaluation about the likelihood of an impairment of goodwill or to bypass the qualitative assessment and directly test goodwill for impairment using a two-step quantitative test. If the qualitative evaluation (referred to as "step zero") is elected and the assessment results in a determination that it is not more likely than not the fair value of a reporting unit is less than the carrying amount, the two-step quantitative impairment test is not necessary. However, the quantitative impairment test is required if LKE concludes it is more likely than not the fair value of a reporting unit is less than the carrying amount based on the step zero assessment.

When the two-step quantitative impairment test is elected or required as a result of the step zero assessment in step one, LKE identifies a potential impairment by comparing the estimated fair value of a reporting unit with its carrying amount, including goodwill, on the measurement date. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill is not considered impaired. If the carrying amount exceeds the estimated fair value, the second step is performed to measure the amount of impairment loss, if any.

The second step of the quantitative test requires a calculation of the implied fair value of goodwill which is determined in the same manner as the amount of goodwill in a business combination. That is, the estimated fair value of a reporting unit is allocated to all of the assets and liabilities of that reporting unit as if the reporting unit had been acquired in a business combination and the estimated fair value of the reporting unit was the price paid to acquire the reporting unit. The excess of the estimated fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. The implied fair value of the reporting unit's goodwill is then compared with the carrying amount of that goodwill. If the carrying amount exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of the reporting unit's goodwill.

LKE elected to perform the two-step quantitative impairment test of goodwill for all of its reporting units in the fourth quarter of 2012 and no impairment was recognized. Management used both discounted cash flows and market multiples, which required significant assumptions to estimate the fair value of each reporting unit. Applying an appropriate weighting to both the discounted cash flow and market multiple valuations, a decrease in the forecasted cash flows of 10%, an increase in the discount rate by 25 basis points, or a 10% decrease in the multiples would not have resulted in an impairment of goodwill.

Loss Accruals

Losses are accrued for the estimated impacts of various conditions, situations or circumstances involving uncertain or contingent future outcomes. For loss contingencies, the loss must be accrued if (1) information is available that indicates it is probable that a loss has been incurred, given the likelihood of the uncertain future events and (2) the amount of the loss can be reasonably estimated. Accounting guidance defines "probable" as cases in which "the future event or events are likely to occur." The accrual of contingencies that might result in gains is not recorded unless recovery is assured. Potential loss contingencies for environmental remediation, litigation claims, regulatory penalties and other events are continuously assessed.

The accounting aspects of estimated loss accruals include (1) the initial identification and recording of the loss, (2) the determination of triggering events for reducing a recorded loss accrual and (3) the ongoing assessment as to whether a recorded loss accrual is sufficient. All three of these aspects require significant judgment by management. Internal expertise and outside experts (such as lawyers and engineers) are used, as necessary to help estimate the probability that a loss has been incurred and the amount (or range) of the loss.

In 2012, the estimated liability for indemnifications related to the 2009 termination of the WKE lease was increased.

Certain other events have been identified that could give rise to a loss, but that do not meet the conditions for accrual. Such events are disclosed, but not recorded, when it is reasonably possible that a loss has been incurred. Accounting guidance defines "reasonably possible" as cases in which "the future event or events occurring is more than remote, but less than likely to occur."

When an estimated loss is accrued, the triggering events for subsequently adjusting the loss accrual are identified, where applicable. The triggering events generally occur when the contingency has been resolved and the actual loss is paid or written off, or when the risk of loss has diminished or been eliminated. The following are some of the triggering events that provide for the adjustment of certain recorded loss accruals:

- Allowances for uncollectible accounts are reduced when accounts are written off after prescribed collection procedures have been exhausted, a better estimate of the allowance is determined or underlying amounts are ultimately collected.

- Environmental and other litigation contingencies are reduced when the contingency is resolved, LKE makes actual payments, a better estimate of the loss is determined or the loss is no longer considered probable.

Loss accruals are reviewed on a regular basis to assure that the recorded potential loss exposures are appropriate. This involves ongoing communication and analyses with internal and external legal counsel, engineers, operation management and other parties.

See Note 15 to the Financial Statements for additional information.

Asset Retirement Obligations

LKE is required to recognize a liability for legal obligations associated with the retirement of long-lived assets. The initial obligation is measured at its estimated fair value. An equivalent amount is recorded as an increase in the value of the capitalized asset and allocated to expense over the useful life of the asset. Until the obligation is settled, the liability is increased, through the recognition of accretion expense in the Consolidated Statements of Income, for changes in the obligation due to the passage of time. Since costs of removal are collected in rates, the accretion and depreciation are offset with a regulatory credit on the income statement, such that there is no earnings impact. The regulatory asset created by the regulatory credit is relieved when the ARO has been settled. An ARO must be recognized when incurred if the fair value of the ARO can be reasonably estimated. See Note 21 to the Financial Statements for related disclosures.

In determining AROs, management must make significant judgments and estimates to calculate fair value. Fair value is developed using an expected present value technique based on assumptions of market participants that considers estimated retirement costs in current period dollars that are inflated to the anticipated retirement date and then discounted back to the date the ARO was incurred. Changes in assumptions and estimates included within the calculations of the fair value of AROs could result in significantly different results than those identified and recorded in the financial statements. Estimated ARO costs and settlement dates, which affect the carrying value of various AROs and the related assets, are reviewed periodically to ensure that any material changes are incorporated into the estimate of the obligations. Any change to the capitalized asset is amortized over the remaining life of the associated long-lived asset.

At December 31, 2012, LKE had AROs comprised of current and noncurrent amounts, totaling $131 million recorded on the Balance Sheet. Of the total amount, $90 million, or 69%, relates to LKE's ash ponds, landfills and natural gas mains. The most significant assumptions surrounding AROs are the forecasted retirement costs, the discount rates and the inflation rates. A variance in the forecasted retirement costs, the discount rates or the inflation rates could have a significant impact on the ARO liabilities.

The following chart reflects the sensitivities related to LKE's ARO liabilities for ash ponds, landfills and natural gas mains at December 31, 2012:

	Change in Assumption	Impact on ARO Liability
Retirement Cost	10%	$ 11
Discount Rate	(0.25)%	3
Inflation Rate	0.25%	8

Income Taxes

Significant management judgment is required in developing the provision for income taxes, primarily due to the uncertainty related to tax positions taken or expected to be taken in tax returns and the determination of deferred tax assets, liabilities and valuation allowances.

Significant management judgment is required to determine the amount of benefit recognized related to an uncertain tax position. Tax positions are evaluated following a two-step process. The first step requires an entity to determine whether, based on the technical merits supporting a particular tax position, it is more likely than not (greater than a 50% chance) that the tax position will be sustained. This determination assumes that the relevant taxing authority will examine the tax position and is aware of all the relevant facts surrounding the tax position. The second step requires an entity to recognize in the financial statements the benefit of a tax position that meets the more-likely-than-not recognition criterion. The benefit recognized is measured at the largest amount of benefit that has a likelihood of realization, upon settlement, that exceeds 50%. Management considers a number of factors in assessing the benefit to be recognized, including negotiation of a settlement.

On a quarterly basis, uncertain tax positions are reassessed by considering information known at the reporting date. Based on management's assessment of new information, a tax benefit may subsequently be recognized for a previously unrecognized tax position, a previously recognized tax position may be derecognized, or the benefit of a previously recognized tax position may be remeasured. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements in the future.

At December 31, 2012, LKE's existing reserve exposure to either increases or decreases in unrecognized tax benefits during the next 12 months is $1 million. This change could result from subsequent recognition, derecognition and/or changes in the measurement of uncertain tax positions. The events that could cause these changes are direct settlements with taxing authorities, litigation, legal or administrative guidance by relevant taxing authorities and the lapse of an applicable statute of limitation.

The balance sheet classification of unrecognized tax benefits and the need for valuation allowances to reduce deferred tax assets also require significant management judgment. Unrecognized tax benefits are classified as current to the extent management expects to settle an uncertain tax position by payment or receipt of cash within one year of the reporting date. Valuation allowances are initially recorded and reevaluated each reporting period by assessing the likelihood of the ultimate realization of a deferred tax asset. Management considers a number of factors in assessing the realization of a deferred tax asset, including the reversal of temporary differences, future taxable income and ongoing prudent and feasible tax planning strategies. Any tax planning strategy utilized in this assessment must meet the recognition and measurement criteria utilized to account for an uncertain tax position. See Note 5 to the Financial Statements for related disclosures.

Regulatory Assets and Liabilities

LKE's subsidiaries, LG&E and KU, are cost-based rate-regulated utilities. As a result, the effects of regulatory actions are required to be reflected in the financial statements. Assets and liabilities are recorded that result from the regulated ratemaking process that may not be recorded under GAAP for non-regulated entities. Regulatory assets generally represent incurred costs that have been deferred because such costs are probable of future recovery in regulated customer rates. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates. In certain cases, regulatory liabilities are recorded based on an understanding with the regulator that rates have been set to recover costs that are expected to be incurred in the future, and the regulated entity is accountable for any amounts charged pursuant to such rates and not yet expended for the intended purpose. The accounting for regulatory assets and liabilities is based on specific ratemaking decisions or precedent for each transaction or event as prescribed by the FERC, the KPSC, the VSCC and the TRA.

Management continually assesses whether the regulatory assets are probable of future recovery by considering factors such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders to other regulated entities and the status of any pending or potential deregulation legislation. Based on this continual assessment, management believes the existing regulatory assets are probable of recovery. This assessment reflects the current political and regulatory climate at the state and federal levels, and is subject to change in the future. If future recovery of costs ceases to be probable, then asset write-off would be required to be recognized in operating income. Additionally, the regulatory agencies can provide flexibility in the manner and timing of the depreciation of PP&E and amortization of regulatory assets.

At December 31, 2012, LKE had regulatory assets of $649 million and regulatory liabilities of $1,011 million. All regulatory assets are either currently being recovered under specific rate orders, represent amounts that are expected to be recovered in future rates or benefit future periods based upon established regulatory practices.

See Note 6 to the Financial Statements for additional information on regulatory assets and liabilities.

<u>Other Information</u>

PPL's Audit Committee has approved the independent auditor to provide audit, tax and other services permitted by Sarbanes-Oxley and SEC rules. The audit services include services in connection with statutory and regulatory filings, reviews of offering documents and registration statements, and internal control reviews. See "Item 14. Principal Accounting Fees and Services" for more information.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information provided in this Item 7 should be read in conjunction with LG&E's Financial Statements and the accompanying Notes. Capitalized terms and abbreviations are defined in the glossary. Dollars are in millions, unless otherwise noted.

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

- "Overview" provides a description of LG&E and its business strategy, a summary of Net Income and a discussion of certain events related to LG&E's results of operations and financial condition.

- "Results of Operations" provides a summary of LG&E's earnings and a description of key factors expected to impact future earnings. This section ends with explanations of significant changes in principal items on LG&E's Statements of Income, comparing 2012 with 2011 and 2011 with 2010.

- "Financial Condition - Liquidity and Capital Resources" provides an analysis of LG&E's liquidity position and credit profile. This section also includes a discussion of forecasted sources and uses of cash and rating agency actions.

- "Financial Condition - Risk Management" provides an explanation of LG&E's risk management programs relating to market and credit risk.

- " Application of Critical Accounting Policies" provides an overview of the accounting policies that are particularly important to the results of operations and financial condition of LG&E and that require its management to make significant estimates, assumptions and other judgments of matters inherently uncertain.

Overview

Introduction

LG&E, headquartered in Louisville, Kentucky, is a regulated utility engaged in the generation, transmission, distribution and sale of electric energy and distribution and sale of natural gas in Kentucky. LG&E and its affiliate, KU, are wholly owned subsidiaries of LKE. LKE, a holding company, became a wholly owned subsidiary of PPL when PPL acquired all of LKE's interests from E.ON US Investments Corp. on November 1, 2010. Following the acquisition, both LG&E and KU continue operating as subsidiaries of LKE, which is now an intermediary holding company in PPL's group of companies. Refer to "Item 1. Business - Background" for a description of LG&E's business.

Business Strategy

LG&E's overall strategy is to provide reliable, safe, competitively priced energy to its customers and reasonable returns on regulated investments to its shareowner.

A key objective for LG&E is to maintain a strong credit profile through managing financing costs and access to credit markets. LG&E continually focuses on maintaining an appropriate capital structure and liquidity position.

Successor and Predecessor Financial Presentation

LG&E's Financial Statements and related financial and operating data include the periods before and after PPL's acquisition of LKE on November 1, 2010 and have been segregated to present pre-acquisition activity as the Predecessor and post-acquisition activity as the Successor. Certain accounting and presentation methods were changed to acceptable alternatives to conform to PPL's accounting policies, and the cost bases of certain assets and liabilities were changed as of November 1, 2010 as a result of the application of push-down accounting. Consequently, the financial position, results of operations and cash flows for the Successor periods are not comparable to the Predecessor periods; however, the core operations of LG&E have not changed as a result of the acquisition.

Financial and Operational Developments

Net Income

Net Income for 2012, 2011 and 2010 was $123 million, $124 million and $128 million. Earnings in 2012 decreased 1% from 2011 and earnings in 2011 decreased 3% from 2010.

See "Results of Operations" for a discussion and analysis of LG&E's earnings.

Rate Case Proceedings

In June 2012, LG&E filed a request with the KPSC for an increase in annual base electric rates of approximately $62 million and an increase in annual base gas rates of approximately $17 million. In November 2012, LG&E along with all of the parties filed a unanimous settlement agreement. Among other things, the settlement provided for increases in annual base electric rates of $34 million and an increase in annual base gas rates of $15 million. The settlement agreement also included revised depreciation rates that result in reduced annual electric depreciation expense of approximately $9 million. The settlement agreement included an authorized return on equity of 10.25%. On December 20, 2012, the KPSC issued an order approving the provisions in the settlement agreement. The new rates became effective on January 1, 2013. In addition to the increased base rates, the KPSC approved a gas line tracker mechanism to provide for recovery of costs associated with LG&E's gas main replacement program, gas service lines and risers.

Commercial Paper

In February 2012, LG&E established a commercial paper program for up to $250 million to provide an additional financing source to fund its short-term liquidity needs, if and when necessary. Commercial paper issuances are supported by LG&E's Syndicated Credit Facility. At December 31, 2012, LG&E had $55 million of commercial paper outstanding.

Terminated Bluegrass CTs Acquisition

In September 2011, LG&E and KU entered into an asset purchase agreement with Bluegrass Generation for the purchase of the Bluegrass CTs, aggregating approximately 495 MW, plus limited associated contractual arrangements required for operation of the units, for a purchase price of $110 million, pending receipt of applicable regulatory approvals. In May 2012, the KPSC issued an order approving the request to purchase the Bluegrass CTs. In November 2011, LG&E and KU filed an application with the FERC under the Federal Power Act requesting approval to purchase the Bluegrass CTs. In May 2012, the FERC issued an order conditionally authorizing the acquisition of the Bluegrass CTs, subject to approval by the FERC of satisfactory mitigation measures to address market-power concerns. After a review of potentially available mitigation options, LG&E and KU determined that the options were not commercially justifiable. In June 2012, LG&E and KU terminated the asset purchase agreement for the Bluegrass CTs in accordance with its terms and made applicable filings with the KPSC and FERC.

Cane Run Unit 7 Construction

In September 2011, LG&E and KU filed a CPCN with the KPSC requesting approval to build Cane Run Unit 7. In May 2012, the KPSC issued an order approving the request. LG&E will own a 22% undivided interest and KU will own a 78% undivided interest in the new generating unit. A formal request for recovery of the costs associated with the construction was not included in the CPCN filing with the KPSC but is expected to be included in future rate case proceedings. LG&E and KU commenced preliminary construction activities in the third quarter of 2012 and project construction is expected to be completed by May 2015. The project, which includes building a natural gas supply pipeline and related transmission projects, has an estimated cost of approximately $600 million.

In conjunction with this construction and to meet new, more stringent EPA regulations with a 2015 compliance date, LG&E anticipates retiring three older coal-fired electric generating units at the Cane Run plant, which have a combined summer capacity rating of 563 MW.

Future Capacity Needs

In addition to the construction of a combined cycle gas unit at the Cane Run station, LG&E and KU continue to assess future capacity needs. As a part of the assessment, LG&E and KU issued an RFP in September 2012 for up to 700 MW of capacity beginning as early as 2015.

Results of Operations

As previously noted, LG&E's results for the periods after October 31, 2010 are on a basis of accounting different from its results for periods prior to November 1, 2010. See "Overview - Successor and Predecessor Financial Presentation" for further information.

The utility business is affected by seasonal weather. As a result, operating revenues (and associated operating expenses) are not generated evenly throughout the year. Revenue and earnings are generally higher during the first and third quarters and lower during the second and fourth quarters due to weather.

The following table summarizes the significant components of net income for 2012, 2011 and 2010 and the changes therein:

Earnings

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Net Income	$ 123	$ 124	$ 19	$ 109

The changes in the components of Net Income between these periods were due to the following factors, which reflect reclassifications for items included in Margins and certain items that management considers special.

	2012 vs. 2011	2011 vs. 2010
Margins	$ 3	$ 39
Other operation and maintenance	3	(10)
Depreciation	(4)	(13)
Taxes, other than income	(5)	(5)
Other Income (Expense) - net	(1)	(16)
Other	4	(1)
Special items, after-tax	(1)	2
Total	$ (1)	$ (4)

The net unrealized gains (losses) on contracts that economically hedge anticipated cash flows are considered special items by management. There were no unrealized gains (losses) in 2012.

- See "Statement of Income Analysis - Margins - Changes in Non-GAAP Financial Measures" for an explanation of Margins.

- Higher other operation and maintenance in 2011 compared with 2010 primarily due to higher distribution maintenance costs of $8 million due to amortization of storm restoration related costs and a hazardous tree removal project initiated in August 2010.

- Higher depreciation in 2011 compared with 2010 primarily due to TC2 commencing dispatch in January 2011.

- Lower other income (expense) - net in 2011 compared with 2010 primarily due to $19 million of other income from the establishment of a regulatory asset in 2010 for previously recorded losses on interest rate swaps.

2013 Outlook

Excluding special items, LG&E projects higher earnings in 2013 compared with 2012, primarily driven by electric and gas base rate increases effective January 1, 2013, returns on additional environmental capital investments and retail load growth, partially offset by higher operation and maintenance.

Earnings in future periods are subject to various risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 1A. Risk Factors," the rest of this Item 7 and Notes 6 and 15 to the Financial Statements for a discussion of the risks, uncertainties and factors that may impact future earnings.

Statement of Income Analysis --

Margins

Non-GAAP Financial Measure

The following discussion includes financial information prepared in accordance with GAAP, as well as a non-GAAP financial measure, "Margins." Margins is 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 to report on the results of their operations. Margins is a single financial performance measure of LG&E's electricity generation, transmission and distribution operations as well as its distribution and sale of natural gas. In calculating this measure, fuel and energy purchases are deducted from revenues. In addition, utility revenues and expenses associated with approved cost recovery mechanisms are offset. These mechanisms allow for recovery of certain expenses, returns on capital investments primarily associated with environmental regulations and performance incentives. Certain costs associated with these mechanisms, primarily ECR and DSM, are recorded as "Other operation and maintenance" and "Depreciation." As a result, this measure represents the net revenues from LG&E's operations. This performance measure is used, in conjunction with other information, internally by senior management to manage operations and analyze actual results compared with budget.

Reconciliation of Non-GAAP Financial Measures

The following tables reconcile "Operating Income" to "Margins" as defined by LG&E for 2012, 2011 and 2010.

	2012 Successor			2011 Successor		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,324		$ 1,324	$ 1,363	$ 1	$ 1,364
Operating Expenses						
Fuel	374		374	350		350
Energy purchases	175		175	245		245
Other operation and maintenance	45	$ 318	363	42	321	363
Depreciation	3	149	152	2	145	147
Taxes, other than income		23	23		18	18
Total Operating Expenses	597	490	1,087	639	484	1,123
Total	$ 727	$ (490)	$ 237	$ 724	$ (483)	$ 241

	Successor			Predecessor		
	Two Months Ended December 31, 2010			Ten Months Ended October 31, 2010		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 255	$ (1)	$ 254	$ 1,057		$ 1,057
Operating Expenses						
Fuel	60		60	306		306
Energy purchases	63		63	155		155
Other operation and maintenance	9	58	67	28	$ 253	281
Depreciation		23	23	6	109	115
Taxes, other than income		1	1		12	12
Total Operating Expenses	132	82	214	495	374	869
Total	$ 123	$ (83)	$ 40	$ 562	$ (374)	$ 188

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

Changes in Non-GAAP Financial Measures

Margins increased by $3 million for 2012 compared with 2011, primarily due to $9 million of higher retail margins as a result of new environmental investments. This increase was partially offset by lower wholesale margins of $6 million as volumes were impacted by lower market prices. Retail volumes were consistent with the prior year as increased industrial sales offset declines associated with unseasonably mild weather during the first four months of 2012. Total heating degree days decreased 13% compared to 2011, partially offset by a 7% increase in cooling degree days.

Margins increased by $39 million for 2011 compared with 2010. New KPSC rates went into effect on August 1, 2010, contributing to an additional $48 million in operating revenue over the prior year. Partially offsetting the rate increase were lower retail volumes resulting from weather and economic conditions.

Other Operation and Maintenance

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

	2012 vs. 2011	2011 vs. 2010
Administrative and general (a)	$ (5)	$ 4
Distribution maintenance (b)	(1)	8
Fuel for generation (c)		5
Coal plant maintenance (d)	2	(5)
Other	4	3
Total	$	$ 15

(a) Administrative and general costs decreased in 2012 compared with 2011 primarily due to a decrease in pension expense resulting from pension funding and lower interest cost.
(b) Distribution maintenance costs increased in 2011 compared with 2010 primarily due to amortization of storm restoration-related costs, a hazardous tree removal project initiated in August 2010 and an increase in pipeline integrity work.
(c) Fuel handling costs are included in other operation and maintenance on the Statements of Income for the Successor periods and are in fuel on the Statement of Income for the Predecessor period.
(d) Coal plant maintenance costs increased in 2012 compared with 2011 primarily due to an increased scope of scheduled outages.

Coal plant maintenance costs decreased in 2011 compared with 2010 primarily due to the timing of scheduled maintenance outages and non-outage boiler maintenance.

Depreciation

Depreciation increased by $5 million in 2012 compared with 2011 due to PP&E additions.

Depreciation increased by $9 million in 2011 compared with 2010 primarily due to TC2 commencing dispatch in January 2011.

Taxes, Other Than Income

Taxes, other than income increased by $5 million in 2012 compared with 2011 due in part to a $2 million increase in property taxes resulting from property additions, higher assessed values and changes in property classifications to categories with higher tax rates.

Taxes, other than income increased by $5 million in 2011 compared with 2010 primarily due to a $4 million state coal tax credit that was applied to 2010 property taxes. The remaining increase was due to higher assessments, primarily from significant property additions.

Other Income (Expense) - net

Other income (expense) - net decreased by $16 million in 2011 compared with 2010 primarily due to $19 million of other income from the establishment of a regulatory asset for previously recorded losses on interest rate swaps in 2010.

Interest Expense

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

	2012 vs. 2011	2011 vs. 2010
Interest rates (a)	$ (2)	$ (7)
Long-term debt balances (b)		2
Other		3
Total	$ (2)	$ (2)

(a) Interest expense decreased in 2011 compared with 2010 due to lower interest rates on first mortgage bonds issued in November 2010 compared with the rates on the loans from E.ON AG affiliates that were in place through October 2010.
(b) Interest expense increased in 2011 compared with 2010 due to lower long-term debt balances for the first ten months of 2010.

Financial Condition

Liquidity and Capital Resources

LG&E expects to continue to have adequate liquidity available through operating cash flows, cash and cash equivalents and its credit facilities, including commercial paper issuances. Additionally, subject to market conditions, LG&E currently plans to access capital markets in 2013.

LG&E's cash flows from operations and access to cost-effective bank and capital markets are subject to risks and uncertainties including, but not limited to:

- changes in commodity prices that may increase the cost of producing or purchasing power or decrease the amount LG&E receives from selling power;
- operational and credit risks associated with selling and marketing products in the wholesale power markets;
- unusual or extreme weather that may damage LG&E's transmission and distribution facilities or affect energy sales to customers;
- reliance on transmission facilities that LG&E does not own or control to deliver its electricity and natural gas;
- unavailability of generating units (due to unscheduled or longer-than-anticipated generation outages, weather and natural disasters) and the resulting loss of revenues and additional costs of replacement electricity;
- the ability to recover and the timeliness and adequacy of recovery of costs associated with regulated utility businesses;
- costs of compliance with existing and new environmental laws;
- any adverse outcome of legal proceedings and investigations with respect to LG&E's current and past business activities;
- deterioration in the financial markets that could make obtaining new sources of bank and capital markets funding more difficult and more costly; and
- a downgrade in LG&E's credit ratings that could adversely affect its ability to access capital and increase the cost of credit facilities and any new debt.

See "Item 1A. Risk Factors" for further discussion of risks and uncertainties affecting LG&E's cash flows.

At December 31, LG&E had the following:

	2012	2011	2010
Cash and cash equivalents	$ 22	$ 25	$ 2
Short-term investments (a)			163
	$ 22	$ 25	$ 165
Short-term debt (b)	$ 55		$ 163

(a) Represents tax-exempt bonds issued by Louisville/Jefferson County, Kentucky, on behalf of LG&E that were purchased from the remarketing agent in 2008. Such bonds were remarketed to unaffiliated investors in January 2011. See Note 7 to the Financial Statements for additional information.
(b) Borrowings in 2012 were made under LG&E's commercial paper program and borrowings in 2010 were made under LG&E's syndicated credit facility. See Note 7 to the Financial Statements for additional information.

The changes in LG&E's cash and cash equivalents position resulted from:

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Net cash provided by (used in) operating activities	$ 308	$ 325	$ (8)	$ 189
Net cash provided by (used in) investing activities	(289)	(42)	(63)	(107)
Net cash provided by (used in) financing activities	(22)	(260)	69	(83)
Net Increase (Decrease) in Cash and Cash Equivalents	$ (3)	$ 23	$ (2)	$ (1)

Operating Activities

Net cash provided by operating activities decreased by 5%, or $17 million, in 2012 compared with 2011, primarily as a result of:

- Working capital cash flow changes declined by $65 million driven primarily by changes in receivables and unbilled revenues due to milder December weather in 2011 than in 2012 and 2010, and lower inventory levels in 2011 as compared with 2010 driven by lower gas prices.
- The decline was offset by $44 million increase in other operating cash flows driven by $43 million reduction in pension funding.

Net cash provided by operating activities increased by 80%, or $144 million, in 2011 compared with 2010, primarily as a result of:

- a decrease in working capital related to accounts receivable and unbilled revenues of $86 million primarily due to the timing of cash receipts and colder weather in December 2010 as compared with December 2009 and milder weather in December 2011 as compared with December 2010;
- an increase in net income adjusted for non-cash effects of $34 million (the recording of a regulatory asset for previously recorded losses on interest rate swaps of $22 million, deferred income taxes and investment tax credits of $17 million, depreciation of $9 million, partially offset by unrealized (gains) losses on derivatives of $14 million, defined benefit plans - expense of $3 million and other noncash items of $3 million);
- a decrease in cash outflows of $32 million due to lower inventory levels in 2011 as compared with 2010 driven by $21 million due to lower coal burn as a result of unplanned outages at the Mill Creek plant, $8 million for fuel inventory purchased in 2010 for TC2 that was not used until 2011 when TC2 began dispatch and $6 million for decreases in gas storage volumes;
- a decrease in cash refunded to customers of $25 million due to prior period over-recoveries related to the gas supply clause filings in 2009; and
- a decrease in cash outflows related to accrued taxes of $22 million due to the timing of payments of accrued tax liabilities in 2011 and 2010; partially offset by
- an increase in discretionary defined benefit plan contributions of $44 million made in order to achieve LG&E's long-term funding requirements; and
- an increase in working capital related to accounts payable of $41 million, which was driven primarily by the timing of cash payments and a decrease in natural gas purchases of $18 million in 2011 as compared with 2010 due to a decrease in combustion turbine generation as a result of the dispatch of TC2 beginning in January 2011.

Investing Activities

Net cash used in investing activities increased by $247 million, in 2012 compared with 2011, primarily as a result of:

- a decrease in the proceeds from the sale of other investments of $163 million in 2011; and
- an increase in capital expenditures of $90 million due primarily to construction of Cane Run Unit 7 and Mill Creek environmental air projects.

Net cash used in investing activities decreased by 75%, or $128 million, in 2011 compared with 2010, as a result of:

- proceeds from the sale of other investments of $163 million in 2011; and
- a decrease in capital expenditures of $24 million due primarily to TC2 being dispatched in 2011; partially offset by
- proceeds from the sale of assets of $48 million in 2010; and
- a decrease in restricted cash of $11 million.

See "Forecasted Uses of Cash" for detail regarding projected capital expenditures for the years 2013 through 2017.

Financing Activities

Net cash used in financing activities was $22 million, in 2012 compared with $260 million in 2011, primarily as a result of changes in short-term debt.

In 2012, cash used in financing activities consisted of:

- the payment of common stock dividends to LKE of $75 million; partially offset by
- the issuance of short-term debt in the form of commercial paper of $55 million.

Net cash used in financing activities was $260 million, in 2011 compared with $14 million in 2010, primarily as a result of changes in short-term debt.

In 2011, cash used in financing activities consisted of:

- a repayment on a revolving line of credit of $163 million;
- the payment of common stock dividends to LKE of $83 million;
- a net decrease in notes payable with affiliates of $12 million; and
- the payment of debt issuance and credit facility costs of $2 million.

In the two months of 2010 following PPL's acquisition of LKE, cash provided by financing activities of the Successor consisted of:

- the issuance of first mortgage bonds of $531 million after discounts;
- the issuance of debt of $485 million to a PPL affiliate to repay debt due to an E.ON AG affiliate upon the closing of PPL's acquisition of LKE; and
- a draw on a revolving line of credit of $163 million; partially offset by
- the repayment of debt to an E.ON AG affiliate of $485 million upon the closing of PPL's acquisition of LKE;
- the repayment of debt to a PPL affiliate of $485 million upon the issuance of first mortgage bonds;
- a net decrease in notes payable with affiliates of $130 million; and
- the payment of debt issuance and credit facility costs of $10 million.

In the ten months of 2010 preceding PPL's acquisition of LKE, cash used in financing activities by the Predecessor consisted of:

- the payment of common stock dividends to LKE of $55 million and
- a net decrease in notes payable with affiliates of $28 million.

See "Forecasted Sources of Cash" for a discussion of LG&E's plans to issue debt securities, as well as a discussion of credit facility capacity available to LG&E. Also see "Forecasted Uses of Cash" for a discussion of plans to pay dividends on common securities in the future, as well as maturities of long-term debt.

LG&E had no long-term debt securities activity during the year.

See Note 7 to the Financial Statements for additional information about long-term debt securities.

Auction Rate Securities

At December 31, 2012, LG&E's tax-exempt revenue bonds that are in the form of auction rate securities and total $135 million continue to experience failed auctions. Therefore, the interest rate continues to be set by a formula pursuant to the relevant indentures. For the period ended December 31, 2012, the weighted-average rate on LG&E's auction rate bonds in total was 0.20%.

Forecasted Sources of Cash

LG&E expects to continue to have sufficient sources of cash available in the near term, including various credit facilities, its commercial paper program, issuance of debt securities and operating cash flow.

Credit Facilities

At December 31, 2012, LG&E's total committed borrowing capacity under its Syndicated Credit Facility and the use of this borrowing capacity were:

	Capacity	Commercial Paper Issued	Letters of Credit Issued	Unused Capacity
Syndicated Credit Facility (a) (b) (c)	$ 500	$ 55		$ 445

(a) The commitments under LG&E's Syndicated Credit Facility are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than 6% of the total committed capacity available to LG&E.
(b) In November 2012, LG&E amended the Syndicated Credit Facility to extend the expiration date to November 2017. In addition, LG&E increased the credit facility capacity to $500 million.
(c) LG&E pays customary fees under its syndicated credit facility, and borrowings generally bear interest at LIBOR-based rates plus an applicable margin.

LG&E participates in an intercompany money pool agreement whereby LKE and/or KU make available to LG&E funds up to $500 million at an interest rate based on a market index of commercial paper issues. At December 31, 2012, there was no balance outstanding.

See Note 7 to the Financial Statements for further discussion of LG&E's credit facilities.

Operating Leases

LG&E also has available funding sources that are provided through operating leases. LG&E leases office space, gas storage and certain equipment. These leasing structures provide LG&E additional operating and financing flexibility. The operating leases contain covenants that are typical for these agreements, such as maintaining insurance, maintaining corporate existence and timely payment of rent and other fees.

See Note 11 to the Financial Statements for further discussion of the operating leases.

Capital Contributions from LKE

From time to time LKE may make capital contributions to LG&E. LG&E may use these contributions to fund capital expenditures and for other general corporate purposes.

Long-term Debt Securities

LG&E currently plans to issue, subject to market conditions, up to $350 million of first mortgage bond indebtedness in 2013, the proceeds of which will be used to fund capital expenditures and for other general corporate purposes.

Forecasted Uses of Cash

In addition to expenditures required for normal operating activities, such as purchased power, payroll, fuel and taxes, LG&E currently expects to incur future cash outflows for capital expenditures, various contractual obligations, payment of dividends on its common stock and possibly the purchase or redemption of a portion of debt securities.

Capital Expenditures

The table below shows LG&E's current capital expenditure projections for the years 2013 through 2017.

	Projected				
	2013	2014	2015	2016	2017
Capital expenditures (a)					
Generating facilities	$ 138	$ 111	$ 131	$ 225	$ 232
Distribution facilities	144	140	166	165	174
Transmission facilities	59	31	19	16	16
Environmental	324	336	249	186	42
Other	22	22	20	23	19
Total Capital Expenditures	$ 687	$ 640	$ 585	$ 615	$ 483

(a) LG&E generally expects to recover these costs over a period equivalent to the related depreciable lives of the assets through rates. The 2013 total excludes amounts included in accounts payable as of December 31, 2012.

LG&E's capital expenditure projections for the years 2013 through 2017 total approximately $3.0 billion. Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions. This table includes current estimates for LG&E's environmental projects related to existing and proposed EPA compliance standards. Actual costs may be significantly lower or higher depending on the final requirements and market conditions. Environmental compliance costs incurred by LG&E in serving KPSC jurisdictional customers are generally eligible for recovery through the ECR mechanism.

LG&E plans to fund its capital expenditures in 2013 with cash on hand, cash from operations, short-term debt and issuance of debt securities.

Contractual Obligations

LG&E has assumed various financial obligations and commitments in the ordinary course of conducting its business. At December 31, 2012, the estimated contractual cash obligations of LG&E were:

	Total	2013	2014 - 2015	2016 - 2017	After 2017
Long-term Debt (a)	$ 1,109		$ 250		$ 859
Interest on Long-term Debt (b)	839	$ 37	70	$ 66	666
Operating Leases (c)	35	5	11	5	14
Coal and Natural Gas Purchase Obligations (d)	1,512	378	697	345	92
Unconditional Power Purchase Obligations (e)	719	21	42	44	612
Construction Obligations (f)	735	382	273	80	
Pension Benefit Plan Obligations (g)	42	42			
Other Obligations (h)	8	2	4	2	
Total Contractual Cash Obligations	$ 4,999	$ 867	$ 1,347	$ 542	$ 2,243

(a) Reflects principal maturities only based on stated maturity dates. See Note 7 to the Financial Statements for a discussion of variable-rate remarketable bonds issued on behalf of LG&E. LG&E has no capital lease obligations.
(b) Assumes interest payments through stated maturity. The payments herein are subject to change, as payments for debt that is or becomes variable-rate debt have been estimated.
(c) See Note 11 to the Financial Statements for additional information.
(d) Represents contracts to purchase coal, natural gas and natural gas transportation. See Note 15 to the Financial Statements for additional information.
(e) Represents future minimum payments under OVEC power purchase agreements through June 2040. See Note 15 to the Financial Statements for additional information.
(f) Represents construction commitments, including commitments for the Mill Creek environmental air projects, Cane Run Unit 7 and Ohio Falls refurbishment which are also reflected in the Capital Expenditures table presented above.
(g) Based on the current funded status of LG&E's qualified pension plan and LKE's qualified pension plan, which covers LG&E employees, no cash contributions are required. See Note 13 to the Financial Statements for a discussion of expected contributions.
(h) Represents other contractual obligations.

Dividends

From time to time, as determined by its Board of Directors, LG&E pays dividends to its sole shareholder, LKE.

As discussed in Note 7 to the Financial Statements, LG&E's ability to pay dividends is limited under a covenant in its $500 million revolving line of credit facility. This covenant restricts the debt to total capital ratio to not more than 70%. See Note 7 to the Financial Statements for other restrictions related to distributions on capital interests for LG&E.

Purchase or Redemption of Debt Securities

LG&E will continue to evaluate purchasing or redeeming outstanding debt securities and may decide to take action depending upon prevailing market conditions and available cash.

Rating Agency Actions

Moody's, S&P and Fitch periodically review the credit ratings on the debt securities of LG&E. 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 LG&E are based on information provided by LG&E and other sources. The ratings of Moody's, S&P and Fitch are not a recommendation to buy, sell or hold any securities of LG&E. 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 LG&E affect its liquidity, access to capital markets and cost of borrowing under its credit facilities.

The following table sets forth LG&E's security credit ratings as of December 31, 2012.

	Senior Unsecured			Senior Secured			Commercial Paper		
Issuer	**Moody's**	**S&P**	**Fitch**	**Moody's**	**S&P**	**Fitch**	**Moody's**	**S&P**	**Fitch**
LG&E			A	A2	A-	A+	P-2	A-2	F-2

In addition to the credit ratings noted above, t he rating agencies took the following actions related to LG&E:

In February 2012, Fitch assigned ratings to LG&E's newly established commercial paper program.

In March 2012, Moody's affirmed the following ratings:
- the long-term ratings of the First Mortgage Bonds for LG&E;
- the issuer ratings for LG&E; and
- the bank loan ratings for LG&E.

Also in March 2012, Moody's and S&P each assigned short-term ratings to LG&E's newly established commercial paper program.

In March and May 2012, Moody's, S&P and Fitch affirmed the long-term ratings for LG&E's 2003 Series A and 2007 Series B pollution control bonds.

In November 2012, Moody's and S&P affirmed the long-term ratings for LG&E's 2007 Series A pollution control bonds.

In December 2012, Fitch affirmed the issuer default ratings, individual security ratings and outlook for LG&E.

Ratings Triggers

LG&E has various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity, fuel, commodity transportation and storage and interest rate instruments, which contain provisions requiring LG&E to post additional collateral, or permitting the counterparty to terminate the contract, if LG&E's credit rating were to fall below investment grade. See Note 19 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral that would have been required for derivative contracts in a net liability position at December 31, 2012. At December 31, 2012, if LG&E's credit ratings had been below investment grade, the maximum amount that LG&E would have been required to post as additional collateral to counterparties was $57 million for both derivative and non-derivative commodity and commodity-related contracts used in its generation and marketing operations, gas supply and interest rate contracts.

Off-Balance Sheet Arrangements

LG&E has entered into certain agreements that may contingently require payment to a guaranteed or indemnified party. See Note 15 to the Financial Statements for a discussion of these agreements.

Risk Management

Market Risk

See Notes 1, 18 and 19 to the Financial Statements for information about LG&E's 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 disclosures are not precise indicators of expected future losses, but only indicators of possible losses under normal market conditions at a given confidence level.

Commodity Price Risk (Non-trading)

LG&E's rates are set by regulatory commissions and the fuel costs incurred are directly recoverable from customers. As a result, LG&E is subject to commodity price risk for only a small portion of on-going business operations. LG&E sells excess economic generation to maximize the value of the physical assets at times when the assets are not required to serve LG&E's or KU's customers. See Note 19 to the Financial Statements for additional disclosures.

The balance and change in net fair value of LG&E's commodity derivative contracts for the periods ended December 31, 2012, 2011 and 2010 are shown in the table below.

	Gains (Losses)			
	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Fair value of contracts outstanding at the beginning of the period		$ (1)		
Contracts realized or otherwise settled during the period		(3)		$ 3
Fair value of new contracts entered into during the period				(4)
Other changes in fair value (a)		4	$ (1)	1
Fair value of contracts outstanding at the end of the period		$	$ (1)	$

(a) Represents the change in value of outstanding transactions and the value of transactions entered into and settled during the period.

Interest Rate Risk

LG&E issues debt to finance its operations, which exposes it to interest rate risk. LG&E utilizes various financial derivative instruments to adjust the mix of fixed and floating interest rates in its debt portfolio when appropriate. Risk limits under LG&E's risk management program are designed to balance risk, exposure to volatility in interest expense and changes in the fair value of LG&E's debt portfolio due to changes in the absolute level of interest rates.

At December 31, 2012 and 2011, LG&E's potential annual exposure to increased interest expense, based on a 10% increase in interest rates, was not significant.

LG&E is also exposed to changes in the fair value of its debt portfolio. LG&E estimated that a 10% decrease in interest rates at December 31, 2012, would increase the fair value of its debt portfolio by $27 million. This estimate is unchanged from December 31, 2011.

LG&E had the following interest rate hedges outstanding at:

	December 31, 2012			December 31, 2011		
	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates
Economic hedges						
Interest rate swaps (b)	$ 179	$ (58)	$ (3)	$ 179	$ (60)	$ (4)
Cash flow hedges						
Interest rate swaps (b)	150	7	(9)			

(a) Includes accrued interest.
(b) LG&E utilizes various risk management instruments to reduce its exposure to the expected future cash flow variability of its debt instruments. These risks include exposure to adverse interest rate movements for outstanding variable rate debt and for future anticipated financing. While LG&E is exposed to changes in the fair value of these instruments, any realized changes in the fair value of such economic and cash flow hedges are recoverable through regulated rates and any subsequent changes in fair value of these derivatives are included in regulatory assets or liabilities. Sensitivities represent a 10% adverse movement in interest rates. The positions outstanding at December 31, 2012 mature through 2043.

Credit Risk

LG&E is exposed to potential losses as a result of nonperformance by counterparties of their contractual obligations. LG&E maintains credit policies and procedures to limit counterparty credit risk including evaluating credit ratings and financial information along with having certain counterparties post margin if the credit exposure exceeds certain thresholds. LG&E is exposed to potential losses as a result of nonpayment by customers. LG&E maintains an allowance for doubtful accounts based on a historical charge-off percentage for retail customers. Allowances for doubtful accounts from wholesale customers and miscellaneous receivables are based on specific identification by management. Retail and wholesale customer accounts are written-off after four months of no payment activity. Miscellaneous receivables are written-off as management determines them to be uncollectible.

Certain of LG&E's derivative instruments contain provisions that require it to provide immediate and on-going collateralization of derivative instruments in net liability positions based upon LG&E's credit ratings from each of the major credit rating agencies. See Notes 18 and 19 to the Financial Statements for information regarding exposure and the risk management activities.

Related Party Transactions

LG&E is not aware of any material ownership interest or operating responsibility by senior management in outside partnerships, including leasing transactions with variable interest entities or other entities doing business with LG&E. See Note 16 to the Financial Statements for additional information on related party transactions.

Environmental Matters

Protection of the environment is a major priority for LG&E and a significant element of its business activities. Extensive federal, state and local environmental laws and regulations are applicable to LG&E's air emissions, water discharges and the management of hazardous and solid waste, among other areas, and the costs of compliance or alleged non-compliance cannot be predicted with certainty but could be material. In addition, costs may increase significantly if the requirements or scope of environmental laws or regulations, or similar rules, are expanded or changed from prior versions by the relevant agencies. Costs may take the form of increased capital expenditures or operating and maintenance expenses; monetary fines, penalties or forfeitures or other restrictions. Many of these environmental law considerations are also applicable to the operations of key suppliers, or customers, such as coal producers, industrial power users, etc.; and may impact the costs for their products or their demand for LG&E's services.

Physical effects associated with climate change could include the impact of changes in weather patterns, such as storm frequency and intensity, and the resultant potential damage to LG&E's generation assets and electricity transmission and distribution systems, as well as impacts on customers. In addition, changed weather patterns could potentially reduce annual rainfall in areas where LG&E has hydro generating facilities or where river water is used to cool its fossil powered generators. LG&E cannot currently predict whether its businesses will experience these potential climate change-related risks or estimate the potential cost of their related consequences.

See "Item 1. Business - Environmental Matters" and Note 15 to the Financial Statements for a discussion of environmental matters.

New Accounting Guidance

See Notes 1 and 24 to the Financial Statements for a discussion of new accounting guidance adopted and pending adoption.

Application of Critical Accounting Policies

Financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following accounting policies are particularly important to the financial condition or results of operations, and require estimates or other judgments of matters inherently uncertain. Changes in the estimates or other judgments included within these accounting policies could result in a significant change to the information presented in the Financial Statements (these accounting policies are also discussed in Note 1 to the Financial Statements). LG&E's senior management has reviewed these critical accounting policies, the following disclosures regarding their application and the estimates and assumptions regarding them, with PPL's Audit Committee.

Revenue Recognition - Unbilled Revenue

Revenues related to the sale of energy are recorded when service is rendered or when energy is delivered to customers. Because customers of LG&E's retail operations are billed on cycles which vary based on the timing of the actual reading of their electric and gas meters, LG&E records estimates for unbilled revenues at the end of each reporting period. Such unbilled revenue amounts reflect estimates of the amount of electricity and gas delivered to customers since the date of the last reading of their meters. The unbilled revenues reflect consideration of estimated usage by customer class, the effect of different rate schedules, changes in weather and where applicable, the impact of weather normalization or other regulatory provisions of rate structures. In addition to the unbilled revenue accrual resulting from cycle billing, LG&E makes additional accruals resulting from the timing of customer bills. The accrual of unbilled revenues in this manner properly matches revenues and related costs. At December 31, 2012 and 2011, LG&E had unbilled revenue balances of $72 million and $65 million.

Defined Benefits

LG&E sponsors and participates in qualified funded defined benefit pension plans and participates in a funded other postretirement benefit plan. These plans are applicable to the majority of the employees of LG&E. The plans LG&E participates in are sponsored by LKE. LKE allocates a portion of the liability and net periodic defined benefit pension and other postretirement costs of certain plans to LG&E based on its participation. LG&E records an asset or liability to recognize the funded status of all defined benefit plans with an offsetting entry to regulatory assets or liabilities. Consequently, the funded status of all defined benefit plans is fully recognized on the Balance Sheets. See Note 13 to the Financial Statements for additional information about the plans and the accounting for defined benefits.

Certain assumptions are made by LKE and LG&E regarding the valuation of benefit obligations and the performance of plan assets. When accounting for defined benefits, delayed recognition in earnings of differences between actual results and expected or estimated results is a guiding principle. Annual net periodic defined benefit costs are recorded in current earnings based on estimated results. Any differences between actual and estimated results are recorded in regulatory assets and liabilities for amounts that are expected to be recovered through regulated customer rates. These amounts in regulatory assets and liabilities are amortized to income over future periods. The delayed recognition allows for a smoothed recognition of costs over the working lives of the employees who benefit under the plans. The primary assumptions are:

- Discount Rate - The discount rate is used in calculating the present value of benefits, which is based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.

- Expected Long-term Return on Plan Assets - Management projects the long-term rates of return on plan assets based on historical performance, future expectations and periodic portfolio rebalancing among the diversified asset classes. These projected returns reduce the net benefit costs LG&E records currently.

- Rate of Compensation Increase - Management projects employees' annual pay increases, which are used to project employees' pension benefits at retirement.

- Health Care Cost Trend Rate - Management projects the expected increases in the cost of health care.

In selecting a discount rate for their defined benefit plans LKE and LG&E start with a cash flow analysis of the expected benefit payment stream for their plans. The plan-specific cash flows are matched against the coupons and expected maturity values of individually selected bonds. This bond matching process begins with the full universe of Aa-rated non-callable (or callable with make-whole provisions) bonds, serving as the base from which those with the lowest and highest yields are eliminated to develop an appropriate subset of bonds. Individual bonds are then selected based on the timing of each plan's cash flows and parameters are established as to the percentage of each individual bond issue that could be hypothetically purchased and the surplus reinvestment rates to be assumed. At December 31, 2012, LKE decreased the discount rate for its pension plan from 5.12% to 4.26%. LG&E decreased the discount rate for its pension plan from 5.05% to 4.20%. LKE decreased the discount rate for its other postretirement benefit plan from 4.78% to 3.99%.

The expected long-term rates of return for LKE's and LG&E's defined benefit pension plans and LKE's defined other postretirement benefit plan have been developed using a best-estimate of expected returns, volatilities and correlations for each asset class. LKE and LG&E management corroborates these rates with expected long-term rates of return calculated by its independent actuary, who uses a building block approach that begins with a risk-free rate of return with factors being added such as inflation, duration, credit spreads and equity risk. Each plan's specific asset allocation is also considered in developing a reasonable return assumption. At December 31, 2012, LKE's and LG&E's expected return on plan assets decreased from 7.25% to 7.10% .

In selecting a rate of compensation increase, LKE and LG&E consider past experience in light of movements in inflation rates. At December 31, 2012, LKE's and LG&E's rate of compensation increase remained at 4.00%.

In selecting health care cost trend rates, LKE considers past performance and forecasts of health care costs. At December 31, 2012, LKE's health care cost trend rates were 8.00% for 2013, gradually declining to 5.50% for 2019.

A variance in the assumptions listed above could have a significant impact on accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and regulatory assets and liabilities for LG&E. While the charts below reflect either an increase or decrease in each assumption, the inverse of the change would impact the accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and regulatory assets and liabilities for LG&E by a similar amount in the opposite direction. The sensitivities below reflect an evaluation of the change based solely on a change in that assumption and does not include income tax effects.

At December 31, 2012, the defined benefit plans were recorded as follows:

Pension liabilities	$ 102
Other postretirement benefit liabilities	81

The following chart reflects the sensitivities in the December 31, 2012 Balance Sheet associated with a change in certain assumptions based on LG&E's primary defined benefit plans.

	Increase (Decrease)			
Actuarial assumption	**Change in assumption**	**Impact on defined benefit liabilities**	**Impact on OCI**	**Impact on regulatory assets**
Discount Rate	(0.25)%	$ 21		$ 21
Rate of Compensation Increase	0.25%	2		2
Health Care Cost Trend Rate (a)	1%	1		1

(a) Only impacts other postretirement benefits.

In 2012, LG&E recognized net periodic defined benefit costs charged to operating expense of $18 million. This amount represents a $3 million decrease from 2011. This decrease in expense for 2012 was primarily attributable to the increase in the expected return on plan assets resulting from pension contributions of $21 million, a reduction in the amortization of outstanding losses and lower interest cost.

The following chart reflects the sensitivities in the 2012 Statement of Income (excluding income tax effects) associated with a change in certain assumptions based on LG&E's primary defined benefit plans.

Actuarial assumption	**Change in assumption**	**Impact on defined benefit costs**
Discount Rate	(0.25)%	$ 2
Expected Return on Plan Assets	(0.25)%	1
Rate of Compensation Increase	0.25%	
Health Care Cost Trend Rate (a)	1%	

(a) Only impacts other postretirement benefits.

Asset Impairment (Excluding Investments)

Impairment analyses are performed for long-lived assets that are subject to depreciation or amortization whenever events or changes in circumstances indicate that a long-lived asset's carrying amount may not be recoverable. For these long-lived assets classified as held and used, such events or changes in circumstances are:

- a significant decrease in the market price of an asset;
- a significant adverse change in the extent or manner in which an asset is being used or in its physical condition;
- a significant adverse change in legal factors or in the business climate;
- an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of an asset;
- a current-period operating or cash flow loss combined with a history of losses or a forecast that demonstrates continuing losses; or
- a current expectation that, more likely than not, an asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

For a long-lived asset classified as held and used, impairment is recognized when the carrying amount of the asset is not recoverable and exceeds its fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the asset is impaired, an impairment loss is recorded to adjust the asset's carrying amount to its estimated fair value. Management must make significant judgments to estimate future cash flows including the useful lives of long-lived assets, the fair value of the assets and management's intent to use the assets. Alternate courses of action are considered to recover the carrying amount of a long-lived asset, and estimated cash flows from the "most likely" alternative are used to assess impairment whenever one alternative is clearly the most likely outcome. If no alternative is clearly the most likely, then a probability-weighted approach is used taking into consideration estimated cash flows from the alternatives. For assets tested for impairment as of the balance sheet date, the estimates of future cash flows used in that test consider the likelihood of possible outcomes that existed at the balance sheet date, including the assessment of the likelihood of a future sale of the assets. That assessment is not revised based on events that occur after the balance sheet date. Changes in assumptions and estimates could result in significantly different results than those identified and recorded in the financial statements.

For a long-lived asset classified as held for sale, impairment exists when the carrying amount of the asset (disposal group) exceeds its fair value less cost to sell. If the asset (disposal group) is impaired, an impairment loss is recorded to adjust the carrying amount to its fair value less cost to sell. A gain is recognized for any subsequent increase in fair value less cost to sell, but not in excess of the cumulative impairment previously recognized.

For determining fair value, quoted market prices in active markets are the best evidence. However, when market prices are unavailable, LG&E considers all valuation techniques appropriate under the circumstances and for which market participant inputs can be obtained. Generally discounted cash flows are used to estimate fair value, which incorporates market participant inputs when available. Discounted cash flows are calculated by estimating future cash flow streams and applying appropriate discount rates to determine the present value of the cash flow streams.

In 2012, LG&E did not recognize an impairment of any long-lived assets.

Goodwill is tested for impairment at the reporting unit level. LG&E's reporting unit has been determined to be at the operating segment level. A goodwill impairment test is performed annually or more frequently if events or changes in circumstances indicate that the carrying amount of the reporting unit may be greater than the unit's fair value. Additionally, goodwill is tested for impairment after a portion of goodwill has been allocated to a business to be disposed of.

Beginning in 2012, LG&E may elect either to initially make a qualitative evaluation about the likelihood of an impairment of goodwill or to bypass the qualitative assessment and directly test goodwill for impairment using a two-step quantitative test. If the qualitative evaluation (referred to as "step zero") is elected and the assessment results in a determination that it is not more likely than not the fair value of the reporting unit is less than the carrying amount, the two-step quantitative impairment test is not necessary. However, the quantitative impairment test is required if LG&E concludes it is more likely than not the fair value of the reporting unit is less than the carrying amount based on the step zero assessment.

When the two-step quantitative impairment test is elected or required as a result of the step zero assessment, in step one, LG&E identifies a potential impairment by comparing the estimated fair value of LG&E (the goodwill reporting unit) with its carrying amount, including goodwill, on the measurement date. If the estimated fair value exceeds its carrying amount, goodwill is not considered impaired. If the carrying amount exceeds the estimated fair value, the second step is performed to measure the amount of impairment loss, if any.

The second step of the quantitative test requires a calculation of the implied fair value of goodwill, which is determined in the same manner as the amount of goodwill in a business combination. That is, the estimated fair value is allocated to all of LG&E's assets and liabilities as if LG&E had been acquired in a business combination and the estimated fair value of LG&E was the price paid. The excess of the estimated fair value of LG&E over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. The implied fair value of LG&E's goodwill is then compared with the carrying amount of that goodwill. If the carrying amount exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of LG&E's goodwill.

LG&E elected to perform the two-step quantitative impairment test of goodwill in the fourth quarter of 2012 and no impairment was recognized. Management used both discounted cash flows and market multiples, which required significant assumptions, to estimate the fair value of LG&E. Applying an appropriate weighting to both the discounted cash flow and market multiple valuations, a decrease in the forecasted cash flows of 10%, an increase in the discount rate by 25 basis points, or a 10% decrease in the multiples would not have resulted in an impairment of goodwill.

Loss Accruals

Losses are accrued for the estimated impacts of various conditions, situations or circumstances involving uncertain or contingent future outcomes. For loss contingencies, the loss must be accrued if (1) information is available that indicates it is probable that a loss has been incurred, given the likelihood of the uncertain future events and (2) the amount of the loss can be reasonably estimated. Accounting guidance defines "probable" as cases in which "the future event or events are likely to occur." The accrual of contingencies that might result in gains is not recorded unless recovery is assured. Potential loss contingencies for environmental remediation, litigation claims, regulatory penalties and other events are continuously assessed.

The accounting aspects of estimated loss accruals include (1) the initial identification and recording of the loss, (2) the determination of triggering events for reducing a recorded loss accrual and (3) the ongoing assessment as to whether a recorded loss accrual is sufficient. All three of these aspects require significant judgment by management. Internal expertise and outside experts (such as lawyers and engineers) are used, as necessary to help estimate the probability that a loss has been incurred and the amount (or range) of the loss.

In 2012, no significant adjustments were made to LG&E's existing contingencies.

Certain other events have been identified that could give rise to a loss, but that do not meet the conditions for accrual. Such events are disclosed, but not recorded, when it is reasonably possible that a loss has been incurred. Accounting guidance defines "reasonably possible" as cases in which "the future event or events occurring is more than remote, but less than likely to occur."

When an estimated loss is accrued, the triggering events for subsequently adjusting the loss accrual are identified, where applicable. The triggering events generally occur when the contingency has been resolved and the actual loss is paid or written off, or when the risk of loss has diminished or been eliminated. The following are some of the triggering events that provide for the adjustment of certain recorded loss accruals:

- Allowances for uncollectible accounts are reduced when accounts are written off after prescribed collection procedures have been exhausted, a better estimate of the allowance is determined or underlying amounts are ultimately collected.

- Environmental and other litigation contingencies are reduced when the contingency is resolved, LG&E makes actual payments, a better estimate of the loss is determined or the loss is no longer considered probable.

Loss accruals are reviewed on a regular basis to assure that the recorded potential loss exposures are appropriate. This involves ongoing communication and analyses with internal and external legal counsel, engineers, operation management and other parties.

See Note 15 to the Financial Statements for additional information.

Asset Retirement Obligations

LG&E is required to recognize a liability for legal obligations associated with the retirement of long-lived assets. The initial obligation is measured at its estimated fair value. An equivalent amount is recorded as an increase in the value of the capitalized asset and allocated to expense over the useful life of the asset. Until the obligation is settled, the liability is increased, through the recognition of accretion expense in the Statements of Income, for changes in the obligation due to the passage of time. Since costs of removal are collected in rates, the accretion and depreciation are offset with a regulatory credit on the income statement, such that there is no earnings impact. The regulatory asset created by the regulatory credit is relieved when the ARO has been settled. An ARO must be recognized when incurred if the fair value of the ARO can be reasonably estimated. See Note 21 to the Financial Statements for related disclosures.

In determining AROs, management must make significant judgments and estimates to calculate fair value. Fair value is developed using an expected present value technique based on assumptions of market participants that considers estimated retirement costs in current period dollars that are inflated to the anticipated retirement date and then discounted back to the date the ARO was incurred. Changes in assumptions and estimates included within the calculations of the fair value of AROs could result in significantly different results than those identified and recorded in the financial statements. Estimated ARO costs and settlement dates, which affect the carrying value of various AROs and the related assets, are reviewed periodically to ensure that any material changes are incorporated into the estimate of the obligations. Any change to the capitalized asset is amortized over the remaining life of the associated long-lived asset.

At December 31, 2012, LG&E had AROs comprised of current and noncurrent amounts, totaling $62 million recorded on the Balance Sheet. Of the total amount, $39 million, or 63%, relates to LG&E's ash ponds, landfills and natural gas mains. The most significant assumptions surrounding AROs are the forecasted retirement costs, the discount rates and the inflation rates. A variance in the forecasted retirement costs, the discount rates or the inflation rates could have a significant impact on the ARO liabilities.

The following chart reflects the sensitivities related to LG&E's ARO liabilities for ash ponds, landfills and natural gas mains at December 31, 2012:

	Change in Assumption	Impact on ARO Liability
Retirement Cost	10%	$ 5
Discount Rate	(0.25)%	1
Inflation Rate	0.25%	5

Income Taxes

Significant management judgment is required in developing the provision for income taxes, primarily due to the uncertainty related to tax positions taken or expected to be taken in tax returns and the determination of deferred tax assets, liabilities and valuation allowances.

Significant management judgment is required to determine the amount of benefit recognized related to an uncertain tax position. Tax positions are evaluated following a two-step process. The first step requires an entity to determine whether, based on the technical merits supporting a particular tax position, it is more likely than not (greater than a 50% chance) that the tax position will be sustained. This determination assumes that the relevant taxing authority will examine the tax position and is aware of all the relevant facts surrounding the tax position. The second step requires an entity to recognize in the financial statements the benefit of a tax position that meets the more-likely-than-not recognition criterion. The benefit recognized is measured at the largest amount of benefit that has a likelihood of realization upon settlement that exceeds 50%. Management considers a number of factors in assessing the benefit to be recognized, including negotiation of a settlement.

On a quarterly basis, uncertain tax positions are reassessed by considering information known at the reporting date. Based on management's assessment of new information, a tax benefit may subsequently be recognized for a previously unrecognized tax position, a previously recognized tax position may be derecognized, or the benefit of a previously recognized tax position may be remeasured. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements in the future.

At December 31, 2012, LG&E's existing reserve exposure to either increases or decreases in unrecognized tax benefits during the next 12 months is less than $1 million. This change could result from subsequent recognition, derecognition and/or changes in the measurement of uncertain tax positions. The events that could cause these changes are direct settlements with taxing authorities, litigation, legal or administrative guidance by relevant taxing authorities and the lapse of an applicable statute of limitation.

The balance sheet classification of unrecognized tax benefits and the need for valuation allowances to reduce deferred tax assets also require significant management judgment. Unrecognized tax benefits are classified as current to the extent management expects to settle an uncertain tax position by payment or receipt of cash within one year of the reporting date. Valuation allowances are initially recorded and reevaluated each reporting period by assessing the likelihood of the ultimate realization of a deferred tax asset. Management considers a number of factors in assessing the realization of a deferred tax asset, including the reversal of temporary differences, future taxable income and ongoing prudent and feasible tax planning strategies. Any tax planning strategy utilized in this assessment must meet the recognition and measurement criteria utilized to account for an uncertain tax position. See Note 5 to the Financial Statements for related disclosures.

Regulatory Assets and Liabilities

LG&E is a cost-based rate-regulated utility. As a result, the effects of regulatory actions are required to be reflected in the financial statements. Assets and liabilities are recorded that result from the regulated ratemaking process that may not be recorded under GAAP for non-regulated entities. Regulatory assets generally represent incurred costs that have been deferred because such costs are probable of future recovery in regulated customer rates. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates. In certain cases, regulatory liabilities are recorded based on an understanding with the regulator that rates have been set to recover costs that are expected to be incurred in the future, and the regulated entity is accountable for any amounts charged pursuant to such rates and not yet expended for the intended purpose. The accounting for regulatory assets and liabilities is based on specific ratemaking decisions or precedent for each transaction or event as prescribed by the FERC and the KPSC.

Management continually assesses whether the regulatory assets are probable of future recovery by considering factors such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders to other regulated entities and the status of any pending or potential deregulation legislation. Based on this continual assessment, management believes the existing regulatory assets are probable of recovery. This assessment reflects the current political and regulatory climate at the state and federal levels, and is subject to change in the future. If future recovery of costs ceases to be probable, then asset write-off would be required to be recognized in operating income. Additionally, the regulatory agencies can provide flexibility in the manner and timing of the depreciation of PP&E and amortization of regulatory assets.

At December 31, 2012, LG&E had regulatory assets of $419 million and regulatory liabilities of $475 million. All regulatory assets are either currently being recovered under specific rate orders, represent amounts that are expected to be recovered in future rates or benefit future periods based upon established regulatory practices.

See Note 6 to the Financial Statements for additional information on regulatory assets and liabilities.

Other Information

PPL's Audit Committee has approved the independent auditor to provide audit, tax and other services permitted by Sarbanes-Oxley and SEC rules. The audit services include services in connection with statutory and regulatory filings, reviews of offering documents and registration statements, and internal control reviews. See "Item 14. Principal Accounting Fees and Services" for more information.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information provided in this Item 7 should be read in conjunction with KU's Financial Statements and the accompanying Notes. Capitalized terms and abbreviations are defined in the glossary. Dollars are in millions, unless otherwise noted.

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

- "Overview" provides a description of KU and its business strategy, a summary of Net Income and a discussion of certain events related to KU's results of operations and financial condition.

- "Results of Operations" provides a summary of KU's earnings and a description of key factors expected to impact future earnings. This section ends with explanations of significant changes in principal items on KU's Statements of Income, comparing 2012 with 2011 and 2011 with 2010.

- "Financial Condition - Liquidity and Capital Resources" provides an analysis of KU's liquidity position and credit profile. This section also includes a discussion of forecasted sources and uses of cash and rating agency actions.

- "Financial Condition - Risk Management" provides an explanation of KU's risk management programs relating to market and credit risk.

- "Application of Critical Accounting Policies" provides an overview of the accounting policies that are particularly important to the results of operations and financial condition of KU and that require its management to make significant estimates, assumptions and other judgments of matters inherently uncertain.

Overview

Introduction

KU, headquartered in Lexington, Kentucky, is a regulated utility engaged in the generation, transmission, distribution and sale of electric energy in Kentucky, Virginia and Tennessee. KU and its affiliate, LG&E, are wholly owned subsidiaries of LKE. LKE, a holding company, became a wholly owned subsidiary of PPL when PPL acquired all of LKE's interests from E.ON US Investments Corp. on November 1, 2010. Following the acquisition, both KU and LG&E continue operating as subsidiaries of LKE, which is now an intermediary holding company in PPL's group of companies. Refer to "Item 1. Business - Background" for a description of KU's business.

Business Strategy

KU's overall strategy is to provide reliable, safe, competitively priced energy to its customers and reasonable returns on regulated investments to its shareowner.

A key objective for KU is to maintain a strong credit profile through managing financing costs and access to credit markets. KU continually focuses on maintaining an appropriate capital structure and liquidity position.

Successor and Predecessor Financial Presentation

KU's Financial Statements and related financial and operating data include the periods before and after PPL's acquisition of LKE on November 1, 2010 and have been segregated to present pre-acquisition activity as the Predecessor and post-acquisition activity as the Successor. Certain accounting and presentation methods were changed to acceptable alternatives to conform to PPL's accounting policies, and the cost bases of certain assets and liabilities were changed as of November 1, 2010 as a result of the application of push-down accounting. Consequently, the financial position, results of operations and cash flows for the Successor periods are not comparable to the Predecessor periods; however, the core operations of KU have not changed as a result of the acquisition.

Financial and Operational Developments

Net Income

Net Income for 2012, 2011 and 2010 was $137 million, $178 million and $175 million. Earnings in 2012 decreased 23% from 2011 and earnings in 2011 increased 2% from 2010.

See "Results of Operations" for a discussion and analysis of KU's earnings.

Rate Case Proceedings

In June 2012, KU filed a request with the KPSC for an increase in annual base electric rates of approximately $82 million. In November 2012, KU along with all of the parties filed a unanimous settlement agreement. Among other things, the settlement provided for increases in annual base electric rates of $51 million. The settlement agreement also included revised depreciation rates that result in reduced annual depreciation expense of approximately $10 million. The settlement agreement included an authorized return on equity of 10.25%. On December 20, 2012, the KPSC issued an order approving the provisions in the settlement agreement. The new rates became effective on January 1, 2013.

Equity Method Investment

KU owns 20% of the common stock of EEI. Through a power marketer affiliated with its majority owner, EEI sells its output to third parties. KU's investment in EEI is accounted for under the equity method of accounting. KU's direct exposure to loss as a result of its involvement with EEI is generally limited to the value of its investment. During the fourth quarter of 2012, KU concluded that an other-than-temporary decline in the value of its investment in EEI had occurred. Accordingly, KU recorded a $15 million impairment charge, net of taxes, related to this investment as of December 31, 2012, bringing the investment balance to zero. The impairment charge is shown in the line "Other-Than-Temporary Impairments" on the Statement of Income for the year ended December 31, 2012.

Commercial Paper

In February 2012, KU established a commercial paper program for up to $250 million to provide an additional financing source to fund its short-term liquidity needs, if and when necessary. Commercial paper issuances are supported by KU's Syndicated Credit Facility. At December 31, 2012, KU had $70 million of commercial paper outstanding.

Terminated Bluegrass CTs Acquisition

In September 2011, KU and LG&E entered into an asset purchase agreement with Bluegrass Generation for the purchase of the Bluegrass CTs, aggregating approximately 495 MW, plus limited associated contractual arrangements required for operation of the units, for a purchase price of $110 million, pending receipt of applicable regulatory approvals. In May 2012, the KPSC issued an order approving the request to purchase the Bluegrass CTs. In November 2011, KU and LG&E filed an application with the FERC under the Federal Power Act requesting approval to purchase the Bluegrass CTs. In May 2012, the FERC issued an order conditionally authorizing the acquisition of the Bluegrass CTs, subject to approval by the FERC of satisfactory mitigation measures to address market-power concerns. After a review of potentially available mitigation options, KU and LG&E determined that the options were not commercially justifiable. In June 2012, KU and LG&E terminated the asset purchase agreement for the Bluegrass CTs in accordance with its terms and made applicable filings with the KPSC and FERC.

Cane Run Unit 7 Construction

In September 2011, KU and LG&E filed a CPCN with the KPSC requesting approval to build Cane Run Unit 7. In May 2012, the KPSC issued an order approving the request. KU will own a 78% undivided interest and LG&E will own a 22% undivided interest in the new generating unit. A formal request for recovery of the costs associated with the construction was not included in the CPCN filing with the KPSC but is expected to be included in future rate case proceedings. KU and LG&E commenced preliminary construction activities in the third quarter of 2012 and project construction is expected to be completed by May 2015. The project, which includes building a natural gas supply pipeline and related transmission projects, has an estimated cost of approximately $600 million.

In conjunction with this construction and to meet new, more stringent EPA regulations with a 2015 compliance date, KU anticipates retiring two older coal-fired electric generating units at the Green River plant, which have a combined summer capacity rating of 163 MW. In addition, KU retired the remaining 71 MW unit at the Tyrone plant in February 2013.

Future Capacity Needs

In addition to the construction of a combined cycle gas unit at the Cane Run station, KU and LG&E continue to assess future capacity needs. As a part of the assessment, KU and LG&E issued an RFP in September 2012 for up to 700 MW of capacity beginning as early as 2015.

Results of Operations

As previously noted, KU's results for the periods after October 31, 2010 are on a basis of accounting different from its results for periods prior to November 1, 2010. See "Overview - Successor and Predecessor Financial Presentation" for further information.

The utility business is affected by seasonal weather. As a result, operating revenues (and associated operating expenses) are not generated evenly throughout the year. Revenue and earnings are generally higher during the first and third quarters and lower during the second and fourth quarters due to weather.

The following table summarizes the significant components of net income for 2012, 2011 and 2010 and the changes therein:

Earnings

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Net Income	$ 137	$ 178	$ 35	$ 140

The changes in the components of Net Income between these periods were due to the following factors, which reflect reclassifications for items included in Margins and certain items that management considers special.

	2012 vs. 2011	2011 vs. 2010
Margins	$ (10)	$ 52
Other operation and maintenance	(16)	(12)
Depreciation	(6)	(28)
Taxes, other than income	(4)	(9)
Other Income (Expense) - net	(7)	(2)
Interest Expense	1	8
Income Taxes	16	(6)
Special items, after-tax	(15)	
Total	$ (41)	$ 3

As a result of low energy prices and environmental regulations, KU assessed the recoverability of its equity method investment in EEI. KU determined it was impaired, and recorded a $15 million impairment charge, net of taxes, as of December 31, 2012. This impairment is considered a special item by management.

- See "Statement of Income Analysis - Margins - Changes in Non-GAAP Financial Measures" for an explanation of Margins.

- Higher other operation and maintenance in 2012 compared with 2011 primarily due to $8 million of higher coal plant maintenance costs related to an increased scope of scheduled outages and a $6 million credit to establish a regulatory asset recorded when approved in 2011 related to 2009 storm costs.

  Higher other operation and maintenance in 2011 compared with 2010 primarily due to $19 million of higher coal plant maintenance costs related to an increased scope of scheduled outages and higher variable costs from increased generation due to TC2 commencing dispatch in January 2011. This increase was partially offset by a $6 million credit to establish a regulatory asset recorded when approved in 2011 related to 2009 storm costs.

- Higher depreciation in 2011 compared with 2010 primarily due to TC2 commencing dispatch in January 2011.

- Lower interest expense in 2011 compared with 2010 primarily due to $18 million less expense primarily related to lower interest rates on the first mortgage bonds issued in November 2010 compared with the rates on the loans from E.ON AG affiliates in place through October 2010. This decrease was partially offset by $8 million of higher expense resulting from higher long-term debt balances.

- Lower income taxes in 2012 compared with 2011 primarily due to lower pre-tax income.

2013 Outlook

Excluding special items, KU projects higher earnings in 2013 compared with 2012, primarily driven by electric base rate increases effective January 1, 2013, returns on additional environmental capital investments and retail load growth, partially offset by higher operation and maintenance.

Earnings in future periods are subject to various risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 1A. Risk Factors," the rest of this Item 7 and Notes 6 and 15 to the Financial Statements for a discussion of the risks, uncertainties and factors that may impact future earnings.

Statement of Income Analysis --

Margins

Non-GAAP Financial Measure

The following discussion includes financial information prepared in accordance with GAAP, as well as a non-GAAP financial measure, "Margins." Margins is 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 to report on the results of their operations. Margins is a single financial performance measure of KU's electricity generation, transmission and distribution operations. In calculating this measure, fuel and energy purchases are deducted from revenues. In addition, utility revenues and expenses associated with approved cost recovery mechanisms are offset. These mechanisms allow for recovery of certain expenses, returns on capital investments primarily associated with environmental regulations and performance incentives. Certain costs associated with these mechanisms, primarily ECR and DSM, are recorded as "Other operation and maintenance" and "Depreciation." As a result, this measure represents the net revenues from KU's operations. This performance measure is used, in conjunction with other information, internally by senior management to manage operations and analyze actual results compared with budget.

Reconciliation of Non-GAAP Financial Measures

The following tables reconcile "Operating Income" to "Margins" as defined by KU for 2012, 2011 and 2010.

	2012 Successor			2011 Successor		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,524		$ 1,524	$ 1,548		$ 1,548
Operating Expenses						
Fuel	498		498	516		516
Energy purchases	109		109	112		112
Other operation and maintenance	55	$ 329	384	49	$ 313	362
Depreciation	49	144	193	48	138	186
Taxes, other than income		23	23		19	19
Total Operating Expenses	711	496	1,207	725	470	1,195
Total	$ 813	$ (496)	$ 317	$ 823	$ (470)	$ 353

	Successor			Predecessor		
	Two Months Ended December 31, 2010			Ten Months Ended October 31, 2010		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 263		$ 263	$ 1,248		$ 1,248
Operating Expenses						
Fuel	78		78	417		417
Energy purchases	28		28	147		147
Other operation and maintenance	6	$ 59	65	29	$ 242	271
Depreciation	6	20	26	29	90	119
Taxes, other than income		1	1		9	9
Total Operating Expenses	118	80	198	622	341	963
Total	$ 145	$ (80)	$ 65	$ 626	$ (341)	$ 285

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

Changes in Non-GAAP Financial Measures

Margins decreased by $10 million for 2012 compared with 2011, primarily due to $10 million of lower retail margins, as volumes were impacted by unseasonably mild weather during the first four months of 2012. Total heating degree days decreased 9% compared to 2011, partially offset by a 4% increase in cooling degree days.

Margins increased by $52 million for 2011 compared with 2010. New KPSC rates went into effect on August 1, 2010, contributing to an additional $64 million in operating revenue over the prior year. Partially offsetting the rate increase were lower retail volumes resulting from weather and economic conditions.

Other Operation and Maintenance

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

	2012 vs. 2011	2011 vs. 2010
Coal plant maintenance (a)	$ 17	$ 9
Distribution maintenance (b)	8	
Administrative and general (c)	(5)	7
Fuel for generation (d)		6
Steam operation (e)		10
Other generation maintenance		(2)
Other	2	(4)
Total	$ 22	$ 26

(a) Coal plant maintenance costs increased in 2012 compared with 2011 primarily due to $8 million of expenses related to an increased scope of scheduled outages, as well as $5 million of increased maintenance on the scrubber system and primary fuel combustion system at the Ghent plant.

Coal plant maintenance costs increased in 2011 compared with 2010 primarily due to $8 million of expenses related to an increased scope of scheduled outages.
(b) Distribution maintenance increased in 2012 compared with 2011 primarily due to a $6 million credit to establish a regulatory asset recorded when approved in 2011 related to 2009 storm costs.
(c) Administrative and general costs decreased in 2012 compared with 2011 primarily due to a decrease in pension expense resulting from pension funding and lower interest cost.

Administrative and general costs increased in 2011 compared with 2010 due to higher outside services costs of $2 million, higher labor costs of $1 million and higher pension costs of $1 million.
(d) Fuel handling costs are included in other operation and maintenance on the Statements of Income for the Successor periods and are in fuel on the Statement of Income for the Predecessor period.
(e) Steam operation costs increased in 2011 compared with 2010 due to increased generation as a result of TC2 commencing dispatch in 2011.

Depreciation

The increase (decrease) in depreciation was due to:

	2012 vs. 2011	2011 vs. 2010
TC2 (dispatch began in January 2011)		$ 25
E.W. Brown sulfur dioxide scrubber equipment (placed in-service in June 2010)		8
Other additions to PP&E	$ 7	8
Total	$ 7	$ 41

Taxes, Other Than Income

Taxes, other than income increased by $9 million in 2011 compared with 2010, primarily due to a $5 million state coal tax credit that was applied to 2010 property taxes. The remaining increase was due to higher assessments, primarily from significant property additions.

Other Income (Expense) - net

Other income (expense) - net decreased by $7 million in 2012 compared with 2011 primarily due to $8 million losses from the EEI investment recorded in 2012.

Other-Than-Temporary Impairments

Other-than-temporary impairments increased by $25 million in 2012 compared with 2011 due to the $25 million pre-tax impairment of the EEI investment. See Notes 1 and 18 to the Financial Statements for additional information.

Interest Expense

Interest expense decreased by $8 million in 2011 compared with 2010, primarily due to $18 million less expense primarily related to lower interest rates on the first mortgage bonds issued in November 2010 compared with the rates on the loans from E.ON AG affiliates in place through October 2010. This decrease was partially offset by $8 million of higher expense resulting from higher long-term debt balances.

Income Taxes

Income taxes decreased by $26 million in 2012 compared with 2011, primarily due to the decrease in pre-tax income.

Income taxes increased by $6 million in 2011 compared with 2010, primarily due to the increase in pre-tax income.

Financial Condition

Liquidity and Capital Resources

KU expects to continue to have adequate liquidity available through operating cash flows, cash and cash equivalents, its credit facilities and commercial paper issuances. Additionally, subject to market conditions, KU currently plans to access capital markets in 2013.

KU's cash flows from operations and access to cost-effective bank and capital markets are subject to risks and uncertainties including, but not limited to:

- changes in commodity prices that may increase the cost of producing or purchasing power or decrease the amount KU receives from selling power;
- operational and credit risks associated with selling and marketing products in the wholesale power markets;
- unusual or extreme weather that may damage KU's transmission and distribution facilities or affect energy sales to customers;
- reliance on transmission facilities that KU does not own or control to deliver its electricity;
- unavailability of generating units (due to unscheduled or longer-than-anticipated generation outages, weather and natural disasters) and the resulting loss of revenues and additional costs of replacement electricity;
- the ability to recover and the timeliness and adequacy of recovery of costs associated with regulated utility businesses;
- costs of compliance with existing and new environmental laws;

- any adverse outcome of legal proceedings and investigations with respect to KU's current and past business activities;
- deterioration in the financial markets that could make obtaining new sources of bank and capital markets funding more difficult and more costly; and
- a downgrade in KU's credit ratings that could adversely affect its ability to access capital and increase the cost of credit facilities and any new debt.

See "Item 1A. Risk Factors" for further discussion of risks and uncertainties affecting KU's cash flows.

At December 31, KU had the following:

	2012	2011	2010
Cash and cash equivalents	$ 21	$ 31	$ 3
Short-term debt (a)	$ 70		

(a) Represents borrowings made under KU's commercial paper program. See Note 7 to the Financial Statements for additional information.

The changes in KU's cash and cash equivalents position resulted from:

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Net cash provided by operating activities	$ 500	$ 444	$ 30	$ 344
Net cash provided by (used in) investing activities	(480)	(279)	(89)	(340)
Net cash provided by (used in) financing activities	(30)	(137)	58	(2)
Net Increase (Decrease) in Cash and Cash Equivalents	$ (10)	$ 28	$ (1)	$ 2

Operating Activities

Net cash provided by operating activities increased by 13%, or $56 million, in 2012 compared with 2011, primarily as a result of:

- Other operating cash flows increased by $45 million driven by a $29 million reduction in pension funding.
- Working capital cash flows increased by $11 million driven by lower income tax payments as a result of lower taxable income in 2012, offset by changes in receivables and unbilled revenues due to milder December weather in 2011 than in 2012 and 2010.

Net cash provided by operating activities increased by 19%, or $70 million, in 2011 compared with 2010, primarily as a result of:

- an increase in net income adjusted for non-cash effects of $115 million (deferred income taxes and investment tax credits of $81 million and depreciation of $41 million, partially offset by defined benefit plans - expense of $2 million and other noncash items of $19 million);
- a net decrease in working capital related to unbilled revenues of $21 million due to colder weather in December 2010 as compared with December 2009, and milder weather in December 2011 as compared with December 2010; partially offset by
- an increase in discretionary defined benefit plan contributions of $30 million made in order to achieve KU's long-term funding requirements;
- the timing of ECR collections of $28 million; and
- an increase in cash outflows related to accrued taxes of $28 million due to an accrual in excess of payments made in 2010 for the 2010 tax year and the payment of the 2010 tax liability in 2011, along with payments made in 2011 over the accrual for the 2011 tax year.

Investing Activities

Net cash used in investing activities increased by 72%, or $201 million, in 2012 compared with 2011, as a result of an increase in capital expenditures of $201 million, primarily due to coal combustion residuals projects at Ghent and E.W. Brown, construction of Cane Run Unit 7 and Ghent environmental air projects.

See "Forecasted Uses of Cash" for detail regarding projected capital expenditures for the years 2013 through 2017.

Net cash used in investing activities decreased by 35%, or $150 million, in 2011 compared with 2010, as a result of a decrease in capital expenditures of $150 million primarily due to the completion of KU's scrubber program in 2010 and TC2 being dispatched in 2011.

Financing Activities

Net cash used in financing activities was $30 million in 2012 compared with net cash provided by financing activities of $137 million in 2011, primarily as a result of less long-term debt issuances and higher dividends to LKE.

In 2012, cash used in financing activities consisted of:

- the payment of common stock dividends to LKE of $100 million; partially offset by
- the issuance of short-term debt in the form of commercial paper $70 million.

Net cash used in financing activities was $137 million in 2011 compared with net cash provided by financing activities of $56 million in 2010, primarily as a result of less long-term debt issuances and higher dividends to LKE.

In 2011, cash used in financing activities consisted of:

- the payment of common stock dividends to LKE of $124 million;
- a net decrease in notes payable with affiliates of $10 million; and
- the payment of debt issuance and credit facility costs of $3 million.

In the two months of 2010 following the acquisition, cash provided by financing activities of the Successor consisted of:

- the issuance of first mortgage bonds of $1,489 million after discounts; and
- the issuance of debt of $1,331 million to a PPL affiliate to repay debt due to an E.ON AG affiliate upon the closing of PPL's acquisition of LKE; partially offset by
- the repayment of debt to an E.ON AG affiliate of $1,331 million upon the closing of PPL's acquisition of LKE;
- the repayment of debt to a PPL affiliate of $1,331 million upon the issuance of first mortgage bonds;
- a net decrease in notes payable with affiliates of $83 million; and
- the payment of debt issuance and credit facility costs of $17 million.

In the ten months of 2010 preceding PPL's acquisition of LKE, cash used in financing activities by the Predecessor consisted of:

- the payment of common stock dividends to LKE of $50 million; partially offset by
- a net increase in notes payable with affiliates of $48 million.

See "Forecasted Sources of Cash" for a discussion of KU's plans to issue debt securities, as well as a discussion of credit facility capacity available to KU. Also see "Forecasted Uses of Cash" for a discussion of plans to pay dividends on common securities in the future, as well as maturities of long-term debt.

KU had no long-term debt securities activity during the year.

See Note 7 to the Financial Statements for additional information about long-term debt securities.

Auction Rate Securities

At December 31, 2012, KU's tax-exempt revenue bonds that are in the form of auction rate securities and total $96 million continue to experience failed auctions. Therefore, the interest rate continues to be set by a formula pursuant to the relevant indentures. For the period ended December 31, 2012, the weighted-average rate on KU's auction rate bonds in total was 0.25%.

Forecasted Sources of Cash

KU expects to continue to have sufficient sources of cash available in the near term, including various credit facilities, its commercial paper program, issuance of debt securities and operating cash flow.

Credit Facilities

At December 31, 2012, KU's total committed borrowing capacity under its credit facilities and the use of this borrowing capacity were:

	Capacity	Commercial Paper Issued	Letters of Credit Issued	Unused Capacity
Syndicated Credit Facility (a) (d)	$ 400	$ 70		$ 330
Letter of Credit Facility (b) (d)	198		$ 198	
Total Credit Facilities (c)	$ 598	$ 70	$ 198	$ 330

(a) In November 2012, KU amended its Syndicated Credit Facility to extend the expiration date to November 2017.
(b) In August 2012, the KU letter of credit facility agreement was amended and restated to allow for certain payments under the letter of credit facility to be converted to loans rather than requiring immediate payment.
(c) The commitments under KU's credit facilities are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than 19% of the total committed capacity available to KU.
(d) KU pays customary fees under its syndicated credit facility as well as its letter of credit facility, and borrowings generally bear interest at LIBOR-based rates plus an applicable margin.

KU participates in an intercompany money pool agreement whereby LKE and/or LG&E make available to KU funds up to $500 million at an interest rate based on a market index of commercial paper issues. At December 31, 2012 there was no balance outstanding.

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

Operating Leases

KU also has available funding sources that are provided through operating leases. KU leases office space and certain equipment. These leasing structures provide KU additional operating and financing flexibility. The operating leases contain covenants that are typical for these agreements, such as maintaining insurance, maintaining corporate existence and timely payment of rent and other fees.

See Note 11 to the Financial Statements for further discussion of the operating leases.

Capital Contributions from LKE

From time to time LKE may make capital contributions to KU. KU may use these contributions to fund capital expenditures and for other general corporate purposes.

Long-term Debt Securities

KU currently plans to issue, subject to market conditions, up to $300 million of first mortgage bond indebtedness in 2013, the proceeds of which will be used to fund capital expenditures and for other general corporate purposes.

Forecasted Uses of Cash

In addition to expenditures required for normal operating activities, such as purchased power, payroll, fuel and taxes, KU currently expects to incur future cash outflows for capital expenditures, various contractual obligations, payment of dividends on its common stock and possibly the purchase or redemption of a portion of debt securities.

Capital Expenditures

The table below shows KU's current capital expenditure projections for the years 2013 through 2017.

	Projected				
	2013	2014	2015	2016	2017
Capital expenditures (a)					
Generating facilities	$ 289	$ 140	$ 136	$ 251	$ 308
Distribution facilities	89	87	97	92	107
Transmission facilities	48	37	40	40	61
Environmental	331	386	264	106	65
Other	27	24	25	27	22
Total Capital Expenditures	$ 784	$ 674	$ 562	$ 516	$ 563

(a) KU generally expects to recover these costs over a period equivalent to the related depreciable lives of the assets through rates. The 2013 total excludes amounts included in accounts payable as of December 31, 2012.

KU's capital expenditure projections for the years 2013 through 2017 total approximately $3.1 billion. Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions. This table includes current estimates for KU's environmental projects related to existing and proposed EPA compliance standards. Actual costs may be significantly lower or higher depending on the final requirements and market conditions. Environmental compliance costs incurred by KU in serving KPSC jurisdictional customers are generally eligible for recovery through the ECR mechanism.

KU plans to fund its capital expenditures in 2013 with cash on hand, cash from operations, short-term debt and issuance of debt securities.

Contractual Obligations

KU has assumed various financial obligations and commitments in the ordinary course of conducting its business. At December 31, 2012, the estimated contractual cash obligations of KU were:

	Total	2013	2014 - 2015	2016 - 2017	After 2017
Long-term Debt (a)	$ 1,851		$ 250		$ 1,601
Interest on Long-term Debt (b)	1,481	$ 64	130	$ 126	1,161
Operating Leases (c)	51	9	15	9	18
Coal and Natural Gas Purchase Obligations (d)	1,046	411	479	156	-
Unconditional Power Purchase Obligations (e)	319	9	18	20	272
Construction Obligations (f)	1,023	455	366	202	
Pension Benefit Plan Obligations (g)	59	59			
Other Obligations (h)	21	5	9	6	1
Total Contractual Cash Obligations	$ 5,851	$ 1,012	$ 1,267	$ 519	$ 3,053

(a) Reflects principal maturities only based on stated maturity dates. See Note 7 to the Financial Statements for a discussion of variable-rate remarketable bonds issued on behalf of KU. KU has no capital lease obligations.
(b) Assumes interest payments through stated maturity. The payments herein are subject to change, as payments for debt that is or becomes variable-rate debt have been estimated.
(c) See Note 11 to the Financial Statements for additional information.
(d) Represents contracts to purchase coal, natural gas and natural gas transportation. See Note 15 to the Financial Statements for additional information.
(e) Represents future minimum payments under OVEC power purchase agreements through June 2040. See Note 15 to the Financial Statements for additional information.
(f) Represents construction commitments, including commitments for the Ghent environmental air projects, Cane Run Unit 7 and Ghent landfill which are also reflected in the Capital Expenditures table presented above.
(g) Based on the current funded status of LKE's qualified pension plan, which covers KU employees, no cash contributions are required. See Note 13 to the Financial Statements for a discussion of expected contributions.
(h) Represents other contractual obligations.

Dividends

From time to time, as determined by its Board of Directors, KU pays dividends to its sole shareholder, LKE.

As discussed in Note 7 to the Financial Statements, KU's ability to pay dividends is limited under a covenant in its $400 million revolving line of credit facility. This covenant restricts the debt to total capital ratio to not more than 70%. See Note 7 to the Financial Statements for other restrictions related to distributions on capital interests for KU.

Purchase or Redemption of Debt Securities

KU will continue to evaluate purchasing or redeeming outstanding debt securities and may decide to take action depending upon prevailing market conditions and available cash.

Rating Agency Actions

Moody's, S&P and Fitch periodically review the credit ratings on the debt securities of KU. 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 KU are based on information provided by KU and other sources. The ratings of Moody's, S&P and Fitch are not a recommendation to buy, sell or hold any securities of KU. 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 KU affect its liquidity, access to capital markets and cost of borrowing under its credit facilities.

The following table sets forth KU's security credit ratings as of December 31, 2012.

	Senior Unsecured			Senior Secured			Commercial Paper		
Issuer	**Moody's**	**S&P**	**Fitch**	**Moody's**	**S&P**	**Fitch**	**Moody's**	**S&P**	**Fitch**
Kentucky Utilities			A	A2	A-	A+	P-2	A-2	F-2

In addition to the credit ratings noted above, the rating agencies took the following actions related to KU:

In February 2012, Fitch assigned ratings to KU's newly established commercial paper program.

In March 2012, Moody's affirmed the following ratings:
- the long-term ratings of the First Mortgage Bonds for KU;
- the issuer ratings for KU; and
- the bank loan ratings for KU.

Also in March 2012, Moody's and S&P each assigned short-term ratings to KU's newly established commercial paper program.

In December 2012, Fitch affirmed the issuer default ratings, individual security ratings and outlook for KU.

Ratings Triggers

KU has various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity, fuel, and commodity transportation and storage, which contain provisions requiring KU to post additional collateral, or permitting the counterparty to terminate the contract, if KU's credit rating were to fall below investment grade. See Note 19 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral that would have been required for derivative contracts in a net liability position at December 31, 2012. At December 31, 2012, if KU's credit ratings had been below investment grade, the maximum amount that KU would have been required to post as additional collateral to counterparties was $21 million for both derivative and non-derivative commodity and commodity-related contracts used in its generation and marketing operations.

Off-Balance Sheet Arrangements

KU has entered into certain agreements that may contingently require payment to a guaranteed or indemnified party. See Note 15 to the Financial Statements for a discussion of these agreements.

Risk Management

Market Risk

See Notes 1, 18 and 19 to the Financial Statements for information about KU's 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 disclosures are not precise indicators of expected future losses, but only indicators of possible losses under normal market conditions at a given confidence level.

Commodity Price Risk (Non-trading)

KU's rates are set by regulatory commissions and the fuel costs incurred are directly recoverable from customers. As a result, KU is subject to commodity price risk for only a small portion of on-going business operations. KU sells excess economic generation to maximize the value of the physical assets at times when the assets are not required to serve KU's or LG&E's customers. See Note 19 to the Financial Statements for additional disclosures.

The balance and change in net fair value of KU's commodity derivative contracts for the periods ended December 31, 2012, 2011 and 2010 were not significant.

Interest Rate Risk

KU issues debt to finance its operations, which exposes it to interest rate risk. KU utilizes various financial derivative instruments to adjust the mix of fixed and floating interest rates in its debt portfolio when appropriate. Risk limits under KU's risk management program are designed to balance risk, exposure to volatility in interest expense and changes in the fair value of KU's debt portfolio due to changes in the absolute level of interest rates.

At December 31, 2012 and 2011, KU's potential annual exposure to increased interest expense, based on a 10% increase in interest rates, was not significant.

KU is also exposed to changes in the fair value of its debt portfolio. KU estimated that a 10% decrease in interest rates at December 31, 2012, would increase the fair value of its debt portfolio by $67 million compared with $72 million at December 31, 2011.

At December 31, 2012, KU had the following interest rate hedges outstanding:

	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Rates
Cash flow hedges			
Interest rate swaps (a)	$ 150	$ 7	$ (9)

(a) KU utilizes various risk management instruments to reduce its exposure to the expected future cash flow variability of its debt instruments. These risks include exposure to adverse interest rate movements for outstanding variable rate debt and for future anticipated financing. While KU is exposed to changes in the fair value of these instruments, any realized changes in the fair value of such cash flow hedges are recoverable through regulated rates and any subsequent changes in fair value of these derivatives are included in regulatory assets or liabilities. Sensitivities represent a 10% adverse movement in interest rates. The positions outstanding at December 31, 2012 mature through 2043.

Credit Risk

KU is exposed to potential losses as a result of nonperformance by counterparties of their contractual obligations. KU maintains credit policies and procedures to limit counterparty credit risk including evaluating credit ratings and financial information along with having certain counterparties post margin if the credit exposure exceeds certain thresholds. KU is exposed to potential losses as a result of nonpayment by customers. KU maintains an allowance for doubtful accounts based on a historical charge-off percentage for retail customers. Allowances for doubtful accounts from wholesale and municipal customers and miscellaneous receivables are based on specific identification by management. Retail, wholesale and municipal customer accounts are written-off after four months of no payment activity. Miscellaneous receivables are written-off as management determines them to be uncollectible.

Certain of KU's derivative instruments contain provisions that require it to provide immediate and on-going collateralization of derivative instruments in net liability positions based upon KU's credit ratings from each of the major credit rating agencies. See Notes 18 and 19 to the Financial Statements for information regarding exposure and the risk management activities.

Related Party Transactions

KU is not aware of any material ownership interest or operating responsibility by senior management in outside partnerships, including leasing transactions with variable interest entities or other entities doing business with KU. See Note 16 to the Financial Statements for additional information on related party transactions.

Environmental Matters

Protection of the environment is a major priority for KU and a significant element of its business activities. Extensive federal, state and local environmental laws and regulations are applicable to KU's air emissions, water discharges and the management of hazardous and solid waste, among other areas, and the costs of compliance or alleged non-compliance cannot be predicted with certainty but could be material. In addition, costs may increase significantly if the requirements or scope of environmental laws or regulations, or similar rules, are expanded or changed from prior versions by the relevant agencies. Costs may take the form of increased capital expenditures or operating and maintenance expenses; monetary fines, penalties or forfeitures or other restrictions. Many of these environmental law considerations are also applicable to the operations of key suppliers, or customers, such as coal producers, industrial power users, etc.; and may impact the costs for their products or their demand for KU's services.

Physical effects associated with climate change could include the impact of changes in weather patterns, such as storm frequency and intensity, and the resultant potential damage to KU's generation assets and electricity transmission and distribution systems, as well as impacts on customers. In addition, changed weather patterns could potentially reduce annual rainfall in areas where KU has hydro generating facilities or where river water is used to cool its fossil powered generators. KU cannot currently predict whether its businesses will experience these potential climate change-related risks or estimate the potential cost of their related consequences.

See "Item 1. Business - Environmental Matters" and Note 15 to the Financial Statements for a discussion of environmental matters.

New Accounting Guidance

See Notes 1 and 24 to the Financial Statements for a discussion of new accounting guidance adopted and pending adoption.

Application of Critical Accounting Policies

Financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following accounting policies are particularly important to the financial condition or results of operations, and require estimates or other judgments of matters inherently uncertain. Changes in the estimates or other judgments included within these accounting policies could result in a significant change to the information presented in the Financial Statements (these accounting policies are also discussed in Note 1 to the Financial Statements). KU's senior management has reviewed these critical accounting policies, the following disclosures regarding their application and the estimates and assumptions regarding them, with PPL's Audit Committee.

Revenue Recognition - Unbilled Revenue

Revenues related to the sale of energy are recorded when service is rendered or when energy is delivered to customers. Because customers of KU's retail operations are billed on cycles which vary based on the timing of the actual reading of their electric meters, KU records estimates for unbilled revenues at the end of each reporting period. Such unbilled revenue amounts reflect estimates of the amount of electricity delivered to customers since the date of the last reading of their meters. The unbilled revenues reflect consideration of estimated usage by customer class, the effect of different rate schedules, changes in weather, and where applicable, the impact of weather normalization or other regulatory provisions of rate structures. In addition to the unbilled revenue accrual resulting from cycle billing, KU makes additional accruals resulting from the timing of customer bills. The accrual of unbilled revenues in this manner properly matches revenues and related costs. At December 31, 2012 and 2011, KU had unbilled revenue balances of $84 million and $81 million.

Defined Benefits

KU participates in a qualified funded defined benefit pension plan and a funded other postretirement benefit plan. These plans are applicable to the majority of the employees of KU and are sponsored by LKE. LKE allocates a portion of the liability and net periodic defined benefit pension and other postretirement costs of the plans to KU based on its participation. KU records an asset or liability to recognize the funded status of all defined benefit plans with an offsetting entry to regulatory assets or liabilities. Consequently, the funded status of all defined benefit plans is fully recognized on the Balance Sheets. See Note 13 to the Financial Statements for additional information about the plans and the accounting for defined benefits.

Certain assumptions are made by LKE regarding the valuation of benefit obligations and the performance of plan assets. When accounting for defined benefits, delayed recognition in earnings of differences between actual results and expected or estimated results is a guiding principle. Annual net periodic defined benefit costs are recorded in current earnings based on estimated results. Any differences between actual and estimated results are recorded in regulatory assets and liabilities for amounts that are expected to be recovered through regulated customer rates. These amounts in regulatory assets and liabilities are amortized to income over future periods. The delayed recognition allows for a smoothed recognition of costs over the working lives of the employees who benefit under the plans. The primary assumptions are:

- Discount Rate - The discount rate is used in calculating the present value of benefits, which is based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.

- Expected Long-term Return on Plan Assets - Management projects the long-term rates of return on plan assets based on historical performance, future expectations and periodic portfolio rebalancing among the diversified asset classes. These projected returns reduce the net benefit costs KU records currently.

- Rate of Compensation Increase - Management projects employees' annual pay increases, which are used to project employees' pension benefits at retirement.

- Health Care Cost Trend Rate - Management projects the expected increases in the cost of health care.

In selecting a discount rate for its defined benefit plans, LKE starts with a cash flow analysis of the expected benefit payment stream for its plans. The plan-specific cash flows are matched against the coupons and expected maturity values of individually selected bonds. This bond matching process begins with the full universe of Aa-rated non-callable (or callable with make-whole provisions) bonds, serving as the base from which those with the lowest and highest yields are eliminated to develop an appropriate subset of bonds. Individual bonds are then selected based on the timing of each plan's cash flows and parameters are established as to the percentage of each individual bond issue that could be hypothetically purchased and the surplus reinvestment rates to be assumed. At December 31, 2012, LKE decreased the discount rate for its pension plan from 5.12% to 4.26% and decreased the discount rate for its other postretirement benefit plan from 4.78% to 3.99%.

The expected long-term rates of return for LKE's defined benefit pension and other postretirement benefit plans have been developed using a best-estimate of expected returns, volatilities and correlations for each asset class. LKE management corroborates these rates with expected long-term rates of return calculated by its independent actuary, who uses a building block approach that begins with a risk-free rate of return with factors being added such as inflation, duration, credit spreads and equity risk. Each plan's specific asset allocation is also considered in developing a reasonable return assumption. At December 31, 2012, LKE's expected return on plan assets decreased from 7.25% to 7.10% .

In selecting a rate of compensation increase, LKE considers past experience in light of movements in inflation rates. At December 31, 2012, LKE's rate of compensation increase remained at 4.00%.

In selecting health care cost trend rates LKE considers past performance and forecasts of health care costs. At December 31, 2012, LKE's health care cost trend rates were 8.00% for 2013, gradually declining to 5.50% for 2019.

A variance in the assumptions listed above could have a significant impact on accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and regulatory assets and liabilities allocated to KU. While the charts below reflect either an increase or decrease in each assumption, the inverse of the change would impact the accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and regulatory assets and liabilities for KU by a similar amount in the opposite direction. The sensitivities below reflect an evaluation of the change based solely on a change in that assumption and does not include income tax effects.

At December 31, 2012, the defined benefit plans were recorded as follows:

Pension liabilities	$ 104
Other postretirement benefit liabilities	53

The following chart reflects the sensitivities in the December 31, 2012 Balance Sheet associated with a change in certain assumptions based on KU's primary defined benefit plans.

	Increase (Decrease)			
Actuarial assumption	**Change in assumption**	**Impact on defined benefit liabilities**	**Impact on OCI**	**Impact on regulatory assets**
Discount Rate	(0.25)%	$ 17		$ 17
Rate of Compensation Increase	0.25%	3		3
Health Care Cost Trend Rate (a)	1%	3		3

(a) Only impacts other postretirement benefits.

In 2012 KU recognized net periodic defined benefit costs charged to operating expense of $11 million. This amount represents a $3 million decrease from 2011. This decrease in expense for 2012 was primarily attributable to the increase in the expected return on plan assets resulting from pension contributions of $15 million, a reduction in the amortization of outstanding losses and lower interest cost.

The following chart reflects the sensitivities in the 2012 Statement of Income (excluding income tax effects) associated with a change in certain assumptions based on KU's primary defined benefit plans.

Actuarial assumption	**Change in assumption**	**Impact on defined benefit costs**
Discount Rate	(0.25)%	$ 2
Expected Return on Plan Assets	(0.25)%	1
Rate of Compensation Increase	0.25%	1
Health Care Cost Trend Rate (a)	1%	

(a) Only impacts other postretirement benefits.

Asset Impairment (Excluding Investments)

Impairment analyses are performed for long-lived assets that are subject to depreciation or amortization whenever events or changes in circumstances indicate that a long-lived asset's carrying amount may not be recoverable. For these long-lived assets classified as held and used, such events or changes in circumstances are:

- a significant decrease in the market price of an asset;
- a significant adverse change in the extent or manner in which an asset is being used or in its physical condition;
- a significant adverse change in legal factors or in the business climate;
- an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of an asset;
- a current-period operating or cash flow loss combined with a history of losses or a forecast that demonstrates continuing losses; or
- a current expectation that, more likely than not, an asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

For a long-lived asset classified as held and used, impairment is recognized when the carrying amount of the asset is not recoverable and exceeds its fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the asset is impaired, an impairment loss is recorded to adjust the asset's carrying amount to its estimated fair value. Management must make significant judgments to estimate future cash flows including the useful lives of long-lived assets, the fair value of the assets and management's intent to use the assets. Alternate courses of action are considered to recover the carrying amount of a long-lived asset, and estimated cash flows from the "most likely" alternative are used to assess impairment whenever one alternative is clearly the most likely outcome. If no alternative is clearly the most likely, then a probability-weighted approach is used taking into consideration estimated cash flows from the alternatives. For assets tested for impairment as of the balance sheet date, the estimates of future cash flows used in that test consider the likelihood of possible outcomes that existed at the balance sheet date, including the assessment of the likelihood of a future sale of the assets. That assessment is not revised based on events that occur after the balance sheet date. Changes in assumptions and estimates could result in significantly different results than those identified and recorded in the financial statements.

For a long-lived asset classified as held for sale, impairment exists when the carrying amount of the asset (disposal group) exceeds its fair value less cost to sell. If the asset (disposal group) is impaired, an impairment loss is recorded to adjust the carrying amount to its fair value less cost to sell. A gain is recognized for any subsequent increase in fair value less cost to sell, but not in excess of the cumulative impairment previously recognized.

For determining fair value, quoted market prices in active markets are the best evidence. However, when market prices are unavailable, KU considers all valuation techniques appropriate under the circumstances and for which market participant inputs can be obtained. Generally discounted cash flows are used to estimate fair value, which incorporates market participant inputs when available. Discounted cash flows are calculated by estimating future cash flow streams and applying appropriate discount rates to determine the present value of the cash flow streams.

Goodwill is tested for impairment at the reporting unit level. KU's reporting unit has been determined to be at the operating segment level. A goodwill impairment test is performed annually or more frequently if events or changes in circumstances indicate that the carrying amount of the reporting unit may be greater than the unit's fair value. Additionally, goodwill is tested for impairment after a portion of goodwill has been allocated to a business to be disposed of.

Beginning in 2012, KU may elect either to initially make a qualitative evaluation about the likelihood of an impairment of goodwill or to bypass the qualitative assessment and directly test goodwill for impairment using a two-step quantitative test. If the qualitative evaluation (referred to as "step zero") is elected and the assessment results in a determination that it is not more likely than not the fair value of the reporting unit is less than the carrying amount, the two-step quantitative impairment test is not necessary. However, the quantitative impairment test is required if KU concludes it is more likely than not the fair value of the reporting unit is less than the carrying amount based on the step zero assessment.

When the two-step quantitative impairment test is elected or required as a result of the step zero assessment, in step one, KU identifies a potential impairment by comparing the estimated fair value of KU (the goodwill reporting unit) with its carrying amount, including goodwill, on the measurement date. If the estimated fair value exceeds its carrying amount, goodwill is not considered impaired. If the carrying amount exceeds the estimated fair value, the second step is performed to measure the amount of impairment loss, if any.

The second step of the quantitative test requires a calculation of the implied fair value of goodwill, which is determined in the same manner as the amount of goodwill in a business combination. That is, the estimated fair value is allocated to all of KU's assets and liabilities as if KU had been acquired in a business combination and the estimated fair value of KU was the price paid. The excess of the estimated fair value of KU over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. The implied fair value of KU's goodwill is then compared with the carrying amount of that goodwill. If the carrying amount exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of KU's goodwill.

KU elected to perform the two-step quantitative impairment test of goodwill in the fourth quarter of 2012 and no impairment was recognized. Management used both discounted cash flows and market multiples, which required significant assumptions, to estimate the fair value of KU. Applying an appropriate weighting to both the discounted cash flow and market multiple valuations, a decrease in the forecasted cash flows of 10%, an increase in the discount rate by 25 basis points, or a 10% decrease in the multiples would not have resulted in an impairment of goodwill.

Loss Accruals

Losses are accrued for the estimated impacts of various conditions, situations or circumstances involving uncertain or contingent future outcomes. For loss contingencies, the loss must be accrued if (1) information is available that indicates it is probable that a loss has been incurred, given the likelihood of the uncertain future events and (2) the amount of the loss can be reasonably estimated. Accounting guidance defines "probable" as cases in which "the future event or events are likely to occur." The accrual of contingencies that might result in gains is not recorded unless recovery is assured. Potential loss contingencies for environmental remediation, litigation claims, regulatory penalties and other events are continuously assessed.

The accounting aspects of estimated loss accruals include (1) the initial identification and recording of the loss, (2) the determination of triggering events for reducing a recorded loss accrual and (3) the ongoing assessment as to whether a recorded loss accrual is sufficient. All three of these aspects require significant judgment by management. Internal expertise and outside experts (such as lawyers and engineers) are used, as necessary to help estimate the probability that a loss has been incurred and the amount (or range) of the loss.

In 2012, no significant adjustments were made to KU's existing contingencies.

Certain other events have been identified that could give rise to a loss, but that do not meet the conditions for accrual. Such events are disclosed, but not recorded, when it is reasonably possible that a loss has been incurred. Accounting guidance defines "reasonably possible" as cases in which "the future event or events occurring is more than remote, but less than likely to occur."

When an estimated loss is accrued, the triggering events for subsequently adjusting the loss accrual are identified, where applicable. The triggering events generally occur when the contingency has been resolved and the actual loss is paid or written off, or when the risk of loss has diminished or been eliminated. The following are some of the triggering events that provide for the adjustment of certain recorded loss accruals:

- Allowances for uncollectible accounts are reduced when accounts are written off after prescribed collection procedures have been exhausted, a better estimate of the allowance is determined or underlying amounts are ultimately collected.

- Environmental and other litigation contingencies are reduced when the contingency is resolved, KU makes actual payments, a better estimate of the loss is determined or the loss is no longer considered probable.

Loss accruals are reviewed on a regular basis to assure that the recorded potential loss exposures are appropriate. This involves ongoing communication and analyses with internal and external legal counsel, engineers, operation management and other parties.

See Note 15 to the Financial Statements for additional information.

Asset Retirement Obligations

KU is required to recognize a liability for legal obligations associated with the retirement of long-lived assets. The initial obligation is measured at its estimated fair value. An equivalent amount is recorded as an increase in the value of the capitalized asset and allocated to expense over the useful life of the asset. Until the obligation is settled, the liability is increased, through the recognition of accretion expense in the Statements of Income, for changes in the obligation due to the passage of time. Since costs of removal are collected in rates, the accretion and depreciation are offset with a regulatory credit on the income statement, such that there is no earnings impact. The regulatory asset created by the regulatory credit is relieved when the ARO has been settled. An ARO must be recognized when incurred if the fair value of the ARO can be reasonably estimated. See Note 21 to the Financial Statements for related disclosures.

In determining AROs, management must make significant judgments and estimates to calculate fair value. Fair value is developed using an expected present value technique based on assumptions of market participants that considers estimated retirement costs in current period dollars that are inflated to the anticipated retirement date and then discounted back to the date the ARO was incurred. Changes in assumptions and estimates included within the calculations of the fair value of AROs could result in significantly different results than those identified and recorded in the financial statements. Estimated ARO costs and settlement dates, which affect the carrying value of various AROs and the related assets, are reviewed periodically to ensure that any material changes are incorporated into the estimate of the obligations. Any change to the capitalized asset is amortized over the remaining life of the associated long-lived asset.

At December 31, 2012, KU had AROs totaling $69 million recorded on the Balance Sheet. Of the total amount, $51 million, or 74%, relates to KU's ash ponds and landfill. The most significant assumptions surrounding AROs are the forecasted retirement costs, the discount rates and the inflation rates. A variance in the forecasted retirement costs, the discount rates or the inflation rates could have a significant impact on the ARO liabilities.

The following chart reflects the sensitivities related to KU's ARO liabilities for ash ponds and landfill at December 31, 2012:

	Change in Assumption	Impact on ARO Liability
Retirement Cost	10%	$ 6
Discount Rate	(0.25)%	2
Inflation Rate	0.25%	3

Income Taxes

Significant management judgment is required in developing the provision for income taxes, primarily due to the uncertainty related to tax positions taken or expected to be taken in tax returns and the determination of deferred tax assets, liabilities and valuation allowances.

Significant management judgment is required to determine the amount of benefit recognized related to an uncertain tax position. Tax positions are evaluated following a two-step process. The first step requires an entity to determine whether, based on the technical merits supporting a particular tax position, it is more likely than not (greater than a 50% chance) that the tax position will be sustained. This determination assumes that the relevant taxing authority will examine the tax position and is aware of all the relevant facts surrounding the tax position. The second step requires an entity to recognize in the financial statements the benefit of a tax position that meets the more-likely-than-not recognition criterion. The benefit recognized is measured at the largest amount of benefit that has a likelihood of realization, upon settlement, that exceeds 50%. Management considers a number of factors in assessing the benefit to be recognized, including negotiation of a settlement.

On a quarterly basis, uncertain tax positions are reassessed by considering information known at the reporting date. Based on management's assessment of new information, a tax benefit may subsequently be recognized for a previously unrecognized tax position, a previously recognized tax position may be derecognized, or the benefit of a previously recognized tax position may be remeasured. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements in the future.

At December 31, 2012, KU's existing reserve exposure to either increases or decreases in unrecognized tax benefits during the next 12 months is less than $1 million. This change could result from subsequent recognition, derecognition and/or changes in the measurement of uncertain tax positions. The events that could cause these changes are direct settlements with taxing authorities, litigation, legal or administrative guidance by relevant taxing authorities and the lapse of an applicable statute of limitation.

The balance sheet classification of unrecognized tax benefits and the need for valuation allowances to reduce deferred tax assets also require significant management judgment. Unrecognized tax benefits are classified as current to the extent management expects to settle an uncertain tax position by payment or receipt of cash within one year of the reporting date. Valuation allowances are initially recorded and reevaluated each reporting period by assessing the likelihood of the ultimate realization of a deferred tax asset. Management considers a number of factors in assessing the realization of a deferred tax asset, including the reversal of temporary differences, future taxable income and ongoing prudent and feasible tax planning strategies. Any tax planning strategy utilized in this assessment must meet the recognition and measurement criteria utilized to account for an uncertain tax position. See Note 5 to the Financial Statements for related disclosures.

Regulatory Assets and Liabilities

KU is a cost-based rate-regulated utility. As a result, the effects of regulatory actions are required to be reflected in the financial statements. Assets and liabilities are recorded that result from the regulated ratemaking process that may not be recorded under GAAP for non-regulated entities. Regulatory assets generally represent incurred costs that have been deferred because such costs are probable of future recovery in regulated customer rates. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates. In certain cases, regulatory liabilities are recorded based on an understanding with the regulator that rates have been set to recover costs that are expected to be incurred in the future, and the regulated entity is accountable for any amounts charged pursuant to such rates and not yet expended for the intended purpose. The accounting for regulatory assets and liabilities is based on specific ratemaking decisions or precedent for each transaction or event as prescribed by the FERC, the KPSC, the VSCC or the TRA.

Management continually assesses whether the regulatory assets are probable of future recovery by considering factors such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders to other regulated entities and the status of any pending or potential deregulation legislation. Based on this continual assessment, management believes the existing regulatory assets are probable of recovery. This assessment reflects the current political and regulatory climate at the state and federal levels, and is subject to change in the future. If future recovery of costs ceases to be probable, then asset write-off would be required to be recognized in operating income. Additionally, the regulatory agencies can provide flexibility in the manner and timing of the depreciation of PP&E and amortization of regulatory assets.

At December 31, 2012, KU had regulatory assets of $230 million and regulatory liabilities of $536 million. All regulatory assets are either currently being recovered under specific rate orders, represent amounts that are expected to be recovered in future rates or benefit future periods based upon established regulatory practices.

See Note 6 to the Financial Statements for additional information on regulatory assets and liabilities.

Other Information

PPL's Audit Committee has approved the independent auditor to provide audit, tax and other services permitted by Sarbanes-Oxley and SEC rules. The audit services include services in connection with statutory and regulatory filings, reviews of offering documents and registration statements, and internal control reviews. See "Item 14. Principal Accounting Fees and Services" for more information.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Reference is made to "Risk Management - Energy Marketing & Trading and Other" for PPL and PPL Energy Supply and "Risk Management" for PPL Electric, LKE, LG&E and KU in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareowners of PPL Corporation

We have audited the accompanying consolidated balance sheets of PPL Corporation and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the 2010 financial statements of LG&E and KU Energy LLC (LKE), a wholly owned subsidiary, which statements reflect total revenues of $494 million for the period November 1, 2010 (date of acquisition) to December 31, 2010. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for LKE, is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and, for 2010, the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of PPL Corporation and subsidiaries at December 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), PPL Corporation's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 28, 2013

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareowners of PPL Corporation

We have audited PPL Corporation's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). PPL Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in Management's Report on Internal Control over Financial Reporting at Item 9A. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, PPL Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of PPL Corporation and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2012 and our report dated February 28, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 28, 2013

Report of Independent Registered Public Accounting Firm

To the Board of Managers and Sole Member of PPL Energy Supply, LLC

We have audited the accompanying consolidated balance sheets of PPL Energy Supply, LLC and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of PPL Energy Supply, LLC and subsidiaries at December 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 28, 2013

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareowners of PPL Electric Utilities Corporation

We have audited the accompanying consolidated balance sheets of PPL Electric Utilities Corporation and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income, shareowners' equity, and cash flows for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of PPL Electric Utilities Corporation and subsidiaries at December 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 28, 2013

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Sole Member of LG&E and KU Energy LLC

We have audited the accompanying consolidated balance sheets of LG&E and KU Energy LLC and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income and comprehensive income, cash flows, and equity for each of the two years in the period ended December 31, 2012. Our audits also included the financial statement schedule listed in the index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of LG&E and KU Energy LLC and subsidiaries at December 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for each of the two years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles **.** Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Louisville, Kentucky
February 28, 2013

Report of Independent Registered Public Accounting Firm

To the Member of LG&E and KU Energy LLC

In our opinion, the accompanying consolidated statements of income, comprehensive income, cash flows, and equity present fairly, in all material respects, the results of operations and cash flows of LG&E and KU Energy LLC and its subsidiaries (Successor Company) for the period from November 1, 2010 to December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 10 to the consolidated financial statements, on November 1, 2010, PPL Corporation completed its acquisition of LG&E and KU Energy LLC and its subsidiaries. The push-down basis of accounting was used at the acquisition date.

/s/ PricewaterhouseCoopers LLP

Louisville, Kentucky
February 25, 2011

Report of Independent Registered Public Accounting Firm

To the Member of LG&E and KU Energy LLC

In our opinion, the accompanying consolidated statements of income, comprehensive income, cash flows, and equity present fairly, in all material respects, the results of operations and cash flows of LG&E and KU Energy LLC and its subsidiaries (formerly E.ON U.S. LLC, Predecessor Company) for the period from January 1, 2010 to October 31, 2010 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 10 to the consolidated financial statements, on November 1, 2010, PPL Corporation completed its acquisition of LG&E and KU Energy LLC and its subsidiaries. The push-down basis of accounting was used at the acquisition date.

/s/ PricewaterhouseCoopers LLP

Louisville, Kentucky
February 25, 2011

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder of Louisville Gas and Electric Company

We have audited the accompanying balance sheets of Louisville Gas and Electric Company as of December 31, 2012 and 2011, and the related statements of income and comprehensive income, cash flows, and equity for each of the two years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisville Gas and Electric Company at December 31, 2012 and 2011, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles **.**

/s/ Ernst & Young LLP

Louisville, Kentucky
February 28, 2013

Report of Independent Registered Public Accounting Firm

To the Stockholder of Louisville Gas and Electric Company

In our opinion, the accompanying statements of income, comprehensive income, cash flows, and equity present fairly, in all material respects, the results of operations and cash flows of Louisville Gas and Electric Company (Successor Company) for the period from November 1, 2010 to December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 10 to the financial statements, on November 1, 2010, PPL Corporation completed its acquisition of LG&E and KU Energy LLC and its subsidiaries. The push-down basis of accounting was used at the acquisition date.

/s/ PricewaterhouseCoopers LLP

Louisville, Kentucky
February 25, 2011

Report of Independent Registered Public Accounting Firm

To the Stockholder of Louisville Gas and Electric Company

In our opinion, the accompanying statements of income, comprehensive income, cash flows, and equity present fairly, in all material respects, the results of operations and cash flows of Louisville Gas and Electric Company (Predecessor Company) for the period from January 1, 2010 to October 31, 2010 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 10 to the financial statements, on November 1, 2010, PPL Corporation completed its acquisition of LG&E and KU Energy LLC and its subsidiaries. The push-down basis of accounting was used at the acquisition date.

/s/ PricewaterhouseCoopers LLP

Louisville, Kentucky
February 25, 2011

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder of Kentucky Utilities Company

We have audited the accompanying balance sheets of Kentucky Utilities Company as of December 31, 2012 and 2011, and the related statements of income and comprehensive income, cash flows, and equity for each of the two years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kentucky Utilities Company at December 31, 2012 and 2011, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Louisville, Kentucky
February 28, 2013

Report of Independent Registered Public Accounting Firm

To the Stockholder of Kentucky Utilities Company

In our opinion, the accompanying statements of income, comprehensive income, cash flows, and equity present fairly, in all material respects, the results of operations and cash flows of Kentucky Utilities Company (Successor Company) for the period from November 1, 2010 to December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 10 to the financial statements, on November 1, 2010, PPL Corporation completed its acquisition of LG&E and KU Energy LLC and its subsidiaries. The push-down basis of accounting was used at the acquisition date.

/s/ PricewaterhouseCoopers LLP

Louisville, Kentucky
February 25, 2011

Report of Independent Registered Public Accounting Firm

To the Stockholder of Kentucky Utilities Company

In our opinion, the accompanying statements of income, comprehensive income, cash flows, and equity present fairly, in all material respects, the results of operations and cash flows of Kentucky Utilities Company (Predecessor Company) for the period from January 1, 2010 to October 31, 2010 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 10 to the financial statements, on November 1, 2010, PPL Corporation completed its acquisition of LG&E and KU Energy LLC and its subsidiaries. The push-down basis of accounting was used at the acquisition date.

/s/ PricewaterhouseCoopers LLP

Louisville, Kentucky
February 25, 2011

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
PPL Corporation and Subsidiaries
(Millions of Dollars, except share data)

	2012	2011	2010
Operating Revenues			
Utility	**$ 6,808**	$ 6,292	$ 3,668
Unregulated retail electric and gas	**844**	726	415
Wholesale energy marketing			
Realized	**4,433**	3,807	4,832
Unrealized economic activity (Note 19)	**(311)**	1,407	(805)
Net energy trading margins	**4**	(2)	2
Energy-related businesses	**508**	507	409
Total Operating Revenues	**12,286**	12,737	8,521
Operating Expenses			
Operation			
Fuel	**1,837**	1,946	1,235
Energy purchases			
Realized	**2,997**	2,130	2,773
Unrealized economic activity (Note 19)	**(442)**	1,123	(286)
Other operation and maintenance	**2,835**	2,667	1,756
Depreciation	**1,100**	960	556
Taxes, other than income	**366**	326	238
Energy-related businesses	**484**	484	383
Total Operating Expenses	**9,177**	9,636	6,655
Operating Income	**3,109**	3,101	1,866
Other Income (Expense) - net	**(39)**	4	(31)
Other-Than-Temporary Impairments	**27**	6	3
Interest Expense	**961**	898	593
Income from Continuing Operations Before Income Taxes	**2,082**	2,201	1,239
Income Taxes	**545**	691	263
Income from Continuing Operations After Income Taxes	**1,537**	1,510	976
Income (Loss) from Discontinued Operations (net of income taxes)	**(6)**	2	(17)
Net Income	**1,531**	1,512	959
Net Income Attributable to Noncontrolling Interests	**5**	17	21
Net Income Attributable to PPL Shareowners	**$ 1,526**	$ 1,495	$ 938
Amounts Attributable to PPL Shareowners:			
Income from Continuing Operations After Income Taxes	**$ 1,532**	$ 1,493	$ 955
Income (Loss) from Discontinued Operations (net of income taxes)	**(6)**	2	(17)
Net Income	**$ 1,526**	$ 1,495	$ 938
Earnings Per Share of Common Stock:			
Income from Continuing Operations After Income Taxes Available to PPL Common Shareowners:			
Basic	**$ 2.62**	$ 2.70	$ 2.21
Diluted	**$ 2.61**	$ 2.70	$ 2.20
Net Income Available to PPL Common Shareowners:			
Basic	**$ 2.61**	$ 2.71	$ 2.17
Diluted	**$ 2.60**	$ 2.70	$ 2.17
Dividends Declared Per Share of Common Stock	**$ 1.44**	$ 1.40	$ 1.40
Weighted-Average Shares of Common Stock Outstanding (in thousands)			
Basic	**580,276**	550,395	431,345
Diluted	**581,626**	550,952	431,569

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,
PPL Corporation and Subsidiaries
(Millions of Dollars)

	2012	2011	2010
Net income	**$ 1,531**	$ 1,512	$ 959
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, ($2), ($1)	**94**	(48)	(59)
Available-for-sale securities, net of tax of ($31), ($6), ($31)	**29**	9	29
Qualifying derivatives, net of tax of ($32), ($139), ($148)	**39**	202	219
Equity investees' other comprehensive income (loss), net of tax of ($1), $0, $0	**2**		
Defined benefit plans:			
Prior service costs, net of tax of $0, ($1), ($14)	**1**	(3)	17
Net actuarial gain (loss), net of tax of $343, $58, $50	**(965)**	(152)	(80)
Transition obligation, net of tax of $0, $0, ($4)			8
Reclassifications to net income - (gains) losses, net of tax expense (benefit):			
Available-for-sale securities, net of tax of $1, $5, $3	**(7)**	(7)	(5)
Qualifying derivatives, net of tax of $278, $246, $84	**(434)**	(370)	(126)
Equity investees' other comprehensive (income) loss, net of tax of $0, $0, $0		3	
Defined benefit plans:			
Prior service costs, net of tax of ($5), ($5), ($7)	**10**	10	12
Net actuarial loss, net of tax of ($29), ($19), ($14)	**79**	47	41
Transition obligation, net of tax of $0, $0, ($1)			2
Total other comprehensive income (loss) attributable to PPL Shareowners	**(1,152)**	(309)	58
Comprehensive income (loss)	**379**	1,203	1,017
Comprehensive income attributable to noncontrolling interests	**5**	17	21
Comprehensive income (loss) attributable to PPL Shareowners	**$ 374**	$ 1,186	$ 996

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
PPL Corporation and Subsidiaries
(Millions of Dollars)

	2012	2011	2010
Cash Flows from Operating Activities			
Net income	**$ 1,531**	$ 1,512	$ 959
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation	**1,100**	961	567
Amortization	**186**	254	213
Defined benefit plans - expense	**166**	205	102
Deferred income taxes and investment tax credits	**424**	582	241
Impairment of assets	**28**	13	120
Unrealized (gains) losses on derivatives, and other hedging activities	**27**	(314)	542
Provision for Montana hydroelectric litigation		(74)	66
Other	**52**	36	32
Change in current assets and current liabilities			
Accounts receivable	**7**	(89)	(106)
Accounts payable	**(29)**	(36)	216
Unbilled revenues	**(19)**	64	(99)
Prepayments	**(5)**	294	(318)
Counterparty collateral	**(34)**	(190)	(18)
Taxes	**24**	(104)	20
Regulatory assets and liabilities, net	**(2)**	106	(110)
Accrued interest	**32**	109	50
Other	**8**	6	9
Other operating activities			
Defined benefit plans - funding	**(607)**	(667)	(396)
Other assets	**(33)**	(62)	(45)
Other liabilities	**(92)**	(99)	(12)
Net cash provided by (used in) operating activities	**2,764**	2,507	2,033
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	**(3,105)**	(2,487)	(1,597)
Proceeds from the sale of certain non-core generation facilities		381	
Proceeds from the sale of the Long Island generation business			124
Proceeds from the sale of the Maine hydroelectric generation business			38
Ironwood Acquisition, net of cash acquired	**(84)**		
Acquisition of WPD Midlands		(5,763)	
Acquisition of LKE, net of cash acquired			(6,812)
Purchases of nuclear plant decommissioning trust investments	**(154)**	(169)	(128)
Proceeds from the sale of nuclear plant decommissioning trust investments	**139**	156	114
Proceeds from the sale of other investments	**20**	163	
Net (increase) decrease in restricted cash and cash equivalents	**96**	(143)	85
Other investing activities	**(35)**	(90)	(53)
Net cash provided by (used in) investing activities	**(3,123)**	(7,952)	(8,229)
Cash Flows from Financing Activities			
Issuance of long-term debt	**1,223**	5,745	4,642
Retirement of long-term debt	**(108)**	(1,210)	(20)
Issuance of common stock	**72**	2,297	2,441
Payment of common stock dividends	**(833)**	(746)	(566)
Redemption of preference stock of a subsidiary	**(250)**		(54)
Debt issuance and credit facility costs	**(17)**	(102)	(175)
Contract adjustment payments on Equity Units	**(94)**	(72)	(13)
Net increase (decrease) in short-term debt	**74**	(125)	70
Other financing activities	**(19)**	(20)	(18)
Net cash provided by (used in) financing activities	**48**	5,767	6,307
Effect of Exchange Rates on Cash and Cash Equivalents	**10**	(45)	13
Net Increase (Decrease) in Cash and Cash Equivalents	**(301)**	277	124
Cash and Cash Equivalents at Beginning of Period	**1,202**	925	801
Cash and Cash Equivalents at End of Period	**$ 901**	$ 1,202	$ 925
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	**$ 847**	$ 696	$ 458
Income taxes - net	**$ 73**	$ (76)	$ 313

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

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
PPL Corporation and Subsidiaries
(Millions of Dollars, shares in thousands)

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	$ **901**	$ 1,202
Short-term investments		16
Restricted cash and cash equivalents	**54**	152
Accounts receivable (less reserve: 2012, $64; 2011, $54)		
Customer	**745**	732
Other	**79**	91
Unbilled revenues	**857**	834
Fuel, materials and supplies	**673**	654
Prepayments	**166**	160
Price risk management assets	**1,525**	2,548
Regulatory assets	**19**	9
Other current assets	**49**	28
Total Current Assets	**5,068**	6,426
Investments		
Nuclear plant decommissioning trust funds	**712**	640
Other investments	**47**	78
Total Investments	**759**	718
Property, Plant and Equipment		
Regulated utility plant	**25,196**	22,994
Less: accumulated depreciation - regulated utility plant	**4,164**	3,534
Regulated utility plant, net	**21,032**	19,460
Non-regulated property, plant and equipment		
Generation	**11,295**	10,514
Nuclear fuel	**524**	457
Other	**726**	637
Less: accumulated depreciation - non-regulated property, plant and equipment	**5,942**	5,676
Non-regulated property, plant and equipment, net	**6,603**	5,932
Construction work in progress	**2,397**	1,874
Property, Plant and Equipment, net (a)	**30,032**	27,266
Other Noncurrent Assets		
Regulatory assets	**1,483**	1,349
Goodwill	**4,158**	4,114
Other intangibles (a)	**925**	1,065
Price risk management assets	**572**	920
Other noncurrent assets	**637**	790
Total Other Noncurrent Assets	**7,775**	8,238
Total Assets	$ **43,634**	$ 42,648

(a) At December 31, 2012 and December 31, 2011, includes $428 million and $416 million of PP&E, consisting primarily of "Generation," including leasehold improvements, and $10 million and $11 million of "Other intangibles" from the consolidation of a VIE that is the owner/lessor of the Lower Mt. Bethel plant. See Note 22 for additional information.

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

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
PPL Corporation and Subsidiaries
(Millions of Dollars, shares in thousands)

	2012	2011
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 652**	$ 578
Long-term debt due within one year	**751**	
Accounts payable	**1,252**	1,150
Taxes	**90**	65
Interest	**325**	287
Dividends	**210**	207
Price risk management liabilities	**1,065**	1,570
Regulatory liabilities	**61**	73
Other current liabilities	**1,219**	1,325
Total Current Liabilities	**5,625**	5,255
Long-term Debt	**18,725**	17,993
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**3,387**	3,326
Investment tax credits	**328**	285
Price risk management liabilities	**629**	840
Accrued pension obligations	**2,076**	1,313
Asset retirement obligations	**536**	484
Regulatory liabilities	**1,010**	1,010
Other deferred credits and noncurrent liabilities	**820**	1,046
Total Deferred Credits and Other Noncurrent Liabilities	**8,786**	8,304
Commitments and Contingent Liabilities (Notes 6 and 15)		
Equity		
PPL Shareowners' Common Equity		
Common stock - $0.01 par value (a)	**6**	6
Additional paid-in capital	**6,936**	6,813
Earnings reinvested	**5,478**	4,797
Accumulated other comprehensive loss	**(1,940)**	(788)
Total PPL Shareowners' Common Equity	**10,480**	10,828
Noncontrolling Interests	**18**	268
Total Equity	**10,498**	11,096
Total Liabilities and Equity	**$ 43,634**	$ 42,648

(a) 780,000 shares authorized; 581,944 and 578,405 shares issued and outstanding at December 31, 2012 and December 31, 2011.

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

CONSOLIDATED STATEMENTS OF EQUITY
PPL Corporation and Subsidiaries
(Millions of Dollars)

	PPL Shareowners						
	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive loss	Non-controlling interests	Total
December 31, 2009 (b)	377,183	$ 4	$ 2,280	$ 3,749	$ (537)	$ 319	$ 5,815
Common stock issued (c)	106,208	1	2,490				2,491
Purchase Contracts (d)			(176)				(176)
Stock-based compensation (e)			8				8
Net income				938		21	959
Dividends, dividend equivalents, redemptions and distributions (f)				(605)		(72)	(677)
Other comprehensive income (loss)					58		58
December 31, 2010 (b)	483,391	$ 5	$ 4,602	$ 4,082	$ (479)	$ 268	$ 8,478
Common stock issued (c)	95,014	$ 1	$ 2,344				$ 2,345
Purchase Contracts (d)			(143)				(143)
Stock-based compensation (e)			10				10
Net income				$ 1,495		$ 17	1,512
Dividends, dividend equivalents, redemptions and distributions (f)				(780)		(17)	(797)
Other comprehensive income (loss)					$ (309)		(309)
December 31, 2011 (b)	578,405	$ 6	$ 6,813	$ 4,797	$ (788)	$ 268	$ 11,096
Common stock issued (c)	3,543		$ 99				$ 99
Common stock repurchased	(4)						
Stock-based compensation (e)			18				18
Net income				$ 1,526		$ 5	1,531
Dividends, dividend equivalents, redemptions and distributions (f)			6	(845)		(255)	(1,094)
Other comprehensive income (loss)					$ (1,152)		(1,152)
December 31, 2012 (b)	581,944	$ 6	$ 6,936	$ 5,478	$ (1,940)	$ 18	$ 10,498

(a) Shares in thousands. Each share entitles the holder to one vote on any question presented at any shareowners' meeting.
(b) See "General - Comprehensive Income" in Note 1 for disclosure of balances of each component of AOCI.
(c) 2011 includes the April issuance of 92 million shares of common stock, and 2010 includes the June issuance of 103.5 million shares of common stock. See Note 7 for additional information. All years presented include shares of common stock issued through various stock and incentive compensation plans.
(d) 2011 includes $123 million for the 2011 Purchase Contracts and $20 million of related fees and expenses, net of tax. 2010 includes $157 million for the 2010 Purchase Contracts and $19 million of related fees and expenses, net of tax. See Note 7 for additional information.
(e) 2012, 2011 and 2010 include $47 million, $33 million and $26 million of stock-based compensation expense related to new and existing unvested equity awards, and $(29) million, $(23) million and $(18) million related primarily to the reclassification from "Stock-based compensation" to "Common stock issued" for the issuance of common stock after applicable equity award vesting periods and tax adjustments related to stock-based compensation.
(f) "Earnings reinvested" includes dividends and dividend equivalents on PPL common stock and restricted stock units. "Noncontrolling interests" includes dividends, redemptions and distributions to noncontrolling interests. In April 2010 and June 2012, collectively, PPL Electric redeemed all of its outstanding preferred securities. See Note 3 for additional information on both redemptions.

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

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
PPL Energy Supply, LLC and Subsidiaries
(Millions of Dollars)

	2012	2011	2010
Operating Revenues			
Wholesale energy marketing			
Realized	**$ 4,433**	$ 3,807	$ 4,832
Unrealized economic activity (Note 19)	**(311)**	1,407	(805)
Wholesale energy marketing to affiliate	**78**	26	320
Unregulated retail electric and gas	**848**	727	415
Net energy trading margins	**4**	(2)	2
Energy-related businesses	**448**	464	364
Total Operating Revenues	**5,500**	6,429	5,128
Operating Expenses			
Operation			
Fuel	**965**	1,080	1,096
Energy purchases			
Realized	**2,260**	1,160	1,636
Unrealized economic activity (Note 19)	**(442)**	1,123	(286)
Energy purchases from affiliate	**3**	3	3
Other operation and maintenance	**1,041**	929	979
Depreciation	**285**	244	236
Taxes, other than income	**69**	71	46
Energy-related businesses	**432**	458	357
Total Operating Expenses	**4,613**	5,068	4,067
Operating Income	**887**	1,361	1,061
Other Income (Expense) - net	**18**	23	22
Other-Than-Temporary Impairments	**1**	6	3
Interest Income from Affiliates	**2**	8	9
Interest Expense	**168**	174	208
Income (Loss) from Continuing Operations Before Income Taxes	**738**	1,212	881
Income Taxes	**263**	445	261
Income (Loss) from Continuing Operations After Income Taxes	**475**	767	620
Income (Loss) from Discontinued Operations (net of income taxes)		2	242
Net Income	**475**	769	862
Net Income Attributable to Noncontrolling Interests	**1**	1	1
Net Income Attributable to PPL Energy Supply Member	**$ 474**	$ 768	$ 861
Amounts Attributable to PPL Energy Supply Member:			
Income (Loss) from Continuing Operations After Income Taxes	**$ 474**	$ 766	$ 619
Income (Loss) from Discontinued Operations (net of income taxes)		2	242
Net Income	**$ 474**	$ 768	$ 861

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,
PPL Energy Supply, LLC and Subsidiaries
(Millions of Dollars)

	2012	2011	2010
Net income	**$ 475**	$ 769	$ 862
Other comprehensive income (loss):			
Amounts arising during the period - gains (losses), net of tax (expense) benefit:			
Foreign currency translation adjustments, net of tax of $0, $0, ($1)			(59)
Available-for-sale securities, net of tax of ($31), ($6), ($31)	**29**	9	29
Qualifying derivatives, net of tax of ($46), ($164), ($207)	**68**	267	305
Defined benefit plans:			
Prior service costs, net of tax of $0, ($2), ($8)	**1**	(2)	12
Net actuarial gain (loss), net of tax of $56, $13, $36	**(82)**	(22)	(63)
Transition obligation, net of tax of $0, $0, ($3)			6
Reclassifications to net income - (gains) losses, net of tax expense (benefit):			
Available-for-sale securities, net of tax of $1, $5, $3	**(7)**	(7)	(5)
Qualifying derivatives, net of tax of $291, $242, $99	**(463)**	(353)	(145)
Equity investees' other comprehensive (income) loss, net of tax of $0, $0, $0		3	
Defined benefit plans:			
Prior service costs, net of tax of ($2), ($3), ($5)	**5**	4	9
Net actuarial loss, net of tax of ($2), ($2), ($14)	**10**	4	39
Transition obligation, net of tax of $0, $0, ($1)			1
Total other comprehensive income (loss) attributable to PPL Energy Supply Member	**(439)**	(97)	129
Comprehensive income (loss)	**36**	672	991
Comprehensive income attributable to noncontrolling interests	**1**	1	1
Comprehensive income (loss) attributable to PPL Energy Supply Member	**$ 35**	$ 671	$ 990

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
PPL Energy Supply, LLC and Subsidiaries
(Millions of Dollars)

	2012	2011	2010
Cash Flows from Operating Activities			
Net income	**$ 475**	$ 769	$ 862
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Pre-tax gain from the sale of the Maine hydroelectric generation business			(25)
Depreciation	**285**	245	365
Amortization	**119**	137	160
Defined benefit plans - expense	**43**	36	52
Deferred income taxes and investment tax credits	**152**	317	(31)
Impairment of assets	**3**	13	120
Unrealized (gains) losses on derivatives, and other hedging activities	**(41)**	(283)	536
Provision for Montana hydroelectric litigation		(74)	66
Other	**42**	25	41
Change in current assets and current liabilities			
Accounts receivable	**(54)**	38	(18)
Accounts payable	**(45)**	(89)	20
Unbilled revenues	**33**	14	(88)
Counterparty collateral	**(34)**	(190)	(18)
Taxes	**(27)**	27	87
Other	**(68)**	(18)	8
Other operating activities			
Defined benefit plans - funding	**(75)**	(152)	(302)
Other assets	**(41)**	(30)	(71)
Other liabilities	**17**	(9)	76
Net cash provided by (used in) operating activities	**784**	776	1,840
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	**(648)**	(661)	(1,009)
Proceeds from the sale of certain non-core generation facilities		381	
Proceeds from the sale of the Long Island generation business			124
Proceeds from the sale of the Maine hydroelectric generation business			38
Ironwood Acquisition, net of cash acquired	**(84)**		
Expenditures for intangible assets	**(45)**	(57)	(82)
Purchases of nuclear plant decommissioning trust investments	**(154)**	(169)	(128)
Proceeds from the sale of nuclear plant decommissioning trust investments	**139**	156	114
Issuance of long-term notes receivable to affiliates			(1,816)
Repayment of long-term notes receivable from affiliates			1,816
Net (increase) decrease in notes receivable from affiliates	**198**	(198)	
Net (increase) decrease in restricted cash and cash equivalents	**104**	(128)	84
Other investing activities	**21**	8	34
Net cash provided by (used in) investing activities	**(469)**	(668)	(825)
Cash Flows from Financing Activities			
Issuance of long-term debt		500	602
Retirement of long-term debt	**(9)**	(750)	
Contributions from member	**563**	461	3,625
Distributions to member	**(787)**	(316)	(4,692)
Cash included in net assets of subsidiary distributed to member		(325)	
Debt issuance and credit facility costs	**(3)**	(9)	(53)
Net increase (decrease) in short-term debt	**(44)**	50	(93)
Other financing activities	**(1)**	(1)	(1)
Net cash provided by (used in) financing activities	**(281)**	(390)	(612)
Effect of Exchange Rates on Cash and Cash Equivalents			13
Net Increase (Decrease) in Cash and Cash Equivalents	**34**	(282)	416
Cash and Cash Equivalents at Beginning of Period	**379**	661	245
Cash and Cash Equivalents at End of Period	**$ 413**	$ 379	$ 661
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	**$ 150**	$ 165	$ 275
Income taxes - net	**$ 128**	$ 69	$ 278

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

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
PPL Energy Supply, LLC and Subsidiaries
(Millions of Dollars)

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	$ **413**	$ 379
Restricted cash and cash equivalents	**46**	145
Accounts receivable (less reserve: 2012, $23; 2011, $15)		
Customer	**183**	169
Other	**31**	31
Accounts receivable from affiliates	**125**	89
Unbilled revenues	**369**	402
Note receivable from affiliates		198
Fuel, materials and supplies	**327**	298
Prepayments	**15**	14
Price risk management assets	**1,511**	2,527
Other current assets	**10**	11
Total Current Assets	**3,030**	4,263
Investments		
Nuclear plant decommissioning trust funds	**712**	640
Other investments	**41**	40
Total Investments	**753**	680
Property, Plant and Equipment		
Non-regulated property, plant and equipment		
Generation	**11,305**	10,517
Nuclear fuel	**524**	457
Other	**294**	245
Less: accumulated depreciation - non-regulated property, plant and equipment	**5,817**	5,573
Non-regulated property, plant and equipment, net	**6,306**	5,646
Construction work in progress	**987**	840
Property, Plant and Equipment, net (a)	**7,293**	6,486
Other Noncurrent Assets		
Goodwill	**86**	86
Other intangibles (a)	**252**	386
Price risk management assets	**557**	896
Other noncurrent assets	**404**	382
Total Other Noncurrent Assets	**1,299**	1,750
Total Assets	$ **12,375**	$ 13,179

(a) At December 31, 2012 and December 31, 2011, includes $428 million and $416 million of PP&E, consisting primarily of "Generation," including leasehold improvements, and $10 million and $11 million of "Other intangibles" from the consolidation of a VIE that is the owner/lessor of the Lower Mt. Bethel plant. See Note 22 for additional information.

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

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
PPL Energy Supply, LLC and Subsidiaries
(Millions of Dollars)

	2012	2011
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 356**	$ 400
Long-term debt due within one year	**751**	
Accounts payable	**438**	472
Accounts payable to affiliates	**31**	14
Taxes	**62**	90
Interest	**31**	30
Price risk management liabilities	**1,010**	1,560
Deferred income taxes	**158**	315
Other current liabilities	**319**	344
Total Current Liabilities	**3,156**	3,225
Long-term Debt	**2,521**	3,024
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,232**	1,223
Investment tax credits	**186**	136
Price risk management liabilities	**556**	785
Accrued pension obligations	**293**	214
Asset retirement obligations	**365**	349
Other deferred credits and noncurrent liabilities	**218**	186
Total Deferred Credits and Other Noncurrent Liabilities	**2,850**	2,893
Commitments and Contingent Liabilities (Note 15)		
Equity		
Member's equity	**3,830**	4,019
Noncontrolling interests	**18**	18
Total Equity	**3,848**	4,037
Total Liabilities and Equity	**$ 12,375**	$ 13,179

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

CONSOLIDATED STATEMENTS OF EQUITY
PPL Energy Supply, LLC and Subsidiaries
(Millions of Dollars)

	Member's equity	Non-controlling interests	Total
December 31, 2009 (a)	$ 4,568	$ 18	$ 4,586
Net income	861	1	862
Other comprehensive income (loss)	129		129
Contributions from member	3,625		3,625
Distributions	(4,692)	(1)	(4,693)
December 31, 2010 (a)	$ 4,491	$ 18	$ 4,509
Net income	$ 768	$ 1	$ 769
Other comprehensive income (loss)	(97)		(97)
Contributions from member	461		461
Distributions	(316)	(1)	(317)
Distribution of membership interest in PPL Global (b)	(1,288)		(1,288)
December 31, 2011 (a)	$ 4,019	$ 18	$ 4,037
Net income	$ 474	$ 1	$ 475
Other comprehensive income (loss)	(439)		(439)
Contributions from member	563		563
Distributions	(787)	(1)	(788)
December 31, 2012 (a)	$ 3,830	$ 18	$ 3,848

(a) See "General - Comprehensive Income" in Note 1 for disclosure of balances of each component of AOCI.
(b) See Note 9 for additional information.

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

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CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
PPL Electric Utilities Corporation and Subsidiaries
(Millions of Dollars)

	2012	2011	2010
Operating Revenues			
Retail electric	**$ 1,760**	$ 1,881	$ 2,448
Electric revenue from affiliate	**3**	11	7
Total Operating Revenues	**1,763**	1,892	2,455
Operating Expenses			
Operation			
Energy purchases	**550**	738	1,075
Energy purchases from affiliate	**78**	26	320
Other operation and maintenance	**576**	530	502
Depreciation	**160**	146	136
Taxes, other than income	**105**	104	138
Total Operating Expenses	**1,469**	1,544	2,171
Operating Income	**294**	348	284
Other Income (Expense) - net	**9**	7	7
Interest Expense	**99**	98	99
Income Before Income Taxes	**204**	257	192
Income Taxes	**68**	68	57
Net Income (a)	**136**	189	135
Distributions on Preferred Securities	**4**	16	20
Net Income Available to PPL	**$ 132**	$ 173	$ 115

(a) Net income approximates comprehensive income.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
PPL Electric Utilities Corporation and Subsidiaries
(Millions of Dollars)

	2012	2011	2010
Cash Flows from Operating Activities			
Net income	**$ 136**	$ 189	$ 135
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation	**160**	146	136
Amortization	**18**	8	(23)
Defined benefit plans - expense	**22**	18	20
Deferred income taxes and investment tax credits	**114**	106	198
Other	**2**	1	4
Change in current assets and current liabilities			
Accounts receivable	**3**	(5)	(38)
Accounts payable	**27**	(68)	31
Unbilled revenues	**(8)**	36	59
Prepayments	**2**	58	(112)
Regulatory assets and liabilities	**(1)**	107	(85)
Taxes	**12**	(23)	(38)
Other	**(5)**	7	(27)
Other operating activities			
Defined benefit plans - funding	**(59)**	(113)	(55)
Other assets	**(3)**	(28)	5
Other liabilities	**(31)**	(19)	2
Net cash provided by (used in) operating activities	**389**	420	212
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	**(624)**	(481)	(401)
Other investing activities	**11**	4	(2)
Net cash provided by (used in) investing activities	**(613)**	(477)	(403)
Cash Flows from Financing Activities			
Issuance of long-term debt	**249**	645	
Retirement of long-term debt		(458)	
Contributions from PPL	**150**	100	55
Redemption of preference stock	**(250)**		(54)
Payment of common stock dividends to parent	**(95)**	(92)	(71)
Other financing activities	**(10)**	(22)	(20)
Net cash provided by (used in) financing activities	**44**	173	(90)
Net Increase (Decrease) in Cash and Cash Equivalents	**(180)**	116	(281)
Cash and Cash Equivalents at Beginning of Period	**320**	204	485
Cash and Cash Equivalents at End of Period	**$ 140**	$ 320	$ 204
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	**$ 81**	$ 75	$ 87
Income taxes - net	**$ (42)**	$ (44)	$ (33)

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

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
PPL Electric Utilities Corporation and Subsidiaries
(Millions of Dollars, shares in thousands)

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	**$ 140**	$ 320
Accounts receivable (less reserve: 2012, $18; 2011, $17)		
Customer	**249**	267
Other	**5**	9
Accounts receivable from affiliates	**29**	35
Unbilled revenues	**110**	102
Materials and supplies	**39**	42
Prepayments	**76**	78
Deferred income taxes	**45**	25
Other current assets	**4**	5
Total Current Assets	**697**	883
Property, Plant and Equipment		
Regulated utility plant	**6,286**	5,830
Less: accumulated depreciation - regulated utility plant	**2,316**	2,217
Regulated utility plant, net	**3,970**	3,613
Other, net	**2**	2
Construction work in progress	**370**	242
Property, Plant and Equipment, net	**4,342**	3,857
Other Noncurrent Assets		
Regulatory assets	**853**	729
Intangibles	**171**	155
Other noncurrent assets	**55**	81
Total Other Noncurrent Assets	**1,079**	965
Total Assets	**$ 6,118**	$ 5,705

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

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
PPL Electric Utilities Corporation and Subsidiaries
(Millions of Dollars, shares in thousands)

	2012	2011
Liabilities and Equity		
Current Liabilities		
Accounts payable	$ **259**	$ 171
Accounts payable to affiliates	**63**	64
Taxes	**12**	
Interest	**26**	24
Regulatory liabilities	**52**	53
Customer deposits and prepayments	**21**	39
Vacation	**23**	22
Other current liabilities	**49**	47
Total Current Liabilities	**505**	420
Long-term Debt	**1,967**	1,718
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,233**	1,115
Investment tax credits	**3**	5
Accrued pension obligations	**237**	186
Regulatory liabilities	**8**	7
Other deferred credits and noncurrent liabilities	**103**	129
Total Deferred Credits and Other Noncurrent Liabilities	**1,584**	1,442
Commitments and Contingent Liabilities (Notes 6 and 15)		
Shareowners' Equity		
Preferred securities		250
Common stock - no par value (a)	**364**	364
Additional paid-in capital	**1,135**	979
Earnings reinvested	**563**	532
Total Equity	**2,062**	2,125
Total Liabilities and Equity	**$ 6,118**	$ 5,705

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at December 31, 2012 and December 31, 2011.

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

CONSOLIDATED STATEMENTS OF SHAREOWNERS' EQUITY
PPL Electric Utilities Corporation and Subsidiaries
(Millions of Dollars)

	Common stock shares outstanding (a)	Preferred securities	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2009	66,368	$ 301	$ 364	$ 824	$ 407	$ 1,896
Net income					135	135
Redemption of preferred securities (b)		(51)			(3)	(54)
Capital contributions from PPL				55		55
Cash dividends declared on preferred securities					(17)	(17)
Cash dividends declared on common stock					(71)	(71)
December 31, 2010	66,368	$ 250	$ 364	$ 879	$ 451	$ 1,944
Net income					$ 189	$ 189
Capital contributions from PPL				$ 100		100
Cash dividends declared on preferred securities					(16)	(16)
Cash dividends declared on common stock					(92)	(92)
December 31, 2011	66,368	$ 250	$ 364	$ 979	$ 532	$ 2,125
Net income					$ 136	$ 136
Redemption of preferred securities (b)		$ (250)		$ 6	(6)	(250)
Capital contributions from PPL				150		150
Cash dividends declared on preferred securities					(4)	(4)
Cash dividends declared on common stock					(95)	(95)
December 31, 2012	66,368	$	$ 364	$ 1,135	$ 563	$ 2,062

(a) Shares in thousands. All common shares of PPL Electric stock are owned by PPL.
(b) In April 2010 and June 2012, collectively, PPL Electric redeemed all of its outstanding preferred securities. See Note 3 for additional information on both redemptions.

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

CONSOLIDATED STATEMENTS OF INCOME
LG&E and KU Energy LLC and Subsidiaries
(Millions of Dollars)

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Operating Revenues	**$ 2,759**	$ 2,793	$ 494	$ 2,214
Operating Expenses				
Operation				
Fuel	**872**	866	138	723
Energy purchases	**195**	238	68	211
Other operation and maintenance	**778**	751	141	586
Depreciation	**346**	334	49	235
Taxes, other than income	**46**	37	2	21
Total Operating Expenses	**2,237**	2,226	398	1,776
Operating Income	**522**	567	96	438
Other Income (Expense) - net	**(15)**	(1)	(2)	14
Other-Than-Temporary Impairments	**25**			
Interest Expense	**150**	146	20	21
Interest Expense with Affiliate	**1**	1	4	131
Income (Loss) from Continuing Operations Before Income Taxes	**331**	419	70	300
Income Taxes	**106**	153	25	109
Income (Loss) from Continuing Operations After Income Taxes	**225**	266	45	191
Income (Loss) from Discontinued Operations (net of income taxes)	**(6)**	(1)	2	(1)
Net Income (Loss)	**$ 219**	$ 265	$ 47	$ 190

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
LG&E and KU Energy LLC and Subsidiaries
(Millions of Dollars)

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Net income (loss)	**$ 219**	$ 265	$ 47	$ 190
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Qualifying derivatives, net of tax of $0, $0, $0, ($7)				10
Equity investee's other comprehensive income (loss), net of tax of ($1), $0, $0, $1	**1**			(2)
Defined benefit plans:				
Prior service costs, net of tax of $0, $1, $0, $0		(2)		
Net actuarial loss, net of tax of $13, ($1), ($3), $15	**(21)**		6	(20)
Reclassification to net income - (gains) losses, net of tax expense (benefit):				
Defined benefit plans:				
Prior service costs, net of tax of $0, $0, $0, ($1)				1
Net actuarial loss, net of tax of $0, $1, $0, ($1)	**1**			1
Total other comprehensive income (loss)	**(19)**	(2)	6	(10)
Comprehensive income (loss) attributable to member	**$ 200**	$ 263	$ 53	$ 180

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
LG&E and KU Energy LLC and Subsidiaries
(Millions of Dollars)

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Cash Flows from Operating Activities				
Net income (loss)	**$ 219**	$ 265	$ 47	$ 190
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities				
Depreciation	**346**	334	49	235
Amortization of regulatory assets	**27**	27	3	
Defined benefit plans - expense	**40**	51	12	52
Deferred income taxes and investment tax credits	**133**	218	52	65
Unrealized (gains) losses on derivatives				14
Loss from discontinued operations - net of tax				1
Impairment of assets	**25**			
Other	**2**	(9)	11	(23)
Change in current assets and current liabilities				
Accounts receivable	**(9)**	17	(17)	12
Accounts payable	**1**	(32)	(14)	(34)
Accounts payable to affiliates	**(1)**		4	(7)
Unbilled revenues	**(10)**	24	(70)	41
Fuel, materials and supplies	**8**	15	15	(28)
Income tax receivable	**2**	37	(40)	(2)
Taxes	**1**	(2)	4	18
Other		(1)	(27)	47
Other operating activities				
Defined benefit plans - funding	**(70)**	(170)	(8)	(57)
Discontinued operations				13
Other assets	**(5)**	(11)	12	14
Other liabilities	**38**	18	(7)	(63)
Net cash provided by (used in) operating activities	**747**	781	26	488
Cash Flows from Investing Activities				
Expenditures for property, plant and equipment	**(768)**	(477)	(152)	(447)
Proceeds from sales of discontinued operations				21
Proceeds from the sale of other investments		163		
Net (increase) decrease in notes receivable from affiliates	**15**	46	(61)	
Net (increase) decrease in restricted cash and cash equivalents	**(3)**	(9)	2	
Net cash provided by (used in) investing activities	**(756)**	(277)	(211)	(426)
Cash Flows from Financing Activities				
Issuance of short-term debt with affiliate			1,001	900
Retirement of short-term debt with affiliate			(1,001)	(575)
Net increase (decrease) in notes payable with affiliates	**25**			(3)
Issuance of long-term debt with affiliate			1,783	50
Retirement of long-term debt with affiliate			(1,783)	(325)
Issuance of long-term debt		250	2,890	
Retirement of long-term debt		(2)		
Net increase (decrease) in short-term debt	**125**	(163)	163	
Repayment to E.ON AG affiliates			(4,319)	
Debt issuance and credit facility costs	**(2)**	(8)	(32)	
Distributions to member	**(155)**	(533)	(100)	(87)
Contributions from member			1,565	
Net cash provided by (used in) financing activities	**(7)**	(456)	167	(40)
Net Increase (Decrease) in Cash and Cash Equivalents	**(16)**	48	(18)	22
Cash and Cash Equivalents at Beginning of Period	**59**	11	29	7
Cash and Cash Equivalents at End of Period	**$ 43**	$ 59	$ 11	$ 29
Supplemental Disclosures of Cash Flow Information				
Cash paid (received) during the period for:				
Interest - net of amount capitalized	**$ 139**	$ 126	$ 41	$ 153
Income taxes - net	**$ (45)**	$ (98)	$ (1)	$ 9

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

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
LG&E and KU Energy LLC and Subsidiaries
(Millions of Dollars)

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	**$ 43**	$ 59
Accounts receivable (less reserve: 2012, $19; 2011, $17)		
Customer	**133**	129
Other	**19**	20
Unbilled revenues	**156**	146
Accounts receivable from affiliates	**1**	
Notes receivable from affiliates		15
Fuel, materials and supplies	**276**	283
Prepayments	**28**	22
Price risk management assets from affiliates	**14**	
Income taxes receivable	**1**	3
Deferred income taxes	**13**	17
Regulatory assets	**19**	9
Other current assets	**4**	3
Total Current Assets	**707**	706
Investments	**1**	31
Property, Plant and Equipment		
Regulated utility plant	**8,073**	7,519
Less: accumulated depreciation - regulated utility plant	**519**	277
Regulated utility plant, net	**7,554**	7,242
Other, net	**3**	2
Construction work in progress	**750**	557
Property, Plant and Equipment, net	**8,307**	7,801
Other Noncurrent Assets		
Regulatory assets	**630**	620
Goodwill	**996**	996
Other intangibles	**271**	314
Other noncurrent assets	**107**	108
Total Other Noncurrent Assets	**2,004**	2,038
Total Assets	**$ 11,019**	$ 10,576

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

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
LG&E and KU Energy LLC and Subsidiaries
(Millions of Dollars)

	2012	2011
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 125**	
Notes payable with affiliates	**25**	
Accounts payable	**283**	$ 224
Accounts payable to affiliates	**1**	2
Customer deposits	**48**	45
Taxes	**26**	25
Regulatory liabilities	**9**	20
Interest	**21**	23
Salaries and benefits	**69**	59
Other current liabilities	**36**	35
Total Current Liabilities	**643**	433
Long-term Debt	**4,075**	4,073
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**541**	413
Investment tax credits	**138**	144
Price risk management liabilities	**53**	55
Accrued pension obligations	**414**	359
Asset retirement obligations	**125**	116
Regulatory liabilities	**1,002**	1,003
Other deferred credits and noncurrent liabilities	**242**	239
Total Deferred Credits and Other Noncurrent Liabilities	**2,515**	2,329
Commitments and Contingent Liabilities (Notes 6 and 15)		
Member's equity	**3,786**	3,741
Total Liabilities and Equity	**$ 11,019**	$ 10,576

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

CONSOLIDATED STATEMENTS OF EQUITY
LG&E and KU Energy LLC and Subsidiaries
(Millions of Dollars)

	Member's Equity	Non-controlling interests	Total
December 31, 2009 - Predecessor (a)	$ 2,192	$ 32	$ 2,224
Net income	190		190
Distributions to member	(81)		(81)
Other comprehensive income (loss)	(10)		(10)
Noncontrolling interest - income (loss) from discontinued operations	(11)	(32)	(43)
October 31, 2010 - Predecessor (a)	$ 2,280	$	$ 2,280
Effect of PPL acquisition	$ 213		$ 213
Net income	47		47
Contributions from member	1,565		1,565
Distributions to member	(100)		(100)
Other comprehensive income (loss)	6		6
December 31, 2010 - Successor (a)	$ 4,011		$ 4,011
Net income	$ 265		$ 265
Distributions to member	(533)		(533)
Other comprehensive income (loss)	(2)		(2)
December 31, 2011 - Successor (a)	$ 3,741		$ 3,741
Net income	$ 219		$ 219
Distributions to member	(155)		(155)
Other comprehensive income (loss)	(19)		(19)
December 31, 2012 - Successor (a)	$ 3,786		$ 3,786

(a) See "General - Comprehensive Income" in Note 1 for disclosure of balances of each component of AOCI.

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

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

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended December 31, 2010
Operating Revenues				
Retail and wholesale	**$ 1,247**	$ 1,281	$ 233	$ 978
Electric revenue from affiliate	**77**	83	21	79
Total Operating Revenues	**1,324**	1,364	254	1,057
Operating Expenses				
Operation				
Fuel	**374**	350	60	306
Energy purchases	**163**	209	61	142
Energy purchases from affiliate	**12**	36	2	13
Other operation and maintenance	**363**	363	67	281
Depreciation	**152**	147	23	115
Taxes, other than income	**23**	18	1	12
Total Operating Expenses	**1,087**	1,123	214	869
Operating Income	**237**	241	40	188
Other Income (Expense) - net	**(3)**	(2)	(3)	17
Interest Expense	**42**	44	7	16
Interest Expense with Affiliate			1	22
Income Before Income Taxes	**192**	195	29	167
Income Taxes	**69**	71	10	58
Net Income	**$ 123**	$ 124	$ 19	$ 109

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

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

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Net income	**$ 123**	$ 124	$ 19	$ 109
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Qualifying derivatives, net of tax of $0, $0, $0, ($7)				10
Total other comprehensive income (loss)				10
Comprehensive income	**$ 123**	$ 124	$ 19	$ 119

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

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

	Successor			Predecessor
	Year Ended December 31, 2012	**Year Ended December 31, 2011**	**Two Months Ended December 31, 2010**	**Ten Months Ended October 31, 2010**
Cash Flows from Operating Activities				
Net income	**$ 123**	$ 124	$ 19	$ 109
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Depreciation	**152**	147	23	115
Amortization	**11**	12	2	
Defined benefit plans - expense	**18**	21	4	20
Deferred income taxes and investment tax credits	**69**	51	13	21
Unrealized (gains) losses on derivatives				14
Regulatory asset for previously recorded losses on interest rate swaps				(22)
Other	**(13)**	1	2	2
Change in current assets and current liabilities				
Accounts receivable	**(2)**	25	(27)	(2)
Accounts payable		(24)	17	
Accounts payable to affiliates	**(3)**	6	(31)	23
Unbilled revenues	**(7)**	16	(38)	22
Fuel, materials and supplies		20	10	(22)
Taxes	**(7)**	3		
Other	**(7)**	(7)	(2)	(47)
Other operating activities				
Defined benefit plans - funding	**(27)**	(70)	(1)	(25)
Other assets	**(21)**	(7)		(5)
Other liabilities	**22**	7	1	(14)
Net cash provided by (used in) operating activities	**308**	325	(8)	189
Cash Flows from Investing Activities				
Expenditures for property, plant and equipment	**(286)**	(196)	(65)	(155)
Proceeds from the sale of assets to affiliate				48
Proceeds from the sale of other investments		163		
Net (increase) decrease in restricted cash and cash equivalents	**(3)**	(9)	2	
Net cash provided by (used in) investing activities	**(289)**	(42)	(63)	(107)
Cash Flows from Financing Activities				
Net increase (decrease) in notes payable with affiliates		(12)	(130)	(28)
Issuance of long-term debt with affiliate			485	
Retirement of long-term debt with affiliate			(485)	
Issuance of long-term debt			531	
Net increase (decrease) in short-term debt	**55**	(163)	163	
Repayment to E.ON AG affiliates			(485)	
Debt issuance and credit facility costs	**(2)**	(2)	(10)	
Payment of common stock dividends to parent	**(75)**	(83)		(55)
Net cash provided by (used in) financing activities	**(22)**	(260)	69	(83)
Net Increase (Decrease) in Cash and Cash Equivalents	**(3)**	23	(2)	(1)
Cash and Cash Equivalents at Beginning of Period	**25**	2	4	5
Cash and Cash Equivalents at End of Period	**$ 22**	$ 25	$ 2	$ 4
Supplemental Disclosures of Cash Flow Information				
Cash paid (received) during the period for:				
Interest - net of amount capitalized	**$ 39**	$ 40	$ 11	$ 39
Income taxes - net	**$ 5**	$ 20	$ (8)	$ 60

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

BALANCE SHEETS AT DECEMBER 31,
Louisville Gas and Electric Company
(Millions of Dollars, shares in thousands)

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	**$ 22**	$ 25
Accounts receivable (less reserve: 2012, $1; 2011, $2)		
Customer	**59**	60
Other	**8**	9
Unbilled revenues	**72**	65
Accounts receivable from affiliates	**14**	11
Fuel, materials and supplies	**142**	142
Prepayments	**7**	7
Price risk management from affiliates	**7**	
Income taxes receivable	**8**	4
Deferred income taxes		2
Regulatory assets	**19**	9
Other current assets	**1**	
Total Current Assets	**359**	334
Property, Plant and Equipment		
Regulated utility plant	**3,187**	2,956
Less: accumulated depreciation - regulated utility plant	**220**	116
Regulated utility plant, net	**2,967**	2,840
Construction work in progress	**259**	215
Property, Plant and Equipment, net	**3,226**	3,055
Other Noncurrent Assets		
Regulatory assets	**400**	403
Goodwill	**389**	389
Other intangibles	**144**	166
Other noncurrent assets	**44**	40
Total Other Noncurrent Assets	**977**	998
Total Assets	**$ 4,562**	$ 4,387

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

BALANCE SHEETS AT DECEMBER 31,
Louisville Gas and Electric Company
(Millions of Dollars, shares in thousands)

	2012	2011
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 55**	
Accounts payable	**117**	$ 94
Accounts payable to affiliates	**23**	26
Customer deposits	**23**	22
Taxes	**2**	13
Regulatory liabilities	**4**	10
Interest	**5**	6
Salaries and benefits	**18**	14
Deferred income taxes	**4**	
Other current liabilities	**17**	14
Total Current Liabilities	**268**	199
Long-term Debt	**1,112**	1,112
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**544**	475
Investment tax credits	**40**	43
Accrued pension obligations	**102**	95
Asset retirement obligations	**56**	55
Regulatory liabilities	**471**	478
Price risk management liabilities	**53**	55
Other deferred credits and noncurrent liabilities	**106**	113
Total Deferred Credits and Other Noncurrent Liabilities	**1,372**	1,314
Commitments and Contingent Liabilities (Notes 6 and 15)		
Stockholder's Equity		
Common stock - no par value (a)	**424**	424
Additional paid-in capital	**1,278**	1,278
Earnings reinvested	**108**	60
Total Equity	**1,810**	1,762
Total Liabilities and Equity	**$ 4,562**	$ 4,387

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at December 31, 2012 and December 31, 2011.

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

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

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive income (loss)	Total
December 31, 2009 - Predecessor (b)	21,294	$ 424	$ 84	$ 755	$ (10)	$ 1,253
Net income				109		109
Cash dividends declared on common stock				(55)		(55)
Other comprehensive income (loss)					10	10
October 31, 2010 - Predecessor	21,294	$ 424	$ 84	$ 809	$	$ 1,317
Effect of PPL acquisition			$ 1,194	$ (809)		$ 385
Net income				19		19
December 31, 2010 - Successor	21,294	$ 424	$ 1,278	$ 19		$ 1,721
Net income				$ 124		$ 124
Cash dividends declared on common stock				(83)		(83)
December 31, 2011 - Successor	21,294	$ 424	$ 1,278	$ 60		$ 1,762
Net income				$ 123		$ 123
Cash dividends declared on common stock				(75)		(75)
December 31, 2012 - Successor	21,294	$ 424	$ 1,278	$ 108		$ 1,810

(a) Shares in thousands. All common shares of LG&E stock are owned by LKE.
(b) See "General - Comprehensive Income" in Note 1 for disclosure of balances of each component of AOCI.

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

STATEMENTS OF INCOME
Kentucky Utilities Company
(Millions of Dollars)

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Operating Revenues				
Retail and wholesale	**$ 1,512**	$ 1,512	$ 261	$ 1,235
Electric revenue from affiliate	**12**	36	2	13
Total Operating Revenues	**1,524**	1,548	263	1,248
Operating Expenses				
Operation				
Fuel	**498**	516	78	417
Energy purchases	**32**	29	7	68
Energy purchases from affiliate	**77**	83	21	79
Other operation and maintenance	**384**	362	65	271
Depreciation	**193**	186	26	119
Taxes, other than income	**23**	19	1	9
Total Operating Expenses	**1,207**	1,195	198	963
Operating Income	**317**	353	65	285
Other Income (Expense) - net	**(8)**	(1)		1
Other-Than-Temporary Impairments	**25**			
Interest Expense	**69**	70	8	6
Interest Expense with Affiliate			2	62
Income Before Income Taxes	**215**	282	55	218
Income Taxes	**78**	104	20	78
Net Income	**$ 137**	$ 178	$ 35	$ 140

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

STATEMENTS OF COMPREHENSIVE INCOME
Kentucky Utilities Company
(Millions of Dollars)

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Net income	**$ 137**	$ 178	$ 35	$ 140
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Equity investees' other comprehensive income (loss), net of tax of ($1), $0, $0, $1	**1**			(2)
Total other comprehensive income (loss)	**1**			(2)
Comprehensive income	**$ 138**	$ 178	$ 35	$ 138

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

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

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Cash Flows from Operating Activities				
Net income	**$ 137**	$ 178	$ 35	$ 140
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Depreciation	**193**	186	26	119
Amortization	**14**	13	2	
Defined benefit plans - expense	**11**	14	3	13
Deferred income taxes and investment tax credits	**99**	108	4	23
Impairment of assets	**25**			
Other	**10**	(10)	12	(3)
Change in current assets and current liabilities				
Accounts receivable	**(17)**	22	(12)	13
Accounts payable	**1**	2	9	(17)
Accounts payable to affiliates		(12)	(41)	46
Unbilled revenues	**(3)**	8	(32)	19
Fuel, materials and supplies	**7**	(5)	5	(6)
Taxes	**15**	(14)	14	
Other	**6**	(3)	6	10
Other operating activities				
Defined benefit plans - funding	**(21)**	(50)	(2)	(18)
Other assets	**(3)**	(2)		15
Other liabilities	**26**	9	1	(10)
Net cash provided by (used in) operating activities	**500**	444	30	344
Cash Flows from Investing Activities				
Expenditures for property, plant and equipment	**(480)**	(279)	(89)	(292)
Purchases of assets from affiliate				(48)
Net cash provided by (used in) investing activities	**(480)**	(279)	(89)	(340)
Cash Flows from Financing Activities				
Issuance of short-term debt with affiliate			33	
Retirement of short-term debt with affiliate			(33)	
Net increase (decrease) in notes payable with affiliates		(10)	(83)	48
Issuance of long-term debt with affiliate			1,298	
Retirement of long-term debt with affiliate			(1,298)	
Issuance of long-term debt			1,489	
Net increase (decrease) in short-term debt	**70**			
Repayment to E.ON AG affiliates			(1,331)	
Debt issuance and credit facility costs		(3)	(17)	
Payment of common stock dividends to parent	**(100)**	(124)		(50)
Net cash provided by (used in) financing activities	**(30)**	(137)	58	(2)
Net Increase (Decrease) in Cash and Cash Equivalents	**(10)**	28	(1)	2
Cash and Cash Equivalents at Beginning of Period	**31**	3	4	2
Cash and Cash Equivalents at End of Period	**$ 21**	$ 31	$ 3	$ 4
Supplemental Disclosures of Cash Flow Information				
Cash paid (received) during the period for:				
Interest - net of amount capitalized	**$ 62**	$ 60	$ 22	$ 62
Income taxes - net	**$ (39)**	$ 16	$ (12)	$ 74

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

BALANCE SHEETS AT DECEMBER 31,
Kentucky Utilities Company
(Millions of Dollars, shares in thousands)

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	**$ 21**	$ 31
Accounts receivable (less reserve: 2012, $2; 2011, $2)		
Customer	**74**	69
Other	**11**	9
Unbilled revenues	**84**	81
Accounts receivable from affiliates	**7**	
Fuel, materials and supplies	**134**	141
Prepayments	**10**	7
Price risk management assets from affiliates	**7**	
Income taxes receivable	**2**	5
Deferred income taxes	**3**	5
Other current assets	**3**	3
Total Current Assets	**356**	351
Investments		31
Property, Plant and Equipment		
Regulated utility plant	**4,886**	4,563
Less: accumulated depreciation - regulated utility plant	**299**	161
Regulated utility plant, net	**4,587**	4,402
Other, net	**1**	
Construction work in progress	**490**	340
Property, Plant and Equipment, net	**5,078**	4,742
Other Noncurrent Assets		
Regulatory assets	**230**	217
Goodwill	**607**	607
Other intangibles	**127**	148
Other noncurrent assets	**57**	60
Total Other Noncurrent Assets	**1,021**	1,032
Total Assets	**$ 6,455**	$ 6,156

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

BALANCE SHEETS AT DECEMBER 31,
Kentucky Utilities Company
(Millions of Dollars, shares in thousands)

	2012	2011
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 70**	
Accounts payable	**147**	$ 112
Accounts payable to affiliates	**33**	33
Customer deposits	**25**	23
Taxes	**26**	11
Regulatory liabilities	**5**	10
Interest	**10**	11
Salaries and benefits	**17**	15
Other current liabilities	**16**	13
Total Current Liabilities	**349**	228
Long-term Debt	**1,842**	1,842
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**587**	484
Investment tax credits	**98**	101
Accrued pension obligations	**104**	83
Asset retirement obligations	**69**	61
Regulatory liabilities	**531**	525
Other deferred credits and noncurrent liabilities	**92**	87
Total Deferred Credits and Other Noncurrent Liabilities	**1,481**	1,341
Commitments and Contingent Liabilities (Notes 6 and 15)		
Stockholder's Equity		
Common stock - no par value (a)	**308**	308
Additional paid-in capital	**2,348**	2,348
Accumulated other comprehensive income (loss)	**1**	
Earnings reinvested	**126**	89
Total Equity	**2,783**	2,745
Total Liabilities and Equity	**$ 6,455**	$ 6,156

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at December 31, 2012 and December 31, 2011.

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

STATEMENTS OF EQUITY
Kentucky Utilities Company
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive income (loss)	Total
December 31, 2009 - Predecessor	37,818	$ 308	$ 316	$ 1,328		$ 1,952
Net income				140		140
Cash dividends declared on common stock				(50)		(50)
Other comprehensive income (loss)					$ (2)	(2)
October 31, 2010 - Predecessor (b)	37,818	$ 308	$ 316	$ 1,418	$ (2)	$ 2,040
Effect of PPL acquisition			$ 2,032	$ (1,418)	$ 2	$ 616
Net income				35		35
December 31, 2010 - Successor	37,818	$ 308	$ 2,348	$ 35	$	$ 2,691
Net income				$ 178		$ 178
Cash dividends declared on common stock				(124)		(124)
December 31, 2011 - Successor	37,818	$ 308	$ 2,348	$ 89		$ 2,745
Net income				$ 137		$ 137
Cash dividends declared on common stock				(100)		(100)
Other comprehensive income (loss)					$ 1	1
December 31, 2012 - Successor (b)	37,818	$ 308	$ 2,348	$ 126	$ 1	$ 2,783

(a) Shares in thousands. All common shares of KU stock are owned by LKE.
(b) See "General - Comprehensive Income" in Note 1 for disclosure of balances of each component of AOCI.

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

COMBINED NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

General

Capitalized terms and abbreviations are explained in the glossary. Dollars are in millions, except per share data, unless otherwise noted.

Business and Consolidation

(PPL)

PPL is an energy and utility holding company that, through its subsidiaries, is primarily engaged in: 1) the regulated generation, transmission, distribution and sale of electricity and the regulated distribution and sale of natural gas, primarily in Kentucky; 2) the regulated distribution of electricity in the U.K.; 3) the regulated transmission, distribution and sale of electricity in Pennsylvania; and 4) the competitive generation and marketing of electricity in portions of the northeastern and northwestern U.S. Headquartered in Allentown, PA, PPL's principal subsidiaries are LKE (including its principal subsidiaries, LG&E and KU), PPL Global, PPL Electric and PPL Energy Supply (including its principal subsidiaries, PPL EnergyPlus and PPL Generation). PPL's corporate level financing subsidiary is PPL Capital Funding.

On April 1, 2011, PPL, through its indirect, wholly owned subsidiary PPL WEM, completed its acquisition of all of the outstanding ordinary share capital of Central Networks East plc and Central Networks Limited, the sole owner of Central Networks West plc, together with certain other related assets and liabilities (collectively referred to as Central Networks and subsequently referred to as WPD Midlands), from subsidiaries of E.ON AG. WPD Midlands' operating results are included in PPL's results of operations for the full year of 2012, but as PPL is consolidating WPD Midlands on a one-month lag, eight months of operating results are included in PPL's results of operations for 2011 with no comparable amounts for 2010.

On November 1, 2010, PPL acquired all of the limited liability company interests of E.ON U.S. LLC from a wholly owned subsidiary of E.ON AG. Upon completion of the acquisition, E.ON U.S. LLC was renamed LG&E and KU Energy LLC. LKE's operating results are included in PPL's results of operations for the full years of 2012 and 2011, while 2010 includes LKE's operating results for the two months ended December 31, 2010.

See Note 10 for additional information regarding the acquisitions of WPD Midlands and LKE.

(PPL and PPL Energy Supply)

In April 2012, an indirect, wholly owned subsidiary of PPL Energy Supply completed the Ironwood Acquisition. See Note 10 for additional information.

(PPL, LKE, LG&E and KU)

LKE is a holding company with cost-based rate-regulated utility operations through its subsidiaries, LG&E and KU, and is subject to PUHCA. LG&E and KU are engaged in the regulated generation, transmission, distribution and sale of electricity. LG&E also engages in the regulated distribution and sale of natural gas. LG&E and KU maintain their separate identities and serve customers in Kentucky under their respective names. KU also serves customers in Virginia (under the Old Dominion Power name) and in Tennessee.

(LKE, LG&E and KU)

LKE's, LG&E's and KU's Financial Statements and related financial and operating data include the periods before and after PPL's acquisition of LKE on November 1, 2010 and have been segregated to present pre-acquisition activity as the Predecessor and post-acquisition activity as the Successor. Certain accounting and presentation methods were changed to acceptable alternatives to conform to PPL's accounting policies, and the cost bases of certain assets and liabilities were changed as of November 1, 2010 as a result of the application of push-down accounting. Consequently, the financial position, results of operations and cash flows for the Successor periods are not comparable to the Predecessor periods; however, the core operations of LKE, LG&E and KU have not changed as a result of the acquisition.

(PPL and PPL Energy Supply)

PPL Generation owns and operates a portfolio of competitive domestic power generating assets. These power plants are located in Pennsylvania and Montana and use well-diversified fuel sources including coal, uranium, natural gas, oil and water. PPL EnergyPlus sells electricity produced by PPL Generation subsidiaries, participates in wholesale market load-following auctions, and markets various energy products and commodities such as: capacity, transmission, FTRs, coal, natural gas, oil, uranium, emission allowances, RECs and other commodities in competitive wholesale and competitive retail markets, primarily in the northeastern and northwestern U.S.

(PPL Energy Supply)

In January 2011, PPL Energy Supply distributed its membership interest in PPL Global, representing all of the outstanding membership interest of PPL Global, to PPL Energy Supply's parent, PPL Energy Funding. The distribution was made based on the book value of the assets and liabilities of PPL Global with financial effect as of January 1, 2011. See Note 9 for additional information.

(PPL, PPL Energy Supply and LKE)

"Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income includes the activities of various businesses that were sold or distributed. See Note 9 for additional information. The Statements of Cash Flows do not separately report the cash flows of the Discontinued Operations, except for the LKE Predecessor period, which separately discloses these cash flows within operating, investing and financing activities, consistent with LKE's pre-acquisition accounting policy.

(PPL and PPL Electric)

PPL Electric is a cost-based rate-regulated subsidiary of PPL. PPL Electric's principal business is the regulated transmission and distribution of electricity to serve retail customers in its franchised territory in eastern and central Pennsylvania and the regulated supply of electricity to retail customers in that territory as a PLR.

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

The financial statements of the Registrants include each company's own accounts as well as the accounts of all entities in which the company has a controlling financial interest. Entities for which a controlling financial interest is not demonstrated through voting interests are evaluated based on accounting guidance for VIEs. The Registrants consolidate a VIE when they are determined to have a controlling interest in the VIE, and thus are the primary beneficiary of the entity. For PPL and PPL Energy Supply, see Note 22 for information regarding a consolidated VIE. Investments in entities in which a company has the ability to exercise significant influence but does not have a controlling financial interest are accounted for under the equity method. All other investments are carried at cost or fair value. All significant intercompany transactions have been eliminated. Any noncontrolling interests are reflected in the financial statements.

The financial statements of PPL, PPL Energy Supply, LKE, LG&E and KU include their share of any undivided interests in jointly owned facilities, as well as their share of the related operating costs of those facilities. See Note 14 for additional information.

(PPL)

PPL consolidates WPD, including WPD Midlands, on a one-month lag. Material intervening events, such as debt issuances that occur in the lag period, are recognized in the current period financial statements. Events that are significant but not material are disclosed.

Regulation

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

PPL Electric, LG&E and KU are cost-based rate-regulated utilities for which rates are set by regulators to enable PPL Electric, LG&E and KU to recover the costs of providing electric or gas service, as applicable, and to provide a reasonable return to shareholders. Rates are generally established based on a historical test period adjusted to exclude unusual or nonrecurring items. As a result, the financial statements are subject to the accounting for certain types of regulation as prescribed by GAAP and reflect the effects of regulatory actions. Regulatory assets are recognized for the effect of transactions or events where future recovery of underlying costs is probable in regulated customer rates. The effect of such accounting is to defer certain or qualifying costs that would otherwise currently be charged to expense. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates. In certain cases, regulatory liabilities are recorded based on an understanding or agreement with the regulator that rates have been set to recover costs that are expected to be incurred in the future, and the regulated entity is accountable for any amounts charged pursuant to such rates and not yet expended for the intended purpose. The accounting for regulatory assets and liabilities is based on specific ratemaking decisions or precedent for each transaction or event as prescribed by the FERC or the applicable state regulatory commissions. See Note 6 for additional details regarding regulatory matters.

(PPL)

WPD operates in an incentive-based regulatory structure under distribution licenses granted by Ofgem. Electricity distribution revenues are set by Ofgem every five years through price control reviews that are not directly based on cost recovery. The price control formula that governs WPD's allowed revenue is designed to provide economic incentives to minimize operating, capital and financing costs. As a result, WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP and does not record regulatory assets and liabilities.

Accounting Records *(PPL, PPL Electric, LKE, LG&E and KU)*

The system of accounts for domestic regulated entities is maintained in accordance with the Uniform System of Accounts prescribed by the FERC and adopted by the applicable state regulatory commissions.

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Loss Accruals

Potential losses are accrued when (1) information is available that indicates it is "probable" that a loss has been incurred, given the likelihood of the uncertain future events and (2) the amount of the loss can be reasonably estimated. Accounting guidance defines "probable" as cases in which "the future event or events are likely to occur." The Registrants continuously assess potential loss contingencies for environmental remediation, litigation claims, regulatory penalties and other events. Loss accruals for environmental remediation are discounted when appropriate.

The accrual of contingencies that might result in gains is not recorded, unless realization is assured.

Changes in Classification

The classification of certain amounts in the 2011 and 2010 financial statements have been changed to conform to the current presentation. The changes in classification did not affect the Registrants' net income or equity.

Comprehensive Income *(PPL, PPL Energy Supply, LKE, LG&E and KU)*

Comprehensive income, which includes net income and OCI, is shown on the Statements of Comprehensive Income.

AOCI, which is presented on the Balance Sheets of PPL and included in Member's equity on the Balance Sheets of PPL Energy Supply and LKE, consisted of the following after-tax gains (losses).

		Unrealized gains (losses)			Defined benefit plans			
	Foreign currency translation adjustments	Available-for-sale securities	Qualifying derivatives	Equity investees' AOCI	Prior service costs	Actuarial gain (loss)	Transition asset (obligation)	Total
PPL								
December 31, 2009	$ (136)	$ 62	$ 602	$ (2)	$ (61)	$ (993)	$ (9)	$ (537)
OCI	(59)	24	93		29	(39)	10	58
December 31, 2010	$ (195)	$ 86	$ 695	$ (2)	$ (32)	$ (1,032)	$ 1	$ (479)
OCI	(48)	2	(168)	3	7	(105)		(309)
December 31, 2011	$ (243)	$ 88	$ 527	$ 1	$ (25)	$ (1,137)	$ 1	$ (788)
OCI	94	22	(395)	2	11	(886)		(1,152)
December 31, 2012	$ (149)	$ 110	$ 132	$ 3	$ (14)	$ (2,023)	$ 1	$ (1,940)
PPL Energy Supply								
December 31, 2009	$ (136)	$ 62	$ 573	$ (2)	$ (44)	$ (930)	$ (7)	$ (484)
OCI	(59)	24	159		21	(23)	7	129
December 31, 2010	$ (195)	$ 86	$ 732	$ (2)	$ (23)	$ (953)	$	$ (355)
OCI		2	(86)	3	2	(18)		(97)
Distribution of membership interest in PPL Global (a)	195		(41)		5	780		939
December 31, 2011	$	$ 88	$ 605	$ 1	$ (16)	$ (191)		$ 487
OCI		22	(395)		6	(72)		(439)
December 31, 2012		$ 110	$ 210	$ 1	$ (10)	$ (263)		$ 48

(a) See Note 9 for additional information.

				Defined benefit plans		
	Foreign currency translation adjustments	Unrealized gains (losses) on qualifying derivatives	Equity investees' AOCI	Prior service costs	Actuarial gain (loss)	Total
LKE						
December 31, 2009 - Predecessor	$ 11	$ (6)		$ (12)	$ (36)	$ (43)
Disposal of discontinued operations	(11)					(11)
OCI		10	$ (2)	1	(19)	(10)
October 31, 2010 - Predecessor	$	$ 4	$ (2)	$ (11)	$ (55)	$ (64)
Effect of PPL acquisition		(4)	2	11	55	64
OCI					6	6
December 31, 2010 - Successor		$	$	$	$ 6	$ 6
OCI				(2)		(2)
December 31, 2011 - Successor				$ (2)	$ 6	$ 4
OCI			1		(20)	(19)
December 31, 2012 - Successor			$ 1	$ (2)	$ (14)	$ (15)

LG&E had an AOCI balance that was a loss of $10 million at December 31, 2009 (a Predecessor period). LG&E had no AOCI balances at December 31, 2010, 2011 or 2012 (Successor periods). During the ten months ended October 31, 2010 (a Predecessor period), LG&E had $10 million of gains on qualifying derivatives that were recorded in OCI.

KU had no AOCI balances at December 31, 2009 (a Predecessor period), 2010 or 2011 (Successor periods). KU had an AOCI balance that was a gain of $1 million at December 31, 2012 (a Successor period) related to an equity investee's AOCI. KU recorded $2 million of losses related to an equity investee's OCI during the ten months ended October 31, 2010 (a Predecessor period), which were eliminated with the effect of the PPL acquisition.

Earnings Per Share *(PPL)*

EPS is computed using the two-class method, which is an earnings allocation method for computing EPS that treats a participating security as having rights to earnings that would otherwise have been available to common shareowners. Share-based payment awards that provide recipients a non-forfeitable right to dividends or dividend equivalents are considered participating securities.

Price Risk Management

(PPL, PPL Energy Supply, LKE, LG&E and KU)

Energy and energy-related contracts are used to hedge the variability of expected cash flows associated with the generating units and marketing activities, as well as for trading purposes. Interest rate contracts are used to hedge exposures to changes in the fair value of debt instruments and to hedge exposures to variability in expected cash flows associated with existing floating-rate debt instruments or forecasted fixed-rate issuances of debt. Foreign currency exchange contracts are used to hedge foreign currency exchange exposures, primarily associated with PPL's investments in U.K. subsidiaries. Similar derivatives may receive different accounting treatment, depending on management's intended use and documentation.

Certain energy and energy-related contracts meet the definition of a derivative, while others do not meet the definition of a derivative because they lack a notional amount or a net settlement provision. In cases where there is no net settlement provision, markets are periodically assessed to determine whether market mechanisms have evolved that would facilitate net settlement. Certain derivative energy contracts have been excluded from the requirements of derivative accounting treatment because they meet the definition of NPNS. These contracts are accounted for using accrual accounting. All other contracts that have been classified as derivative contracts are reflected on the balance sheet at their fair value. These contracts are recorded as "Price risk management assets" and "Price risk management liabilities" on the Balance Sheets. The portion of derivative positions that deliver within a year are included in "Current Assets" and "Current Liabilities," while the portion of derivative positions that deliver beyond a year are recorded in "Other Noncurrent Assets" and "Deferred Credits and Other Noncurrent Liabilities."

Energy and energy-related contracts are assigned a strategy and accounting classification. Processes exist that allow for subsequent review and validation of the contract information. These strategies are discussed in more detail in Note 19. The accounting department provides the traders and the risk management department with guidelines on appropriate accounting classifications for various contract types and strategies. Some examples of these guidelines include, but are not limited to:

- Physical coal, limestone, lime, uranium, electric transmission, gas transportation, gas storage and renewable energy credit contracts are not derivatives due to the lack of net settlement provisions.
- Only contracts where physical delivery is deemed probable throughout the entire term of the contract can qualify for NPNS.
- Physical transactions that permit cash settlement and financial transactions do not qualify for NPNS because physical delivery cannot be asserted; however, these transactions can receive cash flow hedge treatment if they lock in the future cash flows for energy-related commodities.
- Certain purchased option contracts or net purchased option collars may receive hedge accounting treatment. Those that are not eligible are recorded at fair value through earnings.
- Derivative transactions that do not qualify for NPNS or hedge accounting treatment are recorded at fair value through earnings.

A similar process is also followed by the treasury department as it relates to interest rate and foreign currency derivatives. Examples of accounting guidelines provided to the treasury department staff include, but are not limited to:

- Transactions to lock in an interest rate prior to a debt issuance can be designated as cash flow hedges, to the extent the forecasted debt issuances remain probable of occurring.
- Cross-currency transactions to hedge interest and principal repayments can be designated as cash flow hedges.
- Transactions entered into to hedge fluctuations in the fair value of existing debt can be designated as fair value hedges.
- Transactions entered into to hedge the value of a net investment of foreign operations can be designated as net investment hedges.

- Derivative transactions that do not qualify for hedge accounting treatment are marked to fair value through earnings. These transactions generally include foreign currency swaps and options to hedge GBP earnings translation risk associated with PPL's U.K. subsidiaries that report their financial statements in GBP. As such, these transactions reduce earnings volatility due solely to changes in foreign currency exchange rates.

- Derivative transactions may be marked to fair value through regulatory assets/liabilities if approved by the appropriate regulatory body. These transactions generally include the effect of interest rate swaps that are included in customer rates.

Cash inflows and outflows related to derivative instruments are included as a component of operating, investing or financing activities on the Statements of Cash Flows, depending on the underlying nature of the hedged items.

PPL and its subsidiaries have elected not to offset net derivative positions against the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) under master netting arrangements.

PPL Energy Supply reflects its net realized and unrealized gains and losses associated with all derivatives that are held for trading purposes in "Net energy trading margins" on the Statements of Income.

See Notes 18 and 19 for additional information on derivatives.

(PPL and PPL Electric)

To meet its obligation as a PLR to its customers, PPL Electric has entered into certain contracts that meet the definition of a derivative. However, these contracts qualify for NPNS. See Notes 18 and 19 for additional information.

Revenue

Utility Revenue *(PPL)*

For the years ended December 31, the Statements of Income "Utility" line item contains rate-regulated revenue from the following:

	2012	2011	2010
Domestic electric and gas revenue (a)	$ 4,519	$ 4,674	$ 2,941
U.K. electric revenue (b)	2,289	1,618	727
Total	$ 6,808	$ 6,292	$ 3,668

(a) Represents revenue from regulated generation, transmission and/or distribution in Pennsylvania, Kentucky, Virginia and Tennessee, including regulated wholesale revenue. 2010 includes two months of revenue for LKE.
(b) Represents electric distribution revenue from the operation of WPD's distribution networks. 2011 includes eight months of revenue for WPD Midlands.

Revenue Recognition

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

Operating revenues, except for certain energy and energy-related contracts that meet the definition of derivative instruments and "Energy-related businesses," are recorded based on energy deliveries through the end of the calendar month. Unbilled retail revenues result because customers' meters are read and bills are rendered throughout the month, rather than all being read at the end of the month. Unbilled revenues for a month are calculated by multiplying an estimate of unbilled kWh by the estimated average cents per kWh. Unbilled wholesale energy revenues are recorded at month-end to reflect estimated amounts until actual dollars and MWhs are confirmed and invoiced. Any difference between estimated and actual revenues is adjusted the following month.

Certain PPL subsidiaries participate primarily in the PJM RTO, as well as in other RTOs and ISOs. In PJM, PPL EnergyPlus is a marketer, a load-serving entity and a seller for PPL Energy Supply's generation subsidiaries. A function of interchange accounting is to match participants' MWh entitlements (generation plus scheduled bilateral purchases) against their MWh obligations (load plus scheduled bilateral sales) during every hour of every day. If the net result during any given hour is an entitlement, the participant is credited with a spot-market sale to the RTO at the respective market price for that hour; if the net result is an obligation, the participant is charged with a spot-market purchase at the respective market price for that hour. PPL Energy Supply records the hourly net sales in its Statements of Income as "Wholesale energy marketing" if in a net sales position and "Energy purchases" if in a net purchase position.

(PPL)

WPD's revenue is primarily from charges to suppliers to use its distribution system to deliver electricity to the end-user. WPD's allowed revenue is not dependent on volume delivered over the five-year price control period. However, in any fiscal period, WPD's revenue could be negatively affected if its tariffs and the volume delivered do not fully recover the allowed revenue for a given period. Under recoveries are recovered and recorded in the next regulatory year. Over recoveries are reflected in the current period as a liability and are not included in revenue.

(PPL and PPL Energy Supply)

PPL Energy Supply records non-derivative energy marketing activity in the period when the energy is delivered. Generally, sales contracts held for non-trading purposes are reported gross on the Statements of Income within "Wholesale energy marketing" and "Unregulated retail electric and gas." However, non-trading physical sales and purchases of electricity at major market delivery points (which is any delivery point with liquid pricing available, such as the pricing hub for PJM West), are netted and reported in the Statements of Income within "Wholesale energy marketing" or "Energy purchases," depending on the net hourly position. Certain energy and energy-related contracts that meet the definition of derivative instruments are recorded at fair value with subsequent changes in fair value recognized as revenue or expense (see Note 19), unless hedge accounting is applied. If derivatives meet cash flow hedging criteria, changes in fair value are recorded in AOCI. Derivative and non-derivative contracts that are designated as proprietary trading activities are reported net on the Statements of Income within "Net energy trading margins."

"Energy-related businesses" revenue primarily includes revenue from the mechanical contracting and engineering subsidiaries. The mechanical contracting and engineering subsidiaries record revenue from construction contracts on the percentage-of-completion method of accounting, measured by the actual cost incurred to date as a percentage of the estimated total cost for each contract. Accordingly, costs and estimated earnings in excess of billings on uncompleted contracts are recorded within "Unbilled revenues" on the Balance Sheets, and billings in excess of costs and estimated earnings on uncompleted contracts are recorded within "Other current liabilities" on the Balance Sheets. The amount of costs and estimated earnings in excess of billings was $12 million and $15 million at December 31, 2012 and 2011, and the amount of billings in excess of costs and estimated earnings was $70 million and $59 million at December 31, 2012 and 2011.

Accounts Receivable

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

Accounts receivable are reported on the Balance Sheets at the gross outstanding amount adjusted for an allowance for doubtful accounts. Accounts receivable that are acquired are initially recorded at fair value on the date of acquisition. See Note 10 for information related to the acquisitions of WPD Midlands and LKE.

(PPL, PPL Energy Supply and PPL Electric)

In accordance with a PUC-approved purchase of accounts receivable program, PPL Electric purchases certain accounts receivable from alternative suppliers (including PPL EnergyPlus) at a nominal discount, which reflects a provision for uncollectible accounts. The alternative 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. PPL Electric receives a nominal fee for administering its program. During 2012, 2011 and 2010, PPL Electric purchased $848 million, $875 million and $617 million of accounts receivable from unaffiliated third parties. During 2012, 2011 and 2010, PPL Electric purchased $313 million, $264 million and $215 million of accounts receivable from PPL EnergyPlus.

Allowance for Doubtful Accounts *(PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU)*

Accounts receivable collectability is evaluated using a combination of factors, including past due status based on contractual terms, trends in write-offs, the age of the receivable, counterparty creditworthiness and economic conditions. Specific events, such as bankruptcies, are also considered. Adjustments to the allowance for doubtful accounts are made when necessary based on the results of analysis, the aging of receivables and historical and industry trends.

Accounts receivable are written off in the period in which the receivable is deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when it is known they will be received.

The changes in the allowance for doubtful accounts were:

		Additions			
	Balance at Beginning of Period	Charged to Income	Charged to Other Accounts	Deductions (a)	Balance at End of Period
PPL					
2012	$ 54	$ 55 (c)		$ 45	$ 64
2011	55	65 (c)		66 (d)	54
2010	37	42 (b)	$ 7 (b) (e)	31	55 (b)
PPL Energy Supply					
2012	$ 15	$ 12 (c)		$ 4	$ 23
2011	20	14 (c)		19 (d)	15
2010	21	1		2	20
PPL Electric					
2012	$ 17	$ 32		$ 31	$ 18
2011	17	33		33	17
2010	16	30		29	17
LKE					
2012 - Successor	$ 17	$ 9		$ 7	$ 19
2011 - Successor	17	15		15	17
2010 - Successor		10	$ 7 (e)		17
2010 - Predecessor	4	10		10	4
LG&E					
2012 - Successor	$ 2	$ 2		$ 3	$ 1
2011 - Successor	2	5		5	2
2010 - Successor		1	$ 2 (e)	1	2
2010 - Predecessor	2	4		4	2
KU					
2012 - Successor	$ 2	$ 4		$ 4	$ 2
2011 - Successor	6	6		10	2
2010 - Successor		1	$ 6 (e)	1	6
2010 - Predecessor	3	6		6	3

(a) Primarily related to uncollectible accounts written off.
(b) Includes amounts associated with LKE activity since the November 1, 2010 acquisition date. See Note 10 for additional information related to the acquisition of LKE.
(c) Includes amounts related to the SMGT bankruptcy. See Note 15 for additional information.
(d) Includes amounts related to the June 2011, FERC approved settlement agreement between PPL and the California ISO related to the sales made to the California ISO during the period October 2000 through June 2001 that were not paid to PPL subsidiaries. Therefore, the receivable and the related allowance for doubtful accounts were reversed and the settlement recorded.
(e) Primarily related to capital projects, thus the provision was recorded as an adjustment to construction work in progress.

Cash *(PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU)*

Cash Equivalents

All highly liquid debt instruments purchased with original maturities of three months or less are considered to be cash equivalents.

Restricted Cash and Cash Equivalents

Bank deposits and other cash equivalents that are restricted by agreement or that have been clearly designated for a specific purpose are classified as restricted cash and cash equivalents. The change in restricted cash and cash equivalents is reported as an investing activity on the Statements of Cash Flows. On the Balance Sheets, the current portion of restricted cash and cash equivalents is shown as "Restricted cash and cash equivalents" for PPL and PPL Energy Supply and included in "Other current assets" for PPL Electric, LKE, LG&E and KU while the noncurrent portion is included in "Other noncurrent assets" for all Registrants. At December 31, the balances of restricted cash and cash equivalents included the following.

	PPL		PPL Energy Supply		PPL Electric		LKE		LG&E	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Margin deposits posted to counterparties	$ 43	$ 137	$ 43	$ 137						
Cash collateral posted to counterparties	32	29					$ 32	$ 29	$ 32	$ 29
Low carbon network fund (a)	14	9								
Captive insurance reserves (b)	6	6								
Funds deposited with a trustee (c)	13	12			$ 13	$ 12				
Ironwood debt service reserves	17		17							
Other	10	16	3	8		1				
Total	$ 135	$ 209	$ 63	$ 145	$ 13	$ 13	$ 32	$ 29	$ 32	$ 29

(a) Funds received by WPD, which are to be spent on approved initiatives to support a low carbon environment.
(b) Funds required by law to be held by WPD's captive insurance company to meet claims.
(c) Funds deposited with a trustee to defease PPL Electric's 1945 First Mortgage Bonds.

Fair Value Measurements *(PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU)*

The Registrants value certain financial and nonfinancial assets and liabilities at fair value. Generally, the most significant fair value measurements relate to price risk management assets and liabilities, investments in securities including investments in the NDT funds and defined benefit plans, and cash and cash equivalents. PPL and its subsidiaries use, as appropriate, a market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models) and/or a cost approach (generally, replacement cost) to measure the fair value of an asset or liability. These valuation approaches incorporate inputs such as observable, independent market data and/or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk.

The Registrants classify fair value measurements within one of three levels in the fair value hierarchy. The level assigned to a fair value measurement is based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are as follows:

- **Level 1** - quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

- **Level 2** - inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for substantially the full term of the asset or liability.

- **Level 3** - unobservable inputs that management believes are predicated on the assumptions market participants would use to measure the asset or liability at fair value.

Assessing the significance of a particular input requires judgment that considers factors specific to the asset or liability. As such, the Registrants' assessment of the significance of a particular input may affect how the assets and liabilities are classified within the fair value hierarchy.

Investments

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

Generally, the original maturity date of an investment and management's intent and ability to sell an investment prior to its original maturity determine the classification of investments as either short-term or long-term. Investments that would otherwise be classified as short-term, but are restricted as to withdrawal or use for other than current operations or are clearly designated for expenditure in the acquisition or construction of noncurrent assets or for the liquidation of long-term debts, are classified as long-term.

Short-term Investments

Short-term investments generally include certain deposits as well as securities that are considered highly liquid or provide for periodic reset of interest rates. Investments with original maturities greater than three months and less than a year, as well as investments with original maturities of greater than a year that management has the ability and intent to sell within a year, are included in "Short-term investments" or "Other current assets" on the Balance Sheets.

Investments in Debt and Equity Securities

Investments in debt securities are classified as held-to-maturity and measured at amortized cost when there is an intent and ability to hold the securities to maturity. Debt and equity securities held principally to capitalize on fluctuations in their value with the intention of selling them in the near-term are classified as trading. All other investments in debt and equity securities are classified as available-for-sale. Both trading and available-for-sale securities are carried at fair value. The specific identification method is used to calculate realized gains and losses on debt and equity securities. Any unrealized gains and losses on trading securities are included in earnings.

The criteria for determining whether a decline in fair value of a debt security is other than temporary and whether the other-than-temporary impairment is recognized in earnings or reported in OCI require that when a debt security is in an unrealized loss position and:

- there is an intent or a requirement to sell the security before recovery, the other-than-temporary impairment is recognized currently in earnings; or
- there is no intent or requirement to sell the security before recovery, the portion of the other-than-temporary impairment that is considered a credit loss is recognized currently in earnings and the remainder of the other-than-temporary impairment is reported in OCI, net of tax; or
- there is no intent or requirement to sell the security before recovery and there is no credit loss, the unrealized loss is reported in OCI, net of tax.

Unrealized gains and losses on available-for-sale equity securities are reported, net of tax, in OCI. When an equity security's decline in fair value below amortized cost is determined to be an other-than-temporary impairment, the unrealized loss is recognized currently in earnings. See Notes 18 and 23 for additional information on investments in debt and equity securities.

Equity Method Investment *(PPL, LKE and KU)*

Investments in entities over which PPL, LKE and KU have the ability to exercise significant influence, but not control, are accounted for using the equity method of accounting and are reported in "Other Investments" on PPL's Balance Sheet and in "Investments" on LKE's and KU's Balance Sheets. In accordance with the accounting guidance for equity method investments, the recoverability of the investment is periodically assessed. If an identified event or change in circumstances requires an impairment evaluation, the fair value of the investment is assessed. The difference between the carrying amount of the investment and its estimated fair value is recognized as an impairment loss when the loss in value is deemed other-than-temporary and such loss is included in "Other-Than-Temporary Impairments" on the Statements of Income.

KU owns 20% of the common stock of EEI, which is accounted for as an equity method investment. KU's direct exposure to loss as a result of its involvement with EEI is generally limited to the value of its investment. During 2012, KU recorded gains (losses) of $(8) million from its share of EEI's operating results. In December 2012, KU concluded that an other-than-temporary decline in the value of its investment in EEI had occurred. KU recorded an impairment charge of $25 million ($15 million, after-tax) which reduced the investment balance to zero, the estimated fair value at December 31, 2012. See Note 18 for additional information.

Cost Method Investment *(LKE, LG&E and KU)*

LG&E and KU each have an investment in OVEC, which is accounted for using the cost method. The investment is recorded in "Investments" on the LKE and KU Balance Sheets, in "Other noncurrent assets" on the LG&E Balance Sheets and in "Other investments" on the PPL Balance Sheets. LG&E and KU and ten other electric utilities are equity owners of OVEC. OVEC's power is currently supplied to LG&E and KU and 11 other companies affiliated with the various owners. LG&E and KU own 5.63% and 2.5% of OVEC's common stock. Pursuant to a power purchase agreement, LG&E and KU are contractually entitled to their ownership percentage of OVEC's output, which is approximately 134 MW for LG&E and approximately 60 MW for KU.

LG&E's and KU's combined investment in OVEC is not significant. The direct exposure to loss as a result of LG&E's and KU's involvement with OVEC is generally limited to the value of their investments; however, LG&E and KU may be conditionally responsible for a pro-rata share of certain OVEC obligations. As part of PPL's acquisition of LKE, the value of the power purchase contract was recorded as an intangible asset with an offsetting regulatory liability, both of which are being amortized using the units-of-production method until March 2026, the expiration date of the agreement. See Notes 15 and 20 for additional discussion on the power purchase agreement.

Long-Lived and Intangible Assets

Property, Plant and Equipment

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

PP&E is recorded at original cost, unless impaired. PP&E acquired in a business combination is recorded at fair value at the time of acquisition. If impaired, the asset is written down to fair value at that time, which becomes the new cost basis of the asset. Original cost includes material, labor, contractor costs, certain overheads and financing costs, where applicable. The cost of repairs and minor replacements are charged to expense as incurred. The Registrants record costs associated with planned major maintenance projects in the period in which the costs are incurred. No costs associated with planned major maintenance projects are accrued in advance of the period in which the work is performed. LG&E and KU accrue costs of removal net of estimated salvage value through depreciation, which is included in the calculation of customer rates over the assets' depreciable lives in accordance with regulatory practices. Cost of removal amounts accrued through depreciation rates are accumulated as a regulatory liability until the removal costs are incurred. See "Asset Retirement Obligations" below and Note 6 for additional information.

(PPL and PPL Energy Supply)

The original cost for the PP&E acquired in the Ironwood Acquisition is its fair value on April 13, 2012. See Note 10 for additional information on the acquisition.

(PPL)

The original cost for the PP&E acquired in the WPD Midlands acquisition is its fair value on April 1, 2011, which approximated RAV as of the acquisition date. See Note 10 for additional information on the acquisition.

(PPL, PPL Electric, LKE and KU)

AFUDC is capitalized as part of the construction costs for cost-based rate-regulated projects for which a return on such costs is recovered after the project is placed in service. The debt component of AFUDC is credited to "Interest Expense" and the equity component is credited to "Other Income (Expense) - net" on the Statements of Income. LKE and KU have not recorded significant AFUDC as a return has been provided during the construction period for most projects.

(PPL and PPL Energy Supply)

Nuclear fuel-related costs, including fuel, conversion, enrichment, fabrication and assemblies, are capitalized as PP&E. Such costs are amortized as the fuel is spent using the units-of-production method and included in "Fuel" on the Statements of Income. PPL Energy Supply capitalizes interest costs as part of construction costs.

Capitalized interest, excluding AFUDC for PPL, is as follows.

	PPL	PPL Energy Supply
2012	$ 53	$ 47
2011	51	47
2010	30	33

Depreciation

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

Depreciation is recorded over the estimated useful lives of property using various methods including the straight-line, composite and group methods. When a component of PP&E that was depreciated under the composite or group method is retired, the original cost is charged to accumulated depreciation. When all or a significant portion of an operating unit that was depreciated under the composite or group method is retired or sold, the property and the related accumulated depreciation account is reduced and any gain or loss is included in income, unless otherwise required by regulators.

Following are the weighted-average rates of depreciation at December 31.

	2012					
	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
Regulated utility plant	3.12		2.57	4.39	4.91	4.06
Non-regulated PP&E - Generation	3.05	3.05				
	2011					
	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
Regulated utility plant	3.03		2.49	4.54	5.11	4.17
Non-regulated PP&E - Generation	2.88	2.88				

(PPL, LKE, LG&E and KU)

The KPSC approved new lower depreciation rates for LG&E and KU as part of the rate-case settlement agreement reached in November 2012. The new rates became effective January 1, 2013 and will result in lower depreciation of approximately $19 million ($9 million for LG&E and $10 million for KU) in 2013, exclusive of net additions to PP&E.

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

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price paid over the fair value of the identifiable net assets acquired in a business combination.

Other acquired intangible assets are initially measured based on their fair value. Intangibles that have finite useful lives are amortized over their useful lives based upon the pattern in which the economic benefits of the intangible assets are consumed or otherwise used. Costs incurred to obtain an initial license and renew or extend terms of licenses are capitalized as intangible assets.

When determining the useful life of an intangible asset, including intangible assets that are renewed or extended, PPL and its subsidiaries consider the expected use of the asset; the expected useful life of other assets to which the useful life of the intangible asset may relate; legal, regulatory, or contractual provisions that may limit the useful life; the company's historical experience as evidence of its ability to support renewal or extension; the effects of obsolescence, demand, competition, and other economic factors; and the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

PPL and PPL Energy Supply account for RECs as intangible assets. PPL and PPL Energy Supply buy and/or sell RECs and also create RECs through owned renewable energy generation facilities. In any period, PPL and PPL Energy Supply can be a net purchaser or seller of RECs depending on their contractual obligations to purchase or deliver RECs and the production of RECs from their renewable energy generation facilities. The carrying value of RECs created from their renewable energy generation facilities is initially recorded at zero value and purchased RECs are initially recorded based on their purchase price. When RECs are consumed to satisfy an obligation to deliver RECs to meet a state's Renewable Portfolio Standard Obligation or when RECs are sold to third parties, they are removed from the Balance Sheet at their weighted-average carrying value. Since the economic benefits of RECs are not diminished until they are consumed, RECs are not amortized; rather, they are expensed when consumed or a gain or loss is recognized when sold. Such expense is included in "Energy purchases" on the Statements of Income. Gains and losses on the sale of RECs are included in "Other operation and maintenance" on the Statements of Income.

PPL, PPL Energy Supply, LKE, LG&E and KU account for emission allowances as intangible assets. PPL, PPL Energy Supply, LKE, LG&E and KU are allocated emission allowances by states based on their generation facilities' historical emissions experience, and have purchased emission allowances generally when it is expected that additional allowances will be needed. The carrying value of allocated emission allowances is initially recorded at zero value and purchased allowances are initially recorded based on their purchase price. When consumed or sold, emission allowances are removed from the Balance Sheet at their weighted-average carrying value. Since the economic benefits of emission allowances are not diminished until they are consumed, emission allowances are not amortized; rather, they are expensed when consumed or a gain or loss is recognized when sold. Such expense is included in "Fuel" on the Statements of Income. Gains and losses on the sale of emission allowances are included in "Other operation and maintenance" on the Statements of Income.

Asset Impairment (Excluding Investments)

The Registrants review long-lived assets that are subject to depreciation or amortization, including finite-lived intangibles, for impairment when events or circumstances indicate carrying amounts may not be recoverable. See Note 18 for a discussion of impairments related to certain intangible assets.

A long-lived asset classified as held and used is impaired when the carrying amount of the asset exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If impaired, the asset's carrying value is written down to its fair value. See Note 15 for a discussion of the Corette coal-fired plant in Montana which was determined to not be impaired.

A long-lived asset classified as held for sale is impaired when the carrying amount of the asset (disposal group) exceeds its fair value less cost to sell. If impaired, the asset's (disposal group's) carrying value is written down to its fair value less cost to sell. See Notes 9 and 18 for a discussion of impairment charges recorded associated with long-lived assets classified as held for sale.

PPL, PPL Energy Supply, LKE, LG&E and KU review goodwill for impairment at the reporting unit level annually or more frequently when events or circumstances indicate that the carrying amount of a reporting unit may be greater than the unit's fair value. Additionally, goodwill must be tested for impairment in circumstances when a portion of goodwill has been allocated to a business to be disposed of. PPL's, PPL Energy Supply's, LKE's, LG&E's and KU's reporting units are at the operating segment level. If the carrying amount of the reporting unit, including goodwill, exceeds its fair value, the implied fair value of goodwill must be calculated in the same manner as goodwill in a business combination. The fair value of a reporting unit is allocated to all assets and liabilities of that unit as if the reporting unit had been acquired in a business combination. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying amount, goodwill is written down to its implied fair value.

The goodwill recognized upon the acquisition of LKE, although entirely recorded at LG&E and KU, was assigned for impairment testing by PPL to its reporting units expected to benefit from the acquisition, which were the Kentucky Regulated segment and the Supply segment. The goodwill recognized upon the acquisition of WPD Midlands was assigned for impairment testing by PPL to its U.K. Regulated segment. See Note 10 for additional information regarding the acquisition.

PPL, PPL Energy Supply, LKE, LG&E and KU tested the goodwill of all of their reporting units for impairment in the fourth quarter of 2012 and no impairment was recognized.

Asset Retirement Obligations

PPL and its subsidiaries record liabilities to reflect various legal obligations associated with the retirement of long-lived assets. Initially, this obligation is measured at fair value and offset with an increase in the value of the capitalized asset, which is depreciated over the asset's useful life. Until the obligation is settled, the liability is increased to reflect changes in the obligation due to the passage of time through the recognition of accretion expense classified within "Other operation and maintenance" on the Statements of Income. The accretion and depreciation related to LG&E's and KU's AROs are offset with a regulatory credit on the income statement, such that there is no earnings impact. The regulatory asset created by the regulatory credit is relieved when the ARO is settled.

Estimated ARO costs and settlement dates, which affect the carrying value of the ARO and the related capitalized asset, are reviewed periodically to ensure that any material changes are incorporated into the latest estimate of the ARO. Any change to the capitalized asset, positive or negative, is amortized over the remaining life of the associated long-lived asset. See Note 21 for additional information on AROs.

Compensation and Benefits

Defined Benefits *(PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU)*

Certain PPL subsidiaries sponsor various defined benefit pension and other postretirement plans. An asset or liability is recorded to recognize the funded status of all defined benefit plans with an offsetting entry to OCI or, for LG&E, KU and PPL Electric, to regulatory assets or liabilities. Consequently, the funded status of all defined benefit plans is fully recognized on the Balance Sheets.

The expected return on plan assets is determined based on a market-related value of plan assets, which is calculated by rolling forward the prior year market-related value with contributions, disbursements and long-term expected return on investments. One-fifth of the difference between the actual value and the expected value is added (or subtracted if negative) to the expected value to determine the new market-related value.

PPL uses an accelerated amortization method for the recognition of gains and losses for its defined benefit pension plans. Under the accelerated method, actuarial gains and losses in excess of 30% of the plan's projected benefit obligation are amortized on a straight-line basis over one-half of the expected average remaining service of active plan participants. Actuarial gains and losses in excess of 10% of the greater of the plan's projected benefit obligation or the market-related value of plan assets and less than 30% of the plan's projected benefit obligation are amortized on a straight-line basis over the expected average remaining service period of active plan participants.

See Note 13 for a discussion of defined benefits.

Stock-Based Compensation

(PPL, PPL Energy Supply, PPL Electric and LKE)

PPL has several stock-based compensation plans for purposes of granting stock options, restricted stock, restricted stock units and performance units to certain employees as well as stock units and restricted stock units to directors. PPL grants most stock-based awards in the first quarter of each year. PPL and its subsidiaries recognize compensation expense for stock-based awards based on the fair value method. Stock options that vest in installments are valued as a single award. PPL grants stock options with an exercise price that is not less than the fair value of PPL's common stock on the date of grant. See Note 12 for a discussion of stock-based compensation. All awards are recorded as equity or a liability on the Balance Sheets. Stock-based compensation is primarily included in "Other operation and maintenance" on the Statements of Income. Stock-based compensation expense for PPL Energy Supply, PPL Electric and LKE includes an allocation of PPL Services' expense.

Other

Debt Issuance Costs *(PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU)*

Debt issuance costs are deferred and amortized over the term of the related debt using the interest method or another method, generally straight-line, if the results obtained are not materially different than those that would result from the interest method.

Income Taxes

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

PPL and its domestic subsidiaries file a consolidated U.S. federal income tax return. Prior to PPL's acquisition of LKE, LKE and its subsidiaries were included in E.ON US Investments Corp.'s consolidated U.S. federal income tax return.

Significant management judgment is required in developing the Registrants' provision for income taxes, primarily due to the uncertainty related to tax positions taken or expected to be taken in tax returns and the determination of deferred tax assets, liabilities and valuation allowances.

Significant management judgment is also required to determine the amount of benefit to be recognized in relation to an uncertain tax position. The Registrants use a two-step process to evaluate tax positions. The first step requires an entity to determine whether, based on the technical merits supporting a particular tax position, it is more likely than not (greater than a 50% chance) that the tax position will be sustained. This determination assumes that the relevant taxing authority will examine the tax position and is aware of all the relevant facts surrounding the tax position. The second step requires an entity to recognize in the financial statements the benefit of a tax position that meets the more-likely-than-not recognition criterion. The benefit recognized is measured at the largest amount of benefit that has a likelihood of realization, upon settlement, that exceeds 50%. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements of the Registrants in future periods.

Deferred income taxes reflect the net future tax effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their basis for income tax purposes, as well as the tax effects of net operating losses and tax credit carryforwards.

The Registrants record valuation allowances to reduce deferred tax assets to the amounts that are more likely than not to be realized. The Registrants consider the reversal of temporary differences, future taxable income and ongoing prudent and feasible tax planning strategies in initially recording and subsequently reevaluating the need for valuation allowances. If the Registrants determine that they are able to realize deferred tax assets in the future in excess of recorded net deferred tax assets, adjustments to the valuation allowances increase income by reducing tax expense in the period that such determination is made. Likewise, if the Registrants determine that they are not able to realize all or part of net deferred tax assets in the future, adjustments to the valuation allowances would decrease income by increasing tax expense in the period that such determination is made.

The Registrants defer investment tax credits when the credits are utilized and amortize the deferred amounts over the average lives of the related assets.

The Registrants recognize interest and penalties in "Income Taxes" on their Statements of Income.

See Note 5 for additional discussion regarding income taxes.

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

The provision for PPL, PPL Electric, LKE, LG&E and KU's deferred income taxes for regulated assets is based upon the ratemaking principles reflected in rates established by the regulators. The difference in the provision for deferred income taxes for regulated assets and the amount that otherwise would be recorded under GAAP is deferred and included on the Balance Sheet in noncurrent "Regulatory assets" or "Regulatory liabilities."

(*PPL Energy Supply, PPL Electric, LKE, LG&E and KU)*

The income tax provision for PPL Energy Supply, PPL Electric, LKE, LG&E and KU is calculated in accordance with an intercompany tax sharing agreement which provides that taxable income be calculated as if PPL Energy Supply, PPL Electric, LKE, LG&E, KU and any domestic subsidiaries each filed a separate return. Tax benefits are not shared between companies. The entity that generates a tax benefit is the entity that is entitled to the tax benefit. The effect of PPL filing a consolidated tax return is taken into account in the settlement of current taxes and the recognition of deferred taxes. At December 31, the following intercompany tax receivables (payables) were recorded.

	2012	2011
PPL Energy Supply	$ (38)	$ (50)
PPL Electric	22	22
LKE	(12)	3
LG&E	5	4
KU	(15)	5

Taxes, Other Than Income *(PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU)*

The Registrants present sales taxes in "Other current liabilities" and PPL presents value-added taxes in "Taxes" on the Balance Sheets. These taxes are not reflected on the Statements of Income. See Note 5 for details on taxes included in "Taxes, other than income" on the Statements of Income.

Leases

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

The Registrants evaluate whether arrangements entered into contain leases for accounting purposes. See Note 11 for a discussion of arrangements under which PPL Energy Supply, LG&E and KU are lessees for accounting purposes.

Fuel, Materials and Supplies

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

Fuel, natural gas stored underground and materials and supplies are valued at the lower of cost or market using the average cost method. Fuel costs for electric generation are charged to expense as used. For LG&E, natural gas supply costs are charged to expense as delivered to the distribution system. See Note 6 for further discussion of the fuel adjustment clause and gas supply clause.

(PPL, PPL Energy Supply, LKE, LG&E and KU)

"Fuel, materials and supplies" on the Balance Sheets consisted of the following at December 31.

	PPL		PPL Energy Supply		LKE		LG&E		KU	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Fuel	$ 284	$ 246	$ 135	$ 96	$ 149	$ 150	$ 61	$ 53	$ 88	$ 97
Natural gas stored underground (a)	50	73	8	20	42	53	42	53		
Materials and supplies	339	335	184	182	85	80	39	36	46	44
	$ 673	$ 654	$ 327	$ 298	$ 276	$ 283	$ 142	$ 142	$ 134	$ 141

(a) The majority of LKE's and LG&E's natural gas stored underground is held to serve native load. The majority of PPL Energy Supply's natural gas stored underground is available for resale.

Guarantees *(PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU)*

Generally, the initial measurement of a guarantee liability is the fair value of the guarantee at its inception. However, there are certain guarantees excluded from the scope of accounting guidance and other guarantees that are not subject to the initial recognition and measurement provisions of accounting guidance that only require disclosure. See Note 15 for further discussion of recorded and unrecorded guarantees.

Treasury Stock *(PPL and PPL Electric)*

PPL and PPL Electric restore all shares of common stock acquired to authorized but unissued shares of common stock upon acquisition.

Foreign Currency Translation and Transactions *(PPL)*

WPD's functional currency is the GBP, which is the local currency in the U.K. As such, assets and liabilities are translated to U.S. dollars at the exchange rates on the date of consolidation and related revenues and expenses are 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 OCI.

Gains or losses relating to foreign currency transactions are recognized in "Other Income (Expense) - net" on the Statements of Income. See Note 17 for additional information.

New Accounting Guidance Adopted *(PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU)*

Fair Value Measurements

Effective January 1, 2012, the Registrants prospectively adopted accounting guidance that was issued to clarify existing fair value measurement guidance and to enhance fair value disclosures. The additional disclosures required by this guidance include quantitative information about significant unobservable inputs used for Level 3 measurements, qualitative information about the sensitivity of recurring Level 3 measurements, information about any transfers between Levels 1 and 2 of the fair value hierarchy, information about when the current use of a non-financial asset is different from the highest and best use, and the fair value hierarchy classification for assets and liabilities whose fair value is disclosed only in the notes to the financial statements.

The adoption of this standard resulted in additional disclosures but did not have a significant impact on the Registrants. See Note 18 for additional disclosures required by this guidance.

Testing Goodwill for Impairment

Effective January 1, 2012, the Registrants prospectively adopted accounting guidance which allows an entity to elect the option to first make a qualitative evaluation about the likelihood of an impairment of goodwill. If, based on this assessment, the entity determines it is not more likely than not that the fair value of a reporting unit is less than the carrying amount, the two-step goodwill impairment test is not necessary. However, the first step of the impairment test is required if an entity concludes it is more likely than not that the fair value of a reporting unit is less than the carrying amount based on the qualitative assessment.

The adoption of this standard did not have a significant impact on the Registrants.

2. Segment and Related Information

(PPL)

Since the acquisition of LKE on November 1, 2010, PPL is organized into four segments: Kentucky Regulated, U.K. Regulated (name change in 2012 from International Regulated to more specifically reflect the focus of the segment), Pennsylvania Regulated and Supply. Other than the name change for the U.K. Regulated segment, there were no other changes to this segment. PPL's segments are split between its regulated and competitive businesses with its regulated businesses further segmented by geographic location.

The Kentucky Regulated segment consists primarily of LKE's regulated electric generation, transmission and distribution operations, primarily in Kentucky. This segment also includes LKE's regulated distribution and sale of natural gas in Kentucky. In addition, the Kentucky Regulated segment is allocated certain financing costs. See Note 10 for additional information regarding the acquisition.

The U.K. Regulated segment primarily consists of the regulated electric distribution operations in the U.K. This includes the operating results and assets of WPD Midlands since the April 1, 2011 acquisition date, recorded on a one-month lag. The U.K. Regulated segment is also allocated certain WPD Midlands acquisition-related costs and financing costs. See Note 10 for additional information regarding the acquisition.

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

The Supply segment primarily consists of the domestic energy marketing and trading activities, as well as the competitive generation operations of PPL Energy Supply.

The results of operations of several facilities and businesses have been classified as Discontinued Operations on the Statements of Income. See Note 9 for additional information on these discontinued operations. Therefore, with the exception of "Net Income Attributable to PPL Shareowners" the operating results from these facilities and businesses have been excluded from the income statement data tables below.

"Corporate and Other" represents costs incurred at the corporate level that have not been allocated or assigned to the segments, which is presented to reconcile segment information to PPL's consolidated results. For 2012 and 2011, there were no significant costs in this category. For 2010, these costs represent LKE acquisition-related costs including advisory, accounting and legal fees, certain internal costs and 2010 Bridge Facility costs.

Beginning in 2013, PPL anticipates more costs to be included in the Corporate and Other category primarily due to an anticipated increase in the use of financing issued by PPL Capital Funding not directly attributable to a particular segment. PPL's recent growth in rate-regulated businesses provides the organization with an enhanced corporate level financing alternative, through PPL Capital Funding, that further enables PPL to support targeted credit profiles cost effectively across all of PPL's rated companies. As a result, PPL plans to further utilize PPL Capital Funding in addition to continued direct financing by the operating companies, as appropriate. The financing costs associated primarily with PPL Capital Funding's future securities issuances are not expected to be directly assignable or allocable to any segment and generally will be reflected in Corporate and Other beginning in 2013.

Financial data for the segments are:

Income Statement Data	2012	2011	2010
Revenues from external customers by product			
Kentucky Regulated			
Utility service (a)	$ 2,759	$ 2,793	$ 493
U.K. Regulated			
Utility service (a)	2,289	1,618	727
Energy-related businesses	47	35	34
Total	2,336	1,653	761
Pennsylvania Regulated			
Utility service (a)	1,760	1,881	2,448
Supply			
Energy (b)	4,970	5,938	4,444
Energy-related businesses	461	472	375
Total	5,431	6,410	4,819
Total	12,286	12,737	8,521
Intersegment electric revenues			
Pennsylvania Regulated	3	11	7
Supply (c)	79	26	320
Depreciation			
Kentucky Regulated	346	334	49
U.K. Regulated	279	218	117
Pennsylvania Regulated	160	146	136
Supply	315	262	254
Total	1,100	960	556
Amortization (d)			
Kentucky Regulated	27	27	
U.K. Regulated	15	83	13
Pennsylvania Regulated	18	7	(22)
Supply	126	137	148
Corporate and Other			74
Total	186	254	213
Unrealized (gains) losses on derivatives and other hedging activities (b)			
Kentucky Regulated		(2)	1
Supply	27	(312)	541
Total	27	(314)	542
Interest income			
U.K. Regulated	3	4	2
Pennsylvania Regulated	1	1	4
Supply	1	2	2
Total	5	7	8
Interest Expense			
Kentucky Regulated	219	217	55
U.K. Regulated	421	391	135
Pennsylvania Regulated	99	98	99
Supply	222	192	224
Corporate and Other			80
Total	961	898	593

	2012	2011	2010
Income from Continuing Operations Before Income Taxes			
Kentucky Regulated	263	349	40
U.K. Regulated	953	358	261
Pennsylvania Regulated	204	257	192
Supply (b)	662	1,237	860
Corporate and Other			(114)
Total	2,082	2,201	1,239
Income Taxes (e)			
Kentucky Regulated	80	127	16
U.K. Regulated	150	33	
Pennsylvania Regulated	68	68	57
Supply	247	463	228
Corporate and Other			(38)
Total	545	691	263
Deferred income taxes and investment tax credits (f)			
Kentucky Regulated	136	218	51
U.K. Regulated	26	(39)	17
Pennsylvania Regulated	114	106	198
Supply	150	299	(15)
Total	426	584	251
Net Income Attributable to PPL Shareowners			
Kentucky Regulated	177	221	26
U.K. Regulated	803	325	261
Pennsylvania Regulated	132	173	115
Supply (b)	414	776	612
Corporate and Other			(76)
Total	$ 1,526	$ 1,495	$ 938

Cash Flow Data	2012	2011	2010
Expenditures for long-lived assets			
Kentucky Regulated	$ 768	$ 465	$ 152
U.K. Regulated	1,016	862	281
Pennsylvania Regulated	633	490	411
Supply	736	739	795
Total	$ 3,153	$ 2,556	$ 1,639

	As of December 31,	
	2012	2011
Balance Sheet Data		
Total Assets		
Kentucky Regulated	$ 10,670	$ 10,229
U.K. Regulated	14,073	13,364
Pennsylvania Regulated	6,023	5,610
Supply	12,868	13,445
Total	$ 43,634	$ 42,648

	2012	2011	2010
Geographic Data			
Revenues from external customers			
U.S.	$ 9,950	$ 11,084	$ 7,760
U.K.	2,336	1,653	761
Total	$ 12,286	$ 12,737	$ 8,521

	As of December 31,	
	2012	2011
Long-Lived Assets		
U.S.	$ 20,776	$ 19,129
U.K.	9,951	8,996
Total	$ 30,727	$ 28,125

(a) See Note 1 for additional information on Utility Revenue.
(b) Includes unrealized gains and losses from economic activity. See Note 19 for additional information.
(c) See "PLR Contracts/Purchase of Accounts Receivable" and "NUG Purchases" in Note 16 for a discussion of the basis of accounting between reportable segments.
(d) Represents non-cash expense items that include amortization of nuclear fuel, regulatory assets, debt discounts and premiums, debt issuance costs, emission allowances and RECs.
(e) Represents both current and deferred income taxes, including investment tax credits.
(f) Represents a non-cash expense item that is also included in "Income Taxes."

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

PPL Energy Supply, PPL Electric, LKE, LG&E and KU each operate within a single reportable segment.

3. Preferred Securities

(PPL)

PPL classifies preferred securities of subsidiaries as "Noncontrolling interests" on the Balance Sheets and related dividend requirements of $4 million for 2012, $16 million for 2011 and $17 million for 2010 have been included in "Net Income Attributable to Noncontrolling Interests" on the Statements of Income. In June 2012, PPL Electric redeemed all of its Preference Stock at par value, without premium ($250 million in the aggregate).

Preferred Stock

PPL is authorized to issue up to 10 million shares of preferred stock. No PPL preferred stock was issued or outstanding in 2012, 2011, or 2010.

(PPL Electric)

PPL Electric is authorized to issue up to 629,936 shares of 4-1/2% Preferred Stock and 10 million shares of series preferred stock. In April 2010, PPL Electric redeemed all of its outstanding preferred stock (247,524 shares of 4-1/2% Preferred Stock and 257,665 shares of four series of preferred stock), with a par value in the aggregate of $51 million, for $54 million including accumulated dividends.

(LG&E)

LG&E is authorized to issue up to 1,720,000 shares of preferred stock at a $25 par value and 6,750,000 shares of preferred stock without par value. LG&E had no preferred stock issued or outstanding in 2012, 2011 or 2010.

(KU)

KU is authorized to issue up to 5,300,000 shares of preferred stock without par value. KU had no preferred stock issued or outstanding in 2012, 2011 or 2010.

Preference Stock

(PPL Electric)

PPL Electric is authorized to issue up to 10 million shares of Preference Stock and had 2.5 million shares of 6.25% Series Preference Stock (Preference Shares) issued and outstanding at December 31, 2011 and 2010. In June 2012, PPL Electric redeemed all 2.5 million shares of its outstanding Preference Shares, par value of $100 per share. The price paid for the redemption was the par value, without premium ($250 million in the aggregate).

The Preference Shares were held by a bank that acted as depositary for 10 million depositary shares, each of which represented a one-quarter interest in a Preference Share. Holders of the depositary shares were entitled to all proportional rights and preferences of the Preference Shares, including dividend, voting, redemption and liquidation rights, exercised through the bank acting as a depositary. The Preference Shares ranked senior to PPL Electric's common stock but had no voting rights, except as provided by law, and they had a liquidation preference of $100 per share (equivalent to $25 per depositary share).

(KU)

KU is authorized to issue up to 2,000,000 shares of preference stock without par value. KU had no preference stock issued or outstanding in 2012, 2011 or 2010.

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 period. Diluted EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of shares outstanding that are increased for additional shares that would be outstanding if potentially dilutive non-participating securities were converted to common shares as calculated using the treasury stock method. In 2012, 2011 and 2010, these securities included stock options and performance units granted under incentive compensation plans and the Purchase Contracts associated with the 2011 and 2010 Equity Units. For 2012, these securities also included the PPL common stock forward sale agreements. See Note 7 for additional information on the forward sale agreements. The forward sale agreements were dilutive under the treasury stock method for 2012 because the average stock price of PPL's common shares exceeded the forward sale price indicated in the forward sale agreements.

The Purchase Contracts are dilutive under the treasury stock method if the average VWAP of PPL common stock for a certain period exceeds approximately $30.99 and $28.80 for the 2011 and 2010 Purchase Contracts. The 2010 Purchase Contracts were dilutive for 2012 and 2011. Subject to antidilution adjustments at December 31, 2012, the maximum number of shares issuable to settle the Purchase Contracts was 93.8 million shares, including 86.6 million shares that could be issued under standard provisions of the Purchase Contracts and 7.2 million shares that could be issued under make-whole provisions in the event of early settlement upon a Fundamental Change. See Note 7 for additional information on the 2011 and 2010 Equity Units.

Reconciliations of the amounts of income and shares of PPL common stock (in thousands) for the periods ended December 31 used in the EPS calculation are:

	2012	2011	2010
Income (Numerator)			
Income from continuing operations after income taxes attributable to PPL shareowners	$ 1,532	$ 1,493	$ 955
Less amounts allocated to participating securities	8	6	4
Less issuance costs on subsidiary's preferred securities redeemed	6		
Income from continuing operations after income taxes available to PPL common shareowners	$ 1,518	$ 1,487	$ 951
Income (loss) from discontinued operations (net of income taxes) available to PPL common shareowners	$ (6)	$ 2	$ (17)
Net income attributable to PPL shareowners	$ 1,526	$ 1,495	$ 938
Less amounts allocated to participating securities	8	6	4
Less issuance costs on subsidiary's preferred securities redeemed	6		
Net income available to PPL common shareowners	$ 1,512	$ 1,489	$ 934
Shares of Common Stock (Denominator)			
Weighted-average shares - Basic EPS	580,276	550,395	431,345
Add incremental non-participating securities:			
Stock options and performance units	563	400	224
2010 Purchase Contracts	195	157	
Forward sale agreements	592		
Weighted-average shares - Diluted EPS	581,626	550,952	431,569
Basic EPS			
Available to PPL common shareowners:			
Income from continuing operations after income taxes	$ 2.62	$ 2.70	$ 2.21
Income (loss) from discontinued operations (net of income taxes)	(0.01)	0.01	(0.04)
Net Income	$ 2.61	$ 2.71	$ 2.17
Diluted EPS			
Available to PPL common shareowners:			
Income from continuing operations after income taxes	$ 2.61	$ 2.70	$ 2.20
Income (loss) from discontinued operations (net of income taxes)	(0.01)		(0.03)
Net Income	$ 2.60	$ 2.70	$ 2.17

During 2012, PPL issued 936,218 shares of common stock related to the exercise of stock options, vesting of restricted stock and restricted stock units and conversion of stock units granted to directors under its stock-based compensation plans. In addition, PPL issued 279,945 and 2,326,917 shares of common stock related to its ESOP and DRIP during 2012. See Note 12 for a discussion of PPL's stock-based compensation plans.

The following stock options to purchase PPL common stock and performance units were excluded from the computations of diluted EPS for the years ended December 31 because the effect would have been antidilutive.

(Shares in thousands)	2012	2011	2010
Stock options	5,293	5,084	4,936
Performance units	58	2	45

5. Income and Other Taxes

(PPL)

"Income from Continuing Operations Before Income Taxes" included the following components:

	2012	2011	2010
Domestic income	$ 994	$ 1,715	$ 952
Foreign income	1,088	486	287
Total	$ 2,082	$ 2,201	$ 1,239

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their basis for income tax purposes and the tax effects of net operating loss and tax credit carryforwards. The provision for PPL's deferred income taxes for regulated assets and liabilities is based upon the ratemaking principles of the applicable jurisdiction. See Notes 1 and 6 for additional information.

Net deferred tax assets have been recognized based on management's estimates of future taxable income for the U.S. and certain foreign jurisdictions in which PPL's operations have historically been profitable.

Significant components of PPL's deferred income tax assets and liabilities were as follows:

	2012	2011
Deferred Tax Assets		
Deferred investment tax credits	$ 130	$ 113
Regulatory obligations	124	149
Accrued pension costs	276	325
Federal loss carryforwards	524	305
State loss carryforwards	305	272
Federal and state tax credit carryforwards	287	240
Foreign capital loss carryforwards	525	578
Foreign loss carryforwards	6	7
Foreign - pensions	254	74
Foreign - regulatory obligations	27	67
Foreign - other	16	21
Contributions in aid of construction	134	133
Domestic - other	239	229
Valuation allowances	(706)	(724)
Total deferred tax assets	2,141	1,789
Deferred Tax Liabilities		
Domestic plant - net	3,967	3,465
Taxes recoverable through future rates	141	137
Unrealized gain on qualifying derivatives	122	331
Other regulatory assets	319	234
Reacquired debt costs	40	93
Foreign plant - net	937	975
Foreign - other		22
Domestic - other	66	103
Total deferred tax liabilities	5,592	5,360
Net deferred tax liability	$ 3,451	$ 3,571

At December 31, PPL had the following loss and tax credit carryforwards.

	2012	Expiration
Loss carryforwards		
Federal net operating losses	$ 1,481	2028-2032
Federal charitable contributions	19	2016-2017
State net operating losses	5,099	2013-2032
State capital losses	138	2013-2016
Foreign net operating losses	27	Indefinite
Foreign capital losses	2,282	Indefinite
Credit carryforwards		
Federal investment tax credit	233	2025-2032
Federal alternative minimum tax credit	20	Indefinite
Federal foreign tax credit	1	2017-2022
Federal - other	30	2016-2032
State - other	4	2022

Valuation allowances have been established for the amount that, more likely than not, will not be realized. The changes in deferred tax valuation allowances were:

		Additions			
	Balance at Beginning of Period	Charged to Income	Charged to Other Accounts	Deductions	Balance at End of Period
2012	$ 724	$ 18	$ 10	$ 46 (a)	$ 706
2011	464	190	112 (b)	42 (c)	724
2010	312	221	6	75 (d)	464

(a) The reduction of the U.K. statutory income tax rate resulted in a reduction in deferred tax assets and the corresponding valuation allowances. See "Reconciliation of Income Tax Expense" below for more information on the impact of the U.K. Finance Act of 2012.
(b) Primarily related to a $101 million valuation allowance that was recorded against certain deferred tax assets as a result of the 2011 acquisition of WPD Midlands. See Note 10 for additional information on the acquisition.
(c) The reduction of the U.K. statutory income tax rate resulted in a $35 million reduction in deferred tax assets and the corresponding valuation allowances. See "Reconciliation of Income Tax Expense" below for more information on the impact of the U.K. Finance Act of 2011.
(d) Resulting from the projected revenue increase in connection with the expiration of the Pennsylvania generation rate caps in 2010, the valuation allowance related to state net operating loss carryforwards over the remaining carryforward period was reduced by $72 million.

PPL Global does not pay or record U.S. income taxes on the undistributed earnings of WPD, with the exception of certain financing entities, as management has determined that the earnings are indefinitely reinvested. Historically, dividends paid by WPD have been distributions from current year's earnings. WPD's long-term working capital forecasts and capital expenditure projections for the foreseeable future require reinvestment of WPD's undistributed earnings, and WPD would have to issue debt or access credit facilities to fund any distributions in excess of current earnings. Additionally, U.S. long-term working capital forecasts and capital expenditure projections for the foreseeable future do not require or contemplate distributions from WPD in excess of some portion of future WPD earnings. The cumulative undistributed earnings are included in "Earnings Reinvested" on the Balance Sheets. The amounts considered indefinitely reinvested at December 31, 2012 and 2011 were $2.0 billion and $1.2 billion. If the WPD undistributed earnings were remitted as dividends, PPL Global could be subject to additional U.S. taxes, net of allowable foreign tax credits. It is not practicable to estimate the amount of additional taxes that could be payable on these foreign earnings.

Details of the components of income tax expense, a reconciliation of federal income taxes derived from statutory tax rates applied to "Income from Continuing Operations Before Income Taxes" to income taxes for reporting purposes, and details of "Taxes, other than income" were:

	2012	2011	2010
Income Tax Expense (Benefit)			
Current - Federal		$ 54	$ (51)
Current - State	$ (2)	(20)	43
Current - Foreign	121	73	20
Total Current Expense (Benefit)	119	107	12
Deferred - Federal	553	558	358
Deferred - State	103	127	(82)
Deferred - Foreign	35	(23)	(9)
Total Deferred Expense (Benefit), excluding operating loss carryforwards	691	662	267
Investment tax credit, net - Federal	(10)	(10)	(5)
Tax benefit of operating loss carryforwards			
Deferred - Federal	(195)	(30)	6
Deferred - State	(60)	(38)	(17)
Total Tax Benefit of Operating Loss Carryforwards	(255)	(68)	(11)
Total income taxes from continuing operations (a)	$ 545	$ 691	$ 263
Total income tax expense - Federal	$ 348	$ 572	$ 308
Total income tax expense (benefit) - State	41	69	(56)
Total income tax expense - Foreign	156	50	11
Total income taxes from continuing operations (a)	$ 545	$ 691	$ 263

(a) Excludes current and deferred federal and state tax expense (benefit) recorded to Discontinued Operations of $(4) million in 2012, $2 million in 2011 and $(6) million in 2010. Excludes realized tax expense (benefits) related to stock-based compensation, recorded as a decrease (increase) to additional paid-in capital of $(1) million in 2012, $3 million in 2011 and an insignificant amount in 2010. Excludes tax benefits related to the issuance costs of the Purchase Contracts, recorded as an increase to additional paid-in capital of an insignificant amount in 2012, $5 million in 2011 and $10 million in 2010, offset by an insignificant amount of related valuation allowances for state deferred taxes in 2012 and 2011. Also excludes federal, state, and foreign tax expense (benefit) recorded to OCI of $(526) million in 2012, $(137) million in 2011 and $83 million in 2010, and related valuation allowances for state deferred taxes of an insignificant amount in 2012 and $3 million in 2011.

	2012	2011	2010
Reconciliation of Income Tax Expense			
Federal income tax on Income from Continuing Operations Before Income Taxes at statutory tax rate - 35%	$ 729	$ 770	$ 434
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	27	63	36
State valuation allowance adjustments (a)	13	36	(65)
Impact of lower U.K. income tax rates (b)	(123)	(41)	(20)
U.S. income tax on foreign earnings - net of foreign tax credit (c)	43	(14)	34
Federal and state tax reserves adjustments (d)	(1)	39	(60)
Foreign tax reserves adjustments (e)	(5)	(141)	
Federal and state income tax return adjustments (a) (f)	16	(17)	(3)
Foreign income tax return adjustments	(6)		
Domestic manufacturing deduction (f) (g)			(11)
Health Care Reform (h)			8
Foreign losses resulting from restructuring (e)			(261)
Enactment of the U.K.'s Finance Acts (b)	(75)	(69)	(18)
Federal income tax credits (i)	(12)	(13)	(12)
Depreciation not normalized (a)	(11)	(20)	(3)
Foreign valuation allowance adjustments (e)		147	215
State deferred tax rate change (j)	(19)	(26)	
Net operating loss carryforward adjustments (k)	(9)		
Intercompany interest on U.K. financing entities (l)	(13)	(12)	
Other	(9)	(11)	(11)
Total increase (decrease)	(184)	(79)	(171)
Total income taxes from continuing operations	$ 545	$ 691	$ 263
Effective income tax rate	26.2%	31.4%	21.2%

(a) During 2011, the Pennsylvania Department of Revenue issued interpretive guidance on the treatment of bonus depreciation for Pennsylvania income tax purposes. The guidance allows 100% bonus depreciation for qualifying assets in the same year bonus depreciation is allowed for federal income tax purposes. Due to the decrease in projected taxable income related to bonus depreciation and a decrease in projected future taxable income, PPL recorded $43 million in state deferred income tax expense related to deferred tax valuation allowances during 2011.

Additionally, the 100% Pennsylvania bonus depreciation deduction created a current state income tax benefit for the flow-through impact of Pennsylvania regulated state tax depreciation. The federal provision for 100% bonus depreciation generally applies to property placed into service before January 1, 2012. The placed in-service deadline is extended to January 1, 2013 for property that has a cost in excess of $1 million, has a production period longer than one year and has a tax life of at least ten years. PPL's tax deduction for 100% bonus regulated tax depreciation was significantly lower in 2012 than in 2011.

Pennsylvania H.B. 1531, enacted in October 2009, increased the net operating loss limitation to 20% of taxable income for tax years beginning in 2010. Based on the projected revenue increase related to the expiration of the generation rate caps in 2010, PPL recorded a $72 million state deferred income tax benefit related to the reversal of deferred tax valuation allowances related to the future projections of taxable income over the remaining carryforward period of the net operating losses.

(b) The U.K.'s Finance Act of 2012, enacted in July 2012, reduced the U.K. statutory income tax rate from 25% to 24% retroactive to April 1, 2012 and from 24% to 23% effective April 1, 2013. As a result, PPL reduced its net deferred tax liabilities and recognized a deferred tax benefit during 2012 related to both rate decreases.

The U.K.'s Finance Act of 2011, enacted in July 2011, reduced the U.K. statutory income tax rate from 27% to 26% retroactive to April 1, 2011 and from 26% to 25% effective April 1, 2012. As a result, PPL reduced its net deferred tax liabilities and recognized a deferred tax benefit during 2011 related to both rate decreases.

The U.K.'s Finance Act of 2010, enacted in July 2010, reduced the U.K. statutory income tax rate from 28% to 27% effective April 1, 2011. As a result, PPL reduced its net deferred tax liabilities and recognized a deferred tax benefit during 2010.

(c) During 2012, PPL recorded a $23 million adjustment to federal income tax expense related to the recalculation of 2010 U.K. earnings and profits and $19 million of U.S. income tax expense on foreign earnings of certain U.K. financing entities not indefinitely reinvested.

During 2011, PPL recorded a $28 million federal income tax benefit related to U.K. pension contributions.

During 2010, PPL recorded additional U.S. income tax expense primarily resulting from increased taxable dividends.

(d) In 1997, the U.K. imposed a Windfall Profits Tax (WPT) on privatized utilities, including WPD. PPL filed its federal income tax returns for years subsequent to its 1997 and 1998 claims for refund on the basis that the U.K. WPT was creditable. In September 2010, the U.S. Tax Court (Tax Court) ruled in PPL's favor in a dispute with the IRS, concluding that the U.K. WPT is a creditable tax for U.S. tax purposes. As a result, and with the finalization of other issues, PPL recorded a $42 million tax benefit in 2010. In January 2011, the IRS appealed the Tax Court's decision to the U.S. Court of Appeals for the Third Circuit (Third Circuit). In December 2011, the Third Circuit issued its opinion reversing the Tax Court's decision, holding that the U.K. WPT is not a creditable tax. As a result of the Third Circuit's adverse determination, PPL recorded a $39 million expense in 2011. In February 2012, PPL filed a petition for rehearing of the Third Circuit's opinion. In March 2012, the Third Circuit denied PPL's petition. In June 2012, the U.S. Court of Appeals for the Fifth Circuit issued a contrary opinion in an identical case involving another company. In July 2012, PPL filed a petition for a writ of certiorari seeking U.S. Supreme Court review of the Third Circuit's opinion. The Supreme Court granted PPL's petition on October 29, 2012, and oral argument was held on February 20, 2013. PPL expects the case to be decided before the end of the Supreme Court's current term in June 2013 and cannot predict the outcome of this matter.

In July 2010, the Tax Court ruled in PPL's favor in a dispute with the IRS, concluding that street lighting assets are depreciable for tax purposes over seven years. As a result, PPL recorded a $7 million tax benefit to federal and state income tax reserves and related deferred income taxes. The IRS did not appeal this decision.

PPL recorded a tax benefit of $6 million during 2012 and 2011 and $7 million during 2010 to federal and state income tax reserves related to stranded cost securitization.

(e) During 2012, PPL recorded a foreign tax benefit following resolution of a U.K. tax issue related to interest expense.

During 2011, WPD reached an agreement with HMRC related to the amount of the capital losses that resulted from prior years' restructuring in the U.K. and recorded a $147 million foreign tax benefit for the reversal of tax reserves related to the capital losses. Additionally, WPD recorded a $147 million valuation allowance for the amount of capital losses that, more likely than not, will not be utilized.

During 2010, PPL recorded a $261 million foreign tax benefit in conjunction with losses resulting from restructuring in the U.K. A portion of these losses offset tax on a deferred gain from a prior year sale of WPD's supply business. WPD recorded a $215 million valuation allowance for the amount of capital losses that, more likely than not, will not be utilized.

(f) During 2012, PPL recorded federal and state income tax expense related to the filing of the 2011 federal and state income tax returns. Of this amount, $5 million relates to the reversal of prior years' state income tax benefits related to regulated depreciation. PPL changed its method of accounting for repair expenditures for tax purposes effective for its 2008 tax year. In August 2011, the IRS issued guidance regarding the use and evaluation of statistical samples and sampling estimates for network assets. The IRS guidance provided a safe harbor method of determining whether the repair expenditures for electric transmission and distribution property can be currently deducted for tax purposes. PPL adopted the safe harbor method with the filing of its 2011 federal income tax return.

During 2011, PPL recorded federal and state tax benefits related to the filing of the 2010 federal and state income tax returns. Of this amount, $7 million in tax benefits related to an additional domestic manufacturing deduction resulting from revised bonus depreciation amounts and $3 million in tax benefits related to the flow-through impact of Pennsylvania regulated state tax depreciation.

(g) In December 2010, Congress enacted legislation allowing for 100% bonus depreciation on qualified property. The increased tax depreciation eliminated the tax benefits related to domestic manufacturing deductions in 2012 and 2011.

(h) Beginning in 2013, provisions within Health Care Reform eliminated the tax deductibility of retiree health care costs to the extent of federal subsidies received by plan sponsors that provide retiree prescription drug benefits equivalent to Medicare Part D Coverage. As a result, PPL recorded deferred income tax expense during 2010. See Note 13 for additional information.

(i) During 2012, 2011 and 2010, PPL recorded a deferred tax benefit related to investment tax credits on progress expenditures related to hydroelectric plant expansions. See Note 8 for additional information.

(j) In 2011, PPL completed the sale of certain non-core generation facilities. See Note 9 for additional information. Due to changes in state apportionment resulting in reductions in the future estimated state tax rate, PPL recorded deferred tax benefits related to its December 31, 2012 and 2011 state deferred tax liabilities.

(k) During 2012, PPL recorded adjustments to deferred taxes related to net operating loss carryforwards of LKE based on income tax return adjustments.

(l) During 2012 and 2011, PPL recorded foreign income tax benefits related to interest expense on intercompany loans for which there was no domestic income tax expense.

	2012	2011	2010
Taxes, other than income			
State gross receipts	$ 135	$ 140	$ 145
State utility realty	2	(9)	5
State capital stock	7	18	6
Foreign property (a)	147	113	52
Domestic property and other (b)	75	64	30
Total	$ 366	$ 326	$ 238

(a) The increase between 2011 and 2010 is due primarily to the acquisition of WPD Midlands on April 1, 2011. See Note 10 for additional information.
(b) The increase between 2011 and 2010 is due primarily to the acquisition of LKE on November l, 2010. See Note 10 for additional information.

(PPL Energy Supply)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their basis for income tax purposes and the tax effects of net operating loss and tax credit carryforwards.

Net deferred tax assets have been recognized based on management's estimates of future taxable income for the U.S. jurisdictions in which PPL Energy Supply's operations have historically been profitable.

Significant components of PPL Energy Supply's deferred income tax assets and liabilities were as follows:

	2012	2011
Deferred Tax Assets		
Deferred investment tax credits	$ 75	$ 55
Accrued pension costs	94	100
Federal loss carryforwards	51	1
Federal tax credit carryforwards	113	58
State loss carryforwards	79	78
Other	68	80
Valuation allowances	(74)	(72)
Total deferred tax assets	406	300
Deferred Tax Liabilities		
Plant - net	1,579	1,407
Unrealized gain on qualifying derivatives	173	380
Other	44	51
Total deferred tax liabilities	1,796	1,838
Net deferred tax liability	$ 1,390	$ 1,538

At December 31, PPL Energy Supply had the following loss and tax credit carryforwards.

	2012	Expiration
Loss carryforwards		
Federal net operating losses	$ 143	2031-2032
Federal charitable contributions	3	2016
State net operating losses	1,202	2013-2032
Credit carryforwards		
Federal investment tax credit	108	2031-2032
Federal - other	5	2031-2032

Valuation allowances have been established for the amount that, more likely than not, will not be realized. The changes in deferred tax valuation allowances were:

	Balance at Beginning of Period	Additions: Charged to Income	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
2012	$ 72	$ 2			$ 74
2011	408	22		$ 358 (a)	72
2010	255	205		52 (b)	408

(a) During 2011, PPL Energy Supply distributed its membership interest in PPL Global to PPL Energy Funding. See Note 9 for additional information.
(b) Resulting from the projected revenue increase in connection with the expiration of the Pennsylvania generation rate caps in 2010, the valuation allowance related to state net operating loss carryforwards over the remaining carryforward period was reduced by $52 million.

Details of the components of income tax expense, a reconciliation of federal income taxes derived from statutory tax rates applied to "Income (Loss) from Continuing Operations Before Income Taxes" to income taxes for reporting purposes, and details of "Taxes, other than income" were:

	2012	2011	2010
Income Tax Expense (Benefit)			
Current - Federal	$ 89	$ 139	$ 208
Current - State	22	(12)	78
Total Current Expense (Benefit)	111	127	286
Deferred - Federal	193	251	66
Deferred - State	10	70	(89)
Total Deferred Expense (Benefit), excluding operating loss carryforwards	203	321	(23)
Investment tax credit, net - federal	(2)	(3)	(2)
Tax benefit of operating loss carryforwards			
Deferred - Federal	(48)		
Deferred - State	(1)		
Total Tax Benefit of Operating Loss Carryforwards	(49)		
Total income taxes from continuing operations (a)	$ 263	$ 445	$ 261
Total income tax expense - Federal	$ 232	$ 387	$ 272
Total income tax expense (benefit) - State	31	58	(11)
Total income taxes from continuing operations (a)	$ 263	$ 445	$ 261

(a) Excludes current and deferred federal, state and foreign tax expense (benefit) recorded to Discontinued Operations of $3 million in 2011 and $(5) million in 2010. Also, excludes federal, state and foreign tax expense (benefit) recorded to OCI of $(267) million in 2012, $(83) million in 2011 and $132 million in 2010. The deferred tax benefit of operating loss carryforwards was insignificant for 2011 and 2010.

	2012	2011	2010
Reconciliation of Income Tax Expense			
Federal income tax on Income from Continuing Operations Before Income Taxes at statutory tax rate - 35%	$ 258	$ 424	$ 308
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	33	60	41
State valuation allowance adjustments (a)	2	22	(52)
State deferred tax rate change (b)	(19)	(26)	
Federal and state tax reserves adjustments	(2)	2	(11)
Domestic manufacturing deduction (c) (d)			(11)
Federal and state income tax return adjustments (d)	4	(22)	(6)
Health Care Reform (e)			5
Federal income tax credits (f)	(12)	(12)	(12)
Other	(1)	(3)	(1)
Total increase (decrease)	5	21	(47)
Total income taxes from continuing operations	$ 263	$ 445	$ 261
Effective income tax rate	35.6%	36.7%	29.6%

(a) During 2011, the Pennsylvania Department of Revenue issued interpretive guidance on the treatment of bonus depreciation for Pennsylvania income tax purposes. The guidance allows 100% bonus depreciation for qualifying assets in the same year bonus depreciation is allowed for Federal income tax purposes. Due to the decrease in projected taxable income related to bonus depreciation and a decrease in projected future taxable income, PPL Energy Supply recorded $22 million in state deferred income tax expense related to deferred tax valuation allowances during 2011.

Pennsylvania H.B. 1531, enacted in October 2009, increased the net operating loss limitation to 20% of taxable income for tax years beginning in 2010. Based on the projected revenue increase related to the expiration of the generation rate caps, PPL Energy Supply recorded a $52 million state deferred income tax benefit related to the reversal of deferred tax valuation allowances over the remaining carry forward period of the net operating losses during 2010.

(b) In 2011, PPL Energy Supply completed the sale of certain non-core generation facilities. See Note 9 for additional information. Due to changes in state apportionment resulting in reductions in the future estimated state tax rate, PPL Energy Supply recorded deferred tax benefits related to its December 31, 2012 and 2011 state deferred tax liabilities.

(c) In December 2010, Congress enacted legislation allowing for 100% bonus depreciation on qualified property. The increased tax depreciation deduction eliminated the tax benefits related to domestic manufacturing deductions in 2012 and 2011.

(d) During 2011, PPL recorded federal and state tax benefits related to the filing of the 2010 federal and state income tax returns. Of this amount, $7 million in tax benefits related to an additional domestic manufacturing deduction resulting from revised bonus depreciation amounts.

(e) Beginning in 2013, provisions within Health Care Reform eliminated the tax deductibility of retiree health care costs to the extent of federal subsidies received by plan sponsors that provide retiree prescription drug benefits equivalent to Medicare Part D Coverage. As a result, PPL Energy Supply recorded deferred income tax expense during 2010. See Note 13 for additional information.

(f) During 2012, 2011 and 2010, PPL Energy Supply recorded a deferred tax benefit related to investment tax credits on progress expenditures related to hydroelectric plant expansions. See Note 8 for additional information.

	2012	2011	2010
Taxes, other than income			
State gross receipts	$ 35	$ 31	$ 15
State capital stock	5	12	4
Property and other	29	28	27
Total	$ 69	$ 71	$ 46

(PPL Electric)

The provision for PPL Electric's deferred income taxes for regulated assets and liabilities is based upon the ratemaking principles reflected in rates established by the PUC and the FERC. The difference in the provision for deferred income taxes for regulated assets and liabilities and the amount that otherwise would be recorded under GAAP is deferred and included in "Regulatory assets" or "Regulated liabilities" on the Balance Sheets.

Significant components of PPL Electric's deferred income tax assets and liabilities were as follows:

	2012	2011
Deferred Tax Assets		
Accrued pension costs	$ 81	$ 93
Contributions in aid of construction	106	104
Regulatory obligations	24	28
State loss carryforwards	39	26
Federal loss carryforwards	81	3
Other	46	29
Total deferred tax assets	377	283
Deferred Tax Liabilities		
Electric utility plant - net	1,229	1,078
Taxes recoverable through future rates	122	120
Reacquired debt costs	27	32
Other regulatory assets	174	127
Other	12	16
Total deferred tax liabilities	1,564	1,373
Net deferred tax liability	$ 1,187	$ 1,090

At December 31, PPL Electric had the following loss carryforwards.

	2012	Expiration
Loss carryforwards		
Federal net operating losses	$ 229	2031-2032
Federal charitable contributions	2	2016
State net operating losses	597	2030-2032

Details of the components of income tax expense, a reconciliation of federal income taxes derived from statutory tax rates applied to "Income Before Income Taxes" to income taxes for reporting purposes, and details of "Taxes, other than income" were:

	2012	2011	2010
Income Tax Expense (Benefit)			
Current - Federal	$ (28)	$ (25)	$ (127)
Current - State	(18)	(13)	(14)
Total Current Expense (Benefit)	(46)	(38)	(141)
Deferred - Federal	162	123	184
Deferred - State	42	25	27
Total Deferred Expense (Benefit), excluding operating loss carryforwards	204	148	211
Investment tax credit, net - Federal	(1)	(2)	(2)
Tax benefit of operating loss carryforwards			
Deferred - Federal	(72)	(12)	6
Deferred - State	(17)	(28)	(17)
Total Tax Benefit of Operating Loss Carryforwards	(89)	(40)	(11)
Total income tax expense	$ 68	$ 68	$ 57
Total income tax expense - Federal	$ 61	$ 84	$ 61
Total income tax expense (benefit) - State	7	(16)	(4)
Total income tax expense	$ 68	$ 68	$ 57

	2012	2011	2010
Reconciliation of Income Taxes			
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 71	$ 90	$ 67
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	9	12	9
Amortization of investment tax credit	(1)	(2)	(2)
Federal and state tax reserves adjustments (a)	(8)	(9)	(12)
Federal and state income tax return adjustments (b) (c)	7	(4)	(1)
Depreciation not normalized (c)	(8)	(17)	(3)
Other	(2)	(2)	(1)
Total increase (decrease)	(3)	(22)	(10)
Total income tax expense	$ 68	$ 68	$ 57
Effective income tax rate	33.3%	26.5%	29.7%

(a) In July 2010, the U.S. Tax Court ruled in PPL Electric's favor in a dispute with the IRS, concluding that street lighting assets are depreciable for tax purposes over seven years. As a result, PPL Electric recorded a $7 million tax benefit to federal and state income tax reserves and related deferred income taxes. The IRS did not appeal this decision.

PPL Electric recorded a tax benefit of $6 million during 2012 and 2011 and $7 million during 2010 to federal and state income tax reserves related to stranded cost securitization.

(b) PPL Electric changed its method of accounting for repair expenditures for tax purposes effective for its 2008 tax year. In August 2011, the IRS issued guidance regarding the use and evaluation of statistical samples and sampling estimates for network assets. The IRS guidance provided a safe harbor method of determining whether the repair expenditures for electric transmission and distribution property can be currently deducted for tax purposes. PPL Electric adopted the safe harbor method with the filing of its 2011 federal income tax return and recorded a $5 million adjustment to federal and state income tax expense resulting from the reversal of prior years' state income tax benefits related to regulated depreciation.

During 2011, PPL Electric recorded a $5 million federal and state income tax benefit as a result of filing its 2010 federal and state income tax returns. Of this amount, $3 million in tax benefits related to the flow-through impact of Pennsylvania regulated 100% bonus tax depreciation.

(c) During 2011, the Pennsylvania Department of Revenue issued interpretive guidance on the treatment of bonus depreciation for Pennsylvania income tax purposes. The guidance allows 100% bonus depreciation for qualifying assets in the same year bonus depreciation is allowed for federal income tax purposes. The 100% Pennsylvania bonus depreciation deduction created a current state income tax benefit for the flow-through impact of Pennsylvania regulated state tax depreciation. The federal provision for 100% bonus depreciation generally applies to property placed into service before January 1, 2012. The placed in-service deadline is extended to January 1, 2013 for property that has a cost in excess of $1 million, has a production period longer than one year and has a tax life of at least ten years. PPL Electric's tax deduction for 100% bonus depreciation was significantly lower in 2012 than in 2011.

	2012	2011	2010
Taxes, other than income			
State gross receipts	$ 101	$ 109	$ 130
State utility realty (a)	2	(10)	5
State capital stock	1	4	2
Property and other	1	1	1
Total	$ 105	$ 104	$ 138

(a) 2011 includes PURTA tax that was refunded to PPL Electric customers in 2011.

(LKE)

The provision for LKE's deferred income taxes for regulated assets and liabilities is based upon the ratemaking principles reflected in rates established by the KPSC, VSCC, TRA and the FERC. The difference in the provision for deferred income taxes for regulated assets and liabilities and the amount that otherwise would be recorded under GAAP is deferred and included in "Regulatory assets" or "Regulatory liabilities" on the Balance Sheets.

Significant components of LKE's deferred income tax assets and liabilities were as follows:

	2012	2011
Deferred Tax Assets		
Net operating loss carryforward	$ 376	$ 318
Federal tax credit carryforwards	170	170
Regulatory liabilities	99	124
Accrued pension costs	42	67
State capital loss carryforward	5	5
Income taxes due to customers	26	30
Deferred investment tax credits	54	56
Other	41	30
Valuation allowances	(5)	(5)
Total deferred tax assets	808	795

	2012	2011
Deferred Tax Liabilities		
Plant - net	1,171	986
Regulatory assets	152	180
Other	13	25
Total deferred tax liabilities	1,336	1,191
Net deferred tax liability	$ 528	$ 396

LKE expects to have adequate levels of taxable income to realize its recorded deferred income tax assets.

At December 31, LKE had the following loss and tax credit carryforwards.

	2012	Expiration
Loss carryforwards		
Federal net operating losses	$ 948	2028-2032
State net operating losses	1,173	2028-2032
State capital losses	119	2013-2016
Credit carryforwards		
Federal investment tax credit	125	2025-2028
Federal alternative minimum tax credit	20	Indefinite
Federal - other	25	2016-2032
State - other	4	2022

Changes in deferred tax valuation allowances were:

	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
2012	$ 5			$ 5
2011	6		$ 1 (a)	5
2010	7	$ 6 (b)	7 (c)	6

(a) Primarily related to the expiration of state capital loss carryforwards.
(b) A valuation allowance was recorded against deferred tax assets for state capital loss carryforwards.
(c) Related to release of a valuation allowance associated with federal capital loss carryforwards due to the LKE acquisition by PPL.

Details of the components of income tax expense, a reconciliation of federal income taxes derived from statutory tax rates applied to "Income (Loss) from Continuing Operations Before Income Taxes" to income taxes for reporting purposes, and details of "Taxes, other than income" were:

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Income Tax Expense (Benefit)				
Current - Federal	$ (32)	$ (71)	$ (31)	$ 33
Current - State	2	6	4	11
Total Current Expense (Benefit)	(30)	(65)	(27)	44
Deferred - Federal	185	208	52	62
Deferred - State	15	16	1	5
Total Deferred Expense, excluding operating loss carryforwards	200	224	53	67
Investment tax credit, net - Federal	(6)	(6)	(1)	(2)
Tax benefit of operating loss carryforwards				
Deferred - Federal	(46)			
Deferred - State	(12)			
Total Tax Benefit of Operating Loss Carryforwards	(58)			
Total income tax expense from continuing operations (a)	$ 106	$ 153	$ 25	$ 109
Total income tax expense - Federal	$ 101	$ 131	$ 20	$ 93
Total income tax expense - State	5	22	5	16
Total income tax expense from continuing operations (a)	$ 106	$ 153	$ 25	$ 109

(a) Excludes current and deferred federal and state tax expense (benefit) recorded to Discontinued Operations of $(4) million in 2012, $(1) million in 2011, $1 million for the two month period ended December 31, 2010 and $(1) million for the ten month period ended October 31, 2010. Also, excludes deferred federal and state tax expense (benefit) recorded to OCI of $(12) million in 2012, $(1) million in 2011, $3 million for the two month period ended December 31, 2010 and $(7) million for the ten month period ended October 31, 2010.

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Reconciliation of Income Taxes				
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 116	$ 147	$ 25	$ 105
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	6	15	2	9
Amortization of investment tax credit	(6)	(5)		(2)
Net operating loss carryforward (a)	(9)			
Other	(1)	(4)	(2)	(3)
Total increase (decrease)	(10)	6		4
Total income tax expense from continuing operations	$ 106	$ 153	$ 25	$ 109
Effective income tax rate	32.0%	36.5%	35.7%	36.3%

(a) During 2012, LKE recorded adjustments to deferred taxes related to net operating loss carryforwards based on income tax return adjustments.

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Taxes, other than income				
Property and other	$ 46	$ 37	$ 2	$ 21
Total	$ 46	$ 37	$ 2	$ 21

(LG&E)

The provision for LG&E's deferred income taxes for regulated assets and liabilities is based upon the ratemaking principles reflected in rates established by the KPSC and the FERC. The difference in the provision for deferred income taxes for regulated assets and liabilities and the amount that otherwise would be recorded under GAAP is deferred and included in "Regulatory assets" or "Regulatory liabilities" on the Balance Sheets.

Significant components of LG&E's deferred income tax assets and liabilities were as follows:

	2012	2011
Deferred Tax Assets		
Regulatory liabilities	$ 54	$ 65
Deferred investment tax credits	16	17
Income taxes due to customers	21	23
Other	9	10
Total deferred tax assets	100	115
Deferred Tax Liabilities		
Plant - net	526	462
Regulatory assets	86	98
Accrued pension costs	27	19
Other	9	9
Total deferred tax liabilities	648	588
Net deferred tax liability	$ 548	$ 473

LG&E expects to have adequate levels of taxable income to realize its recorded deferred income tax assets.

At December 31, 2012, LG&E had $22 million of state net operating loss carryforwards that expire in 2030.

Details of the components of income tax expense, a reconciliation of federal income taxes derived from statutory tax rates applied to "Income Before Income Taxes" to income taxes for reporting purposes, and details of "Taxes, other than income" were:

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Income Tax Expense (Benefit)				
Current - Federal	$ (2)	$ 12	$ (4)	$ 32
Current - State	3	8	1	5
Total Current Expense (Benefit)	1	20	(3)	37
Deferred - Federal	65	52	12	21
Deferred - State	6	2	1	2
Total Deferred Expense	71	54	13	23
Investment tax credit, net - Federal	(3)	(3)		(2)
Total income tax expense (a)	$ 69	$ 71	$ 10	$ 58
Total income tax expense - Federal	$ 60	$ 61	$ 8	$ 51
Total income tax expense - State	9	10	2	7
Total income tax expense (a)	$ 69	$ 71	$ 10	$ 58

(a) Excludes deferred federal and state tax expense recorded to OCI of $7 million for the ten month period ended October 31, 2010.

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Reconciliation of Income Taxes				
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 67	$ 68	$ 10	$ 58
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	5	7	1	4
Other	(3)	(4)	(1)	(4)
Total increase (decrease)	2	3		
Total income tax expense	$ 69	$ 71	$ 10	$ 58
Effective income tax rate	35.9%	36.4%	34.5%	34.7%

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Taxes, other than income				
Property and other	$ 23	$ 18	$ 1	$ 12
Total	$ 23	$ 18	$ 1	$ 12

(KU)

The provision for KU's deferred income taxes for regulated assets and liabilities is based upon the ratemaking principles reflected in rates established by the KPSC, VSCC, TRA and the FERC. The difference in the provision for deferred income taxes for regulated assets and liabilities and the amount that otherwise would be recorded under GAAP is deferred and included in "Regulatory assets" or "Regulatory liabilities" on the Balance Sheets.

Significant components of KU's deferred income tax assets and liabilities were as follows:

	2012	2011
Deferred Tax Assets		
Regulatory liabilities	$ 45	$ 58
Deferred investment tax credits	38	39
Net operating loss carryforward	20	
Income taxes due to customers	5	7
Accrued pension costs	(5)	9
Other	7	6
Total deferred tax assets	110	119

	2012	2011
Deferred Tax Liabilities		
Plant - net	623	500
Regulatory assets	65	82
Other	5	16
Total deferred tax liabilities	693	598
Net deferred tax liability	$ 583	$ 479

KU expects to have adequate levels of taxable income to realize its recorded deferred income tax assets.

At December 31, 2012, KU had $56 million of federal net operating loss carryforwards that expire in 2032.

Details of the components of income tax expense, a reconciliation of federal income taxes derived from statutory tax rates applied to "Income Before Income Taxes" to income taxes for reporting purposes, and details of "Taxes, other than income" were:

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Income Tax Expense (Benefit)				
Current - Federal	$ (20)	$ (8)	$ 13	$ 46
Current - State	(1)	4	3	9
Total Current Expense (Benefit)	(21)	(4)	16	55
Deferred - Federal	111	101	4	20
Deferred - State	11	10		3
Total Deferred Expense, excluding operating loss carryforwards	122	111	4	23
Investment tax credit, net - Federal	(3)	(3)		
Tax benefit of operating loss carryforwards				
Deferred - Federal	(20)			
Total Tax Benefit of Operating Loss Carryforwards	(20)			
Total income tax expense (a)	$ 78	$ 104	$ 20	$ 78
Total income tax expense - Federal	$ 68	$ 90	$ 17	$ 66
Total income tax expense - State	10	14	3	12
Total income tax expense (a)	$ 78	$ 104	$ 20	$ 78

(a) Excludes deferred federal and state tax (benefit) recorded to OCI of $1 million in 2012 and $(1) million for the ten month period ended October 31, 2010.

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Reconciliation of Income Taxes				
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 75	$ 99	$ 19	$ 77
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	6	9	2	8
Other	(3)	(4)	(1)	(7)
Total increase (decrease)	3	5	1	1
Total income tax expense	$ 78	$ 104	$ 20	$ 78
Effective income tax rate	36.3%	36.9%	36.4%	35.8%

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Taxes, other than income				
Property and other	$ 23	$ 19	$ 1	$ 9
Total	$ 23	$ 19	$ 1	$ 9

Unrecognized Tax Benefits *(PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU)*

Changes to unrecognized tax benefits were as follows:

	2012	2011
PPL		
Beginning of period	$ 145	$ 251
Additions based on tax positions of prior years	15	40
Reductions based on tax positions of prior years	(61)	(160)
Additions based on tax positions related to the current year	7	25
Reductions based on tax positions related to the current year	(3)	(4)
Settlements	(2)	
Lapse of applicable statute of limitation	(9)	(10)
Effects of foreign currency translation		3
End of period	$ 92	$ 145
PPL Energy Supply		
Beginning of period	$ 28	$ 183
Additions based on tax positions of prior years	4	1
Reductions based on tax positions of prior years	(2)	
Reductions based on tax positions related to the current year		(1)
Derecognize unrecognized tax benefits (a)		(155)
End of period	$ 30	$ 28
PPL Electric		
Beginning of period	$ 73	$ 62
Reductions based on tax positions of prior years	(43)	
Additions based on tax positions related to the current year	5	22
Reductions based on tax positions related to the current year		(1)
Lapse of applicable statute of limitation	(9)	(10)
End of period	$ 26	$ 73

(a) Represents unrecognized tax benefits derecognized as a result of PPL Energy Supply's distribution of its membership interest in PPL Global to PPL Energy Supply's parent, PPL Energy Funding. See Note 9 for additional information on the distribution.

LKE's, LG&E's and KU's unrecognized tax benefits and changes in those unrecognized tax benefits are insignificant at December 31, 2012 and December 31, 2011.

At December 31, 2012, it was reasonably possible that during the next 12 months the total amount of unrecognized tax benefits could increase or decrease by the following amounts. For LKE, LG&E and KU, no significant changes in unrecognized tax benefits are projected over the next 12 months.

	Increase	Decrease
PPL	$ 10	$ 90
PPL Energy Supply	1	30
PPL Electric	11	25

These potential changes could result from subsequent recognition, derecognition and/or changes in the measurement of uncertain tax positions related to the creditability of foreign taxes, the timing and utilization of foreign tax credits and the related impact on alternative minimum tax and other credits, the timing and/or valuation of certain deductions, intercompany transactions and unitary filing groups. The events that could cause these changes are direct settlements with taxing authorities, litigation, legal or administrative guidance by relevant taxing authorities and the lapse of an applicable statute of limitation.

At December 31, the total unrecognized tax benefits and related indirect effects that, if recognized, would decrease the effective tax rate were as follows. The amounts for LKE, LG&E and KU were insignificant.

	2012	2011
PPL	$ 38	$ 41
PPL Energy Supply	13	13
PPL Electric	3	8

At December 31, the following receivable (payable) balances were recorded for interest related to tax positions. The amounts for LKE, LG&E and KU were insignificant.

	2012	2011
PPL	$ (16)	$ (20)
PPL Energy Supply	17	2
PPL Electric	1	8

The following interest expense (benefit) was recognized in income taxes. The amounts for LKE, LG&E and KU were insignificant.

	2012	2011	2010
PPL	$ (4)	$ 27	$ (39)
PPL Energy Supply	(4)	6	(30)
PPL Electric	(4)	(5)	(8)

PPL or its subsidiaries file tax returns in five major tax jurisdictions. The income tax provisions for PPL Energy Supply, PPL Electric, LKE, LG&E and KU are calculated in accordance with an intercompany tax sharing agreement which provides that taxable income be calculated as if each domestic subsidiary filed a separate consolidated return. Based on this tax sharing agreement, PPL Energy Supply or its subsidiaries indirectly or directly file tax returns in three major tax jurisdictions, PPL Electric or its subsidiaries indirectly or directly file tax returns in two major tax jurisdictions, and LKE, LG&E and KU or their subsidiaries indirectly or directly file tax returns in two major tax jurisdictions. With few exceptions, at December 31, 2012, these jurisdictions, as well as the tax years that are no longer subject to examination, were as follows:

	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
U.S. (federal) (a)	1997 and prior	1997 and prior	1997 and prior	10/31/2010 and prior	10/31/2010 and prior	10/31/2010 and prior
Pennsylvania (state)	2008 and prior	2008 and prior	2008 and prior			
Kentucky (state)	2008 and prior			2010 and prior	2010 and prior	2010 and prior
Montana (state)	2008 and prior	2008 and prior				
U.K. (foreign)	2010 and prior					

(a) For LKE, LG&E and KU 2009, as well as the ten month period ending October 31, 2010, remain open under the standard three year statute of limitations; however, the IRS has completed its audit of these periods under the Compliance Assurance Process, effectively closing them to audit adjustments. No issues remain outstanding.

Other *(PPL and PPL Energy Supply)*

PPL changed its method of accounting for repair expenditures for tax purposes effective for its 2008 tax year for Pennsylvania operations. PPL made the same change for its Montana operations for tax year 2009. In 2011, the IRS issued guidance on repair expenditures related to network assets providing a safe harbor method of determining whether the repair expenditures can be currently deducted for tax purposes. The IRS has not yet issued guidance to provide a safe harbor method related to generation property. The IRS may assert and ultimately conclude that PPL's deduction for generation-related expenditures should be disallowed in whole or in part. PPL believes that it has established an adequate reserve for this contingency.

Tax Legislation *(PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU)*

On January 2, 2013, H.R. 8, The American Taxpayer Relief Act of 2012, was signed into law. The most significant extension of tax relief under this Act applicable to PPL is the extension of bonus depreciation. This provision extends the current 50% expensing provision for qualifying property purchased and placed in service before January 1, 2014 (before January 1, 2015 for certain longer-lived and transportation assets). PPL is still evaluating the changes. However, PPL does not expect that the changes related to this legislation will have a material impact on income tax expense.

6. Utility Rate Regulation

Regulatory Assets and Liabilities

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

As discussed in Note 1 and summarized below, PPL, PPL Electric, LKE, LG&E and KU reflect the effects of regulatory actions in the financial statements for their cost-based rate-regulated utility operations. Regulatory assets and liabilities are classified as current if, upon initial recognition, the entire amount related to that item will be recovered or refunded within a year of the balance sheet date. As such, the primary items classified as current are related to rate mechanisms that periodically adjust to account for over- or under-collections.

(PPL, LKE, LG&E and KU)

LG&E is subject to the jurisdiction of the KPSC and FERC, and KU is subject to the jurisdiction of the KPSC, FERC, VSCC and TRA.

LG&E's and KU's Kentucky base rates are calculated based on a return on capitalization (common equity, long-term debt and short-term debt) including certain adjustments to exclude non-regulated investments and costs recovered separately through other rate mechanisms. As such, LG&E and KU earn a return on the net cash invested in regulatory assets and regulatory liabilities.

As a result of purchase accounting requirements, certain fair value amounts related to contracts that had favorable or unfavorable terms relative to market were recorded on the Balance Sheets with an offsetting regulatory asset or liability. LG&E and KU recover in customer rates the cost of coal contracts, power purchases and emission allowances. As a result, management believes the regulatory assets and liabilities created to offset the fair value amounts at LKE's acquisition date meet the recognition criteria established by existing accounting guidance and eliminate any rate making impact of the fair value adjustments. LG&E's and KU's customer rates will continue to reflect the original contracted prices for these contracts.

(PPL, LKE and KU)

KU's Virginia base rates are calculated based on a return on rate base (net utility plant plus working capital less deferred taxes and miscellaneous deductions). All regulatory assets and liabilities, except the levelized fuel factor, are excluded from the return on rate base utilized in the calculation of Virginia base rates; therefore, no return is earned on the related assets.

KU's rates to municipal customers for wholesale requirements are calculated based on annual updates to a rate formula that utilizes a return on rate base (net utility plant plus working capital less deferred taxes and miscellaneous deductions). All regulatory assets and liabilities are excluded from the return on rate base utilized in the development of municipal rates; therefore, no return is earned on the related assets.

(PPL and PPL Electric)

PPL Electric's distribution base rates are calculated based on a return on rate base (net utility plant plus a cash working capital allowance less plant-related deferred taxes and other miscellaneous additions and deductions). PPL Electric's transmission revenues are billed in accordance with a FERC tariff that allows for recovery of transmission costs incurred, a return on transmission-related plant and an automatic annual update. See "Transmission Formula Rate" below for additional information on this tariff. All regulatory assets and liabilities are excluded from distribution and transmission return on investment calculations; therefore, generally no return is earned on PPL Electric's regulatory assets.

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

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

	PPL		PPL Electric	
	2012	2011	2012	2011
Current Regulatory Assets:				
Gas supply clause	$ 11	$ 6		
Fuel adjustment clause	6	3		
Other	2			
Total current regulatory assets	$ 19	$ 9		
Noncurrent Regulatory Assets:				
Defined benefit plans	$ 730	$ 615	$ 362	$ 276
Taxes recoverable through future rates	293	289	293	289
Storm costs	168	154	59	31
Unamortized loss on debt	96	110	65	77
Interest rate swaps	67	69		
Accumulated cost of removal of utility plant	71	53	71	53
Coal contracts (a)	4	11		
AROs	26	18		
Other	28	30	3	3
Total noncurrent regulatory assets	$ 1,483	$ 1,349	$ 853	$ 729
Current Regulatory Liabilities:				
Generation supply charge	$ 27	$ 42	$ 27	$ 42
ECR	4	7		
Gas supply clause	4	6		
Transmission service charge	6	2	6	2
Transmission formula rate		5		5
Universal Service Rider	17	1	17	1
Other	3	10	2	3
Total current regulatory liabilities	$ 61	$ 73	$ 52	$ 53
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	$ 679	$ 651		
Coal contracts (a)	141	180		
Power purchase agreement - OVEC (a)	108	116		
Net deferred tax assets	34	39		
Act 129 compliance rider	8	7	$ 8	$ 7
Defined benefit plans	17	9		
Interest rate swaps	14			
Other	9	8		
Total noncurrent regulatory liabilities	$ 1,010	$ 1,010	$ 8	$ 7

	LKE		LG&E		KU	
	2012	2011	2012	2011	2012	2011
Current Regulatory Assets:						
Gas supply clause	$ 11	$ 6	$ 11	$ 6		
Fuel adjustment clause	6	3	6	3		
Other	2		2			
Total current regulatory assets	$ 19	$ 9	$ 19	$ 9		
Noncurrent Regulatory Assets:						
Defined benefit plans	$ 368	$ 339	$ 232	$ 225	$ 136	$ 114
Storm costs	109	123	59	66	50	57
Unamortized loss on debt	31	33	20	21	11	12
Interest rate swaps	67	69	67	69		
Coal contracts (a)	4	11	2	5	2	6
AROs	26	18	15	11	11	7
Other	25	27	5	6	20	21
Total noncurrent regulatory assets	$ 630	$ 620	$ 400	$ 403	$ 230	$ 217
Current Regulatory Liabilities:						
ECR	$ 4	$ 7			$ 4	$ 7
Gas supply clause	4	6	$ 4	$ 6		
Other	1	7		4	1	3
Total current regulatory liabilities	$ 9	$ 20	$ 4	$ 10	$ 5	$ 10

	LKE		LG&E		KU	
	2012	2011	2012	2011	2012	2011
Noncurrent Regulatory Liabilities:						
Accumulated cost of removal						
of utility plant	$ 679	$ 651	$ 297	$ 286	$ 382	$ 365
Coal contracts (a)	141	180	61	78	80	102
Power purchase agreement - OVEC (a)	108	116	75	80	33	36
Net deferred tax assets	34	39	28	31	6	8
Defined benefit plans	17	9			17	9
Interest rate swaps	14		7		7	
Other	9	8	3	3	6	5
Total noncurrent regulatory liabilities	$ 1,002	$ 1,003	$ 471	$ 478	$ 531	$ 525

(a) These regulatory assets and liabilities were recorded as offsets to certain intangible assets and liabilities that were recorded at fair value upon the acquisition of LKE.

Following is an overview of selected regulatory assets and liabilities detailed in the preceding tables. Specific developments with respect to certain of these regulatory assets and liabilities are discussed in "Regulatory Matters."

(PPL and PPL Electric)

Generation Supply Charge

The generation supply charge is a cost recovery mechanism that permits PPL Electric to recover costs incurred to provide generation supply to PLR customers who receive basic generation supply service. The recovery includes charges for generation supply (energy and capacity and ancillary services), as well as administration of the acquisition process. In addition, the generation supply charge contains a reconciliation mechanism whereby any over- or under-recovery from prior quarters is refunded to, or recovered from, customers through the adjustment factor determined for the subsequent quarter.

Universal Service Rider (USR)

PPL Electric's distribution rates permit recovery of applicable costs associated with the universal service programs provided to PPL Electric's residential customers. Universal service programs include low-income programs, such as OnTrack and Winter Relief Assistance Program (WRAP). OnTrack is a special payment program for low-income households within the federal poverty level who have difficulty paying their electric bills. This program is funded by residential customers and administered by community-based organizations. Customers who participate in OnTrack receive assistance in the form of reduced payment arrangements, protection against termination of electric service and referrals to other community programs and services. The WRAP program reduces electric bills and improves living comfort for low-income customers by providing services such as weatherization measures and energy education services. The USR is applied to distribution charges for each customer who receives distribution service under PPL Electric's residential service rate schedules. The USR contains a reconciliation mechanism whereby any over- or under-recovery from the current year is refunded to or recovered from residential customers through the adjustment factor determined for the subsequent year.

Taxes Recoverable through Future Rates

Taxes recoverable through future rates represent the portion of future income taxes that will be recovered through future rates based upon established regulatory practices. Accordingly, this regulatory asset is recognized when the offsetting deferred tax liability is recognized. For general-purpose financial reporting, this regulatory asset and the deferred tax liability are not offset; rather, each is displayed separately. This regulatory asset is expected to be recovered over the period that the underlying book-tax timing differences reverse and the actual cash taxes are incurred.

Act 129 Compliance Rider

In compliance with Pennsylvania's Act 129 of 2008 and implementing regulations, PPL Electric's energy efficiency and conservation plan was approved by a PUC order in October 2009. The order allows PPL Electric to recover the maximum $250 million cost of the program ratably over the life of the plan, from January 1, 2010 through May 31, 2013. The plan includes programs intended to reduce electricity consumption. The recoverable costs include direct and indirect charges, including design and development costs, general and administrative costs and applicable state evaluator costs. The rates are applied to customers who receive distribution service through the Act 129 Compliance Rider. The actual program costs are reconcilable, and any over- or under-recovery from customers will be refunded or recovered at the end of the program. See below under "Regulatory Matters - Pennsylvania Activities" for additional information on Act 129.

Transmission Service Charge (TSC)

PPL Electric is charged by PJM for transmission service-related costs applicable to its PLR customers. PPL Electric passes these costs on to customers, who receive basic generation supply service through the PUC-approved TSC cost recovery mechanism. The TSC contains a reconciliation mechanism whereby any over- or under-recovery from customers is either refunded to, or recovered from, customers through the adjustment factor determined for the subsequent year.

Transmission Formula Rates

PPL Electric's transmission revenues are billed in accordance with a FERC-approved open access transmission tariff that utilizes a formula-based rate recovery mechanism. The formula rate is based on prior year expenditures and forecasted current calendar year transmission plant additions. An adjustment to the prior year expenditures is recorded as a regulatory asset or liability.

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

Defined Benefit Plans

Recoverable costs of defined benefit plans represent the portion of unrecognized transition obligation, prior service cost and net actuarial losses that will be recovered in defined benefit plans expense through future base rates based upon established regulatory practices and are amortized over the average service lives of plan participants. These regulatory assets and liabilities are adjusted at least annually or whenever the funded status of defined benefit plans is re-measured. Of the regulatory asset and liability balances recorded, costs of $60 million for PPL, $22 million for PPL Electric, $38 million for LKE, $24 million for LG&E and $14 million for KU are expected to be amortized into net periodic defined benefit costs in 2013.

Storm Costs

PPL Electric, LG&E and KU have the ability to request from the PUC, KPSC and VSCC the authority to treat expenses related to specific extraordinary storms as a regulatory asset and defer and amortize such costs for regulatory accounting and reporting purposes. Once such authority is granted, PPL Electric, LG&E and KU can request recovery of those expenses in a base rate case.

Unamortized Loss on Debt

Unamortized loss on reacquired debt represents losses on long-term debt reacquired or redeemed that have been deferred and will be amortized and recovered over either the original life of the extinguished debt or the life of the replacement debt (in the case of refinancing). Such costs are being amortized through 2029 for PPL Electric. Such costs are being amortized through 2035 for LG&E and 2036 for PPL, LKE and KU.

Accumulated Cost of Removal of Utility Plant

LG&E and KU accrue for costs of removal through depreciation expense with an offsetting credit to a regulatory liability. The regulatory liability is relieved as costs are incurred. See Note 1 for additional information.

PPL Electric does not accrue for costs of removal. When costs of removal are incurred, PPL Electric records the deferral of costs as a regulatory asset. Such deferral is included in rates and amortized over the subsequent five-year period.

(PPL, LKE, LG&E and KU)

ECR

Kentucky law permits LG&E and KU to recover the costs, including a return of operating expenses and a return of and on capital invested, of complying with the Clean Air Act and those federal, state or local environmental requirements which apply to coal combustion wastes and by-products from coal-fired electric generating facilities. The KPSC requires reviews of the past operations of the environmental surcharge for six-month and two-year billing periods to evaluate the related charges, credits and rates of return, as well as to provide for the roll-in of ECR amounts to base rates each two-year period. The ECR regulatory asset or liability represents the amount that has been under- or over-recovered due to timing or adjustments to the mechanism and is typically recovered within 12 months. LG&E and KU are authorized to receive a 10.63% and 10.10% return on projects associated with the 2009 and 2011 compliance plans. As a result of the settlement agreement in the 2012 rate case, beginning in 2013, LG&E and KU will receive a 10.25% return on all ECR projects included in the 2009 and 2011 compliance plans.

Coal Contracts

As a result of purchase accounting associated with PPL's acquisition of LKE, LG&E's and KU's coal contracts were recorded at fair value on the Balance Sheets with offsets to regulatory assets for those contracts with unfavorable terms relative to current market prices and offsets to regulatory liabilities for those contracts with favorable terms relative to current market prices. These regulatory assets and liabilities are being amortized over the same terms as the related contracts, which expire at various times through 2016.

Gas Supply Clause

LG&E's natural gas rates contain a gas supply clause, whereby the expected cost of natural gas supply and variances between actual and expected costs from prior periods are adjusted quarterly in LG&E's rates, subject to approval by the KPSC. The gas supply clause includes a separate natural gas procurement incentive mechanism, a performance-based rate, which allows LG&E's rates to be adjusted annually to share variances between actual costs and market indices between the shareholders and the customers during each performance-based rate year (12 months ending October 31). The regulatory assets or liabilities represent the total amounts that have been under- or over-recovered due to timing or adjustments to the mechanisms and are recovered within 18 months.

Fuel Adjustment Clauses

LG&E's and KU's retail electric rates contain a fuel adjustment clause, whereby variances in the cost of fuel for electric generation, including transportation costs, from the costs embedded in base rates are adjusted in LG&E's and KU's rates. The KPSC requires public hearings at six-month intervals to examine past fuel adjustments and at two-year intervals to review past operations of the fuel clause and, to the extent appropriate, reestablish the fuel charge included in base rates.

KU also employs a levelized fuel factor mechanism for Virginia customers using an average fuel cost factor based primarily on projected fuel costs. The Virginia levelized fuel factor allows fuel recovery based on projected fuel costs for the coming year plus an adjustment for any under- or over-recovery of fuel expenses from the prior year. The regulatory assets or liabilities represent the amounts that have been under- or over-recovered due to timing or adjustments to the mechanism and are typically recovered within 12 months.

Interest Rate Swaps

(PPL, LKE and LG&E)

Because realized amounts associated with LG&E's interest rate swaps, including a terminated swap contract, are recoverable through rates based on an order from the KPSC, LG&E's unrealized gains and losses are recorded as a regulatory asset or liability until they are realized as interest expense. Interest expense from existing swaps is realized and recovered over the terms of the associated debt, which matures through 2033. Amortization of the gain/loss related to the terminated swap contract is recovered through 2035, as approved by the KPSC.

(LKE and LG&E)

In the third quarter of 2010, LG&E recorded a pre-tax gain to reverse previously recorded losses of $21 million and $9 million to reflect the reclassification of its ineffective swaps and terminated swap to regulatory assets based on an order from the KPSC in the 2010 rate case whereby the cost of LG&E's terminated swap was allowed to be recovered in base rates. Previously, gains and losses on interest rate swaps designated as effective cash flow hedges were recorded within OCI and common equity. The gains and losses on the ineffective portion of interest rate swaps designated as cash flow hedges were recorded to earnings monthly, as was the entire change in the market value of the ineffective swaps.

(PPL, LKE, LG&E and KU)

In November 2012, LG&E and KU entered into forward-starting interest rate swaps with PPL that hedge the interest payments on new debt that is expected to be issued in 2013. These hedging instruments have terms identical to forward-starting swaps entered into by PPL with third parties. LG&E and KU believe that realized gains and losses from the swaps are probable of recovery through regulated rates; as such, the fair value of these derivatives have been reclassified from AOCI to regulatory assets or liabilities. The gains and losses will be recognized in "Interest Expense" on the Statements of Income over the life of the underlying debt. See Note 19 for additional information related to the forward-starting interest rate swaps.

AROs

As discussed in Note 1, the accretion and depreciation related to LG&E's and KU's AROs are offset with a regulatory credit on the income statement, such that there is no earnings impact. When an asset with an ARO is retired, the related ARO regulatory asset created by the regulatory credit is offset against the associated regulatory liability, PP&E and ARO liability.

Power Purchase Agreement - OVEC

As a result of purchase accounting associated with PPL's acquisition of LKE, the fair values of the OVEC power purchase agreement were recorded on the balance sheets of LKE, LG&E and KU with offsets to regulatory liabilities. The regulatory liabilities are being amortized using the units-of-production method until March 2026, the expiration date of the agreement at the date of the acquisition.

Regulatory Liability associated with Net Deferred Tax Assets

LG&E's and KU's regulatory liabilities associated with net deferred tax assets represent the future revenue impact from the reversal of deferred income taxes required primarily for unamortized investment tax credits. These regulatory liabilities are recognized when the offsetting deferred tax assets are recognized. For general-purpose financial reporting, these regulatory liabilities and the deferred tax assets are not offset; rather, each is displayed separately.

Regulatory Matters

Kentucky Activities

(PPL, LKE, LG&E and KU)

Rate Case Proceedings

In June 2012, LG&E and KU filed requests with the KPSC for increases in annual base electric rates of approximately $62 million at LG&E and approximately $82 million at KU and an increase in annual base gas rates of approximately $17 million at LG&E. In November 2012, LG&E and KU along with all of the parties filed a unanimous settlement agreement. Among other things, the settlement provided for increases in annual base electric rates of $34 million at LG&E and $51 million at KU and an increase in annual base gas rates of $15 million at LG&E. The settlement agreement also included revised depreciation rates that result in reduced annual electric depreciation expense of approximately $9 million for LG&E and approximately $10 million for KU. The settlement agreement included an authorized return on equity at LG&E and KU of 10.25%. On December 20, 2012, the KPSC issued orders approving the provisions in the settlement agreement. The new rates became effective on January 1, 2013. In addition to the increased base rates, the KPSC approved a gas line tracker mechanism for LG&E to provide for recovery of costs associated with LG&E's gas main replacement program, gas service lines and risers.

Independent Transmission Operators

In September 2012, LG&E and KU completed the transition of their independent transmission operator contractual arrangements from Southwest Power Pool, Inc. to TranServ International, Inc. This change had previously received approvals of the FERC and the KPSC.

(PPL, LKE and LG&E)

CPCN Filing

In October 2012, LG&E filed an application with the KPSC to construct a new wet scrubber to serve Unit 3 at the Mill Creek Generating Station. The application partially modifies the existing authority granted by the KPSC in 2011, which authorized LG&E to build two new scrubbers to serve Mill Creek Units 1 and 2 and another to serve Mill Creek Unit 4. Additionally, authority was granted allowing the Mill Creek Unit 3 to be served by the existing Unit 4 scrubber. The CPCN sought approval to construct a new wet scrubber on Mill Creek Unit 3 instead of utilizing the Unit 4 scrubber. In February 2013, LG&E received the requested KPSC approval to construct a new wet scrubber to serve Unit 3 at the Mill Creek Generating Station.

Storm Costs

In August 2011, a strong storm hit LG&E's service area causing significant damage and widespread outages for approximately 139,000 customers. LG&E filed an application with the KPSC in September 2011, requesting approval of a regulatory asset recorded to defer, for future recovery, $8 million in incremental operation and maintenance expenses related to the storm restoration. An order was received in December 2011 granting the request. On December 20, 2012, the KPSC in the approval of the unanimous rate case settlement agreement, authorized regulatory asset recovery effective January 1, 2013, over a five year period.

Pennsylvania Activities *(PPL and PPL Electric)*

Rate Case Proceeding

In March 2012, PPL Electric filed a request with the PUC to increase distribution rates by approximately $105 million, effective January 1, 2013. In its December 28, 2012 final order, the PUC approved a 10.4% return on equity and a total distribution revenue increase of about $71 million. The approved rates became effective January 1, 2013.

Also, in its December 28, 2012 final order, the PUC directed PPL Electric to file a proposed Storm Damage Expense Rider within 90 days following the order. PPL Electric plans to file a proposed Storm Damage Expense Rider with the PUC and, as part of that filing, request recovery of the $28 million of qualifying storm costs incurred as a result of the October 2012 landfall of Hurricane Sandy. See "Storm Costs" below for additional information regarding Hurricane Sandy.

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 exposed to significant penalties.

Under Act 129, EDCs must file an energy efficiency and conservation plan (EE&C Plan) with the PUC and contract with conservation service providers to implement all or a portion of the EE&C Plan. Act 129 requires EDCs to reduce overall electricity consumption by 1.0% by May 2011 and, by May 2013, reduce overall electricity consumption by 3.0% and reduce peak demand by 4.5%. The peak demand reduction must occur for the 100 hours of highest demand, which is determined by actual demand reduction during the June 2012 through September 2012 period. EDCs will be able to recover the costs (capped at 2.0% of the EDC's 2006 revenue) of implementing their EE&C Plans. In October 2009, the PUC approved PPL Electric's EE&C Plan, and in March 2012 confirmed that PPL Electric met the 2011 requirement. PPL Electric will determine if it met the peak demand reduction target and the May 2013 energy reduction target after it completes the final program evaluation on November 5, 2013.

Act 129 requires the PUC to evaluate the costs and benefits of the EE&C program by November 30, 2013 and adopt additional reductions if the benefits of the program exceed the costs. In August 2012, after receiving input from stakeholders, the PUC issued a Final Implementation Order establishing a three-year Phase II program, ending May 31, 2016, with individual consumption reduction targets for each EDC. PPL Electric's reduction target is 2.1%. The PUC did not establish demand reduction targets for the Phase II program. PPL Electric filed its Phase II EE&C Plan with the PUC on November 15, 2012 and the PUC is expected to issue its decision in March 2013. Act 129 also requires the Default Service Provider (DSP) to provide electric 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. The DSP will be able to recover the costs associated with a competitive procurement plan.

The PUC has approved PPL Electric's procurement plan for the period January 1, 2011 through May 31, 2013, and PPL Electric concluded all competitive solicitations to procure power for its PLR obligations under that plan.

The PUC has directed all EDCs to file default service procurement plans for the period June 1, 2013 through May 31, 2015. PPL Electric filed its plan in May 2012. In that plan, PPL Electric proposed a process to obtain supply for its default service customers and a number of initiatives designed to encourage more customers to purchase electricity from the competitive retail market. In its January 24, 2013 final order, the PUC approved PPL Electric's plan with modifications and directed PPL Electric to establish collaborative processes to address several retail competition issues.

Smart Meter Rider

Act 129 also requires installation of smart meters for new construction, upon the request of consumers and at their cost, or on a depreciation schedule not exceeding 15 years. Under Act 129, EDCs will be able to recover the costs of providing smart metering technology. In August 2009, PPL Electric filed its proposed smart meter technology procurement and installation plan with the PUC. All of PPL Electric's metered customers currently have smart meters installed at their service locations. PPL Electric's current advanced metering technology generally satisfies the requirements of Act 129 and does not need to be replaced. In June 2010, the PUC entered its order approving PPL Electric's smart meter plan with several modifications. In compliance with the order, in the third quarter of 2010, PPL Electric submitted a revised plan with a cost estimate of $38 million to be incurred over a five-year period, beginning in 2009, and filed its Section 1307(e) cost recovery mechanism, the Smart Meter Rider (SMR) to recover these costs beginning January 1, 2011. In December 2010, the PUC approved PPL Electric's SMR which reflects the costs of its smart meter program plus a return on its Smart Meter investments. The SMR, which became effective January 1, 2011, contains a reconciliation mechanism whereby any over- or under-recovery from customers is either refunded to or collected from customers in the subsequent year. In August 2011, PPL Electric filed with the PUC an annual report describing the actions it was taking under its Smart Meter plan in 2011 and its planned actions for 2012. PPL Electric also submitted revised SMR charges which became effective January 1, 2012. In August 2012, PPL Electric filed with the PUC an annual report describing the actions it was taking under its Smart Meter plan in 2012 and its planned actions for 2013. PPL Electric also submitted revised SMR charges which became effective January 1, 2013.

PUC Investigation of Retail Electricity Market

In April 2011, the PUC opened an investigation of Pennsylvania's retail electricity market to be conducted in two phases. Phase one addressed the status of the existing retail market and explored potential changes. Questions issued by the PUC for this phase of the investigation focused primarily on default service issues. Phase two was initiated in July 2011 to develop specific proposals for changes to the retail market and default service model. In December 2011, the PUC issued a final order providing guidance to EDCs on the design of their next default service procurement plan filings. In December 2011, the PUC also issued a tentative order proposing an intermediate work plan to address issues raised in the investigation. In March 2012, the PUC entered a final order on the intermediate work plan, issued three possible models for the default service "end state" and held a hearing regarding those three models. In September 2012, the PUC issued a Secretarial Letter setting forth an "RMI End State Proposal" for discussion. The PUC issued a tentative implementation order in early November 2012, following which parties had 30 days to provide comment. PPL Electric and PPL EnergyPlus filed joint comments. A final implementation order was issued on February 15, 2013. Although the final implementation order contains provisions that will require numerous modifications to PPL Electric's current default service model for retail customers, those modifications are not expected to have a material adverse effect on PPL Electric's results of operations.

Legislation - Regulatory Procedures and Mechanisms

Act 11 authorizes the PUC to approve two specific ratemaking mechanisms - the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, the use of a DSIC. Such alternative ratemaking procedures and mechanisms provide opportunity for accelerated cost-recovery and, therefore, are important to PPL Electric as it begins a period of significant capital investment to maintain and enhance the reliability of its delivery system, including the replacement of aging distribution assets. In August 2012, the PUC issued a Final Implementation Order adopting procedures, guidelines and a model tariff for the implementation of Act 11. Act 11 requires utilities to file an LTIIP as a prerequisite to filing for recovery through the DSIC. The LTIIP is mandated to be a five- to ten-year plan describing projects eligible for inclusion in the DSIC. In September 2012, PPL Electric filed its LTIIP describing projects eligible for inclusion in the DSIC. The PUC approved the LTIIP on January 10, 2013 and PPL Electric filed a petition requesting permission to establish a DSIC on January 15, 2013, with rates proposed to be effective beginning May 1, 2013.

Storm Costs

During 2012, PPL Electric experienced several PUC-reportable storms, including Hurricane Sandy, resulting in total restoration costs of $81 million, of which $61 million were initially recorded in "Other operation and maintenance" on the Statement of Income. In particular, in late October 2012, PPL Electric experienced widespread significant damage to its distribution network from Hurricane Sandy resulting in total restoration costs of $66 million, of which $50 million were initially recorded in "Other operation and maintenance" on the Statement of Income. Although PPL Electric had storm insurance coverage, the costs incurred from Hurricane Sandy exceeded the policy limits. Probable insurance recoveries recorded during 2012 were $18.25 million, of which $14 million were included in "Other operation and maintenance" on the Statement of Income. PPL Electric recorded a regulatory asset of $28 million in December 2012 (offset to "Other operation and maintenance" on the Statement of Income). In February 2013, PPL Electric received an order from the PUC granting permission to defer qualifying storm costs in excess of insurance recoveries associated with Hurricane Sandy. See "Rate Case Proceeding" above for information regarding PPL Electric's plan to file a proposed Storm Damage Expense Rider with the PUC.

PPL Electric experienced several PUC-reportable storms during 2011 including Hurricane Irene and a late October snow storm. Total restoration costs were $84 million, of which $54 million were initially recorded in "Other operation and maintenance" on the Statement of Income. Although PPL Electric had storm insurance coverage with a PPL affiliate, the costs associated with the unusually high number of PUC-reportable storms exceeded policy limits. Probable insurance recoveries recorded during 2011 were $26.5 million, of which $16 million were included in "Other operation and maintenance" on the Statements of Income. In December 2011, PPL Electric received orders from the PUC granting permission to defer qualifying storm costs in excess of insurance recoveries associated with Hurricane Irene and a late October 2011 snowstorm. PPL Electric recorded a regulatory asset of $25 million in December 2011 (offset to "Other operation and maintenance" on the Statement of Income). The PUC granted PPL Electric's recovery of the 2011 storm costs in its final order in the 2012 rate case. Recovery began in January 2013 and will continue over a five year period.

Federal Matters

FERC Formula Rates (PPL and PPL Electric)

Transmission rates are regulated by the FERC. PPL Electric's transmission revenues are billed in accordance with a FERC-approved PJM open access transmission tariff that utilizes a formula-based rate recovery mechanism.

PPL Electric has initiated its formula rate 2012, 2011 and 2010 Annual Updates. Each update has been subsequently challenged by a group of municipal customers, which challenges have been opposed by PPL Electric. In August 2011, the FERC issued an order substantially rejecting the 2010 formal challenge and the municipal customers filed a request for rehearing of that order. In September 2012, the FERC issued an order setting for evidentiary hearings and settlement judge procedures a number of issues raised in the 2010 and 2011 formal challenges. Settlement conferences were held in late 2012 and early 2013. In February 2013, the FERC set for evidentiary hearings and settlement judge procedures a number of issues in the 2012 formal challenge and consolidated that challenge with the 2010 and 2011 challenges. PPL Electric anticipates that there will be additional settlement conferences held in 2013. PPL and PPL Electric cannot predict the outcome of the foregoing proceedings, which remain pending before the FERC.

In March 2012, PPL Electric filed a request with the FERC seeking recovery of its regulatory asset related to the deferred state tax liability that existed at the time of the transition from the flow-through treatment of state income taxes to full normalization. This change in tax treatment occurred in 2008 as a result of prior FERC initiatives that transferred regulatory jurisdiction of certain transmission assets from the PUC to FERC. At December 31, 2012 and 2011, $52 million and $53 million respectively, are classified as taxes recoverable through future rates and included on the Balance Sheets in "Other Noncurrent Assets - Regulatory assets." In May 2012, the FERC issued an order approving PPL Electric's request to recover the deferred tax regulatory asset over a 34-year period beginning June 1, 2012.

U.K. Activities *(PPL)*

Ofgem Review of Line Loss Calculation

WPD had a $94 million liability recorded at December 31, 2012, compared with $170 million at December 31, 2011, related to the close-out of line losses for the prior price control period, DPCR4. Ofgem is currently consulting on the methodology to be used by all network operators to calculate the final line loss incentive/penalty for the DPCR4. In October 2011, Ofgem issued a consultation paper citing two potential changes to the methodology, both of which would result in a reduction of the liability. In March 2012, Ofgem issued a decision regarding the preferred methodology. In July 2012, Ofgem issued a consultation paper regarding certain aspects of the preferred methodology as it relates to the DPCR4 line loss incentive/penalty and a proposal to delay the target date for making a final decision until April 2013. In October 2012, a license modification was issued to allow Ofgem to publish the final decisions on these matters by April 2013. In November 2012, Ofgem issued an additional consultation on the final DPCR4 line loss close-out that published values for each DNO and further indicated the preferred methodology that would replace the methodology under WPD's licenses. Based on applying the preferred methodology for DPCR4, the liability was reduced by $79 million, with a credit recorded in "Utility" on the Statement of Income, to reflect what WPD expects to be the final close-out settlement under Ofgem's preferred methodology. This consultation also confirmed the final decisions will be published by April 2013. In February 2013, Ofgem issued additional consultation proposing to delay the April 2013 decision date. PPL cannot predict when this matter will be resolved.

Ofgem also stated in the November 2012 consultation that the line loss incentive implemented at the last rate review will be withdrawn and no incentive will apply for the DPCR5 period. That decision resulted in the elimination of the DPCR5 liability of $11 million, with a credit recorded in "Utility" on the Statement of Income.

European Market Infrastructure Regulation

Regulation No. 648/2012 of the European Parliament and of the Council, commonly referred to as the European Market Infrastructure Regulation (EMIR), entered into force on August 16, 2012 and the European Commission adopted most of the Regulatory Technical Standards without modification in December 2012. The EMIR establishes certain transaction clearing and other recordkeeping requirements for parties to over-the-counter derivatives transactions. Included in the derivative transactions that are subject to EMIR are certain interest rate and currency derivative contracts utilized by WPD. Generally, WPD is expected to qualify under the EMIR as a non-financial counterparty to the transactions in which it engages and further to qualify for certain exemptions that will relieve WPD from the mandatory clearing obligations imposed by the EMIR. Although the EMIR will potentially impose significant additional recordkeeping requirements on WPD, the effect of the EMIR is not currently expected to have a significant adverse impact on WPD's financial condition or results of operation.

7. Financing Activities

Credit Arrangements and Short-term Debt

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

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 of PPL Energy Supply, PPL Electric, LG&E and KU also apply to PPL and the credit facilities of LG&E and KU also apply to LKE. The following credit facilities were in place at:

	December 31, 2012					December 31, 2011	
	Expiration Date	Capacity	Borrowed (a)	Letters of Credit Issued and Commercial Paper Backup	Unused Capacity	Borrowed (a)	Letters of Credit Issued and Commercial Paper Backup
PPL							
WPD Credit Facilities							
PPL WW Syndicated							
Credit Facility (b) (c) (f)	Jan. 2013	£ 150	£ 106	n/a	£ 44	£ 111	n/a
WPD (South West)							
Syndicated Credit Facility (c) (f)	Jan. 2017	245		n/a	245		n/a
WPD (East Midlands)							
Syndicated Credit Facility (c) (d) (f)	Apr. 2016	300			300		£ 70
WPD (West Midlands)							
Syndicated Credit Facility (c) (d) (f)	Apr. 2016	300			300		71
Uncommitted Credit Facilities		84		£ 4	80		3
Total WPD Credit Facilities (e)		£ 1,079	£ 106	£ 4	£ 969	£ 111	£ 144
PPL Energy Supply							
Syndicated Credit Facility (f) (g) (h)	Nov. 2017	$ 3,000		$ 499	$ 2,501		$ 541
Letter of Credit Facility (k)	Mar. 2013	200	n/a	132	68	n/a	89
Uncommitted Credit Facilities (h)		200	n/a	40	160	n/a	n/a
Total PPL Energy Supply Credit Facilities		$ 3,400		$ 671	$ 2,729		$ 630

		December 31, 2012				December 31, 2011	
	Expiration Date	Capacity	Borrowed (a)	Letters of Credit Issued and Commercial Paper Backup	Unused Capacity	Borrowed (a)	Letters of Credit Issued and Commercial Paper Backup
PPL Electric							
Syndicated Credit Facility (f) (h)	Oct. 2017	$ 300		$ 1	$ 299		$ 1
Asset-backed Credit Facility (i)	Sept 2013	100		n/a	100		n/a
Total PPL Electric Credit Facilities		$ 400		$ 1	$ 399		$ 1
LG&E							
Syndicated Credit Facility (f) (h)	Nov. 2017	$ 500		55	$ 445		
KU							
Syndicated Credit Facility (f) (h)	Nov. 2017	$ 400		$ 70	$ 330		
Letter of Credit Facility (f) (h) (j)	Apr. 2014	198		198		n/a	$ 198
Total KU Credit Facilities		$ 598		$ 268	$ 330		$ 198

(a) Amounts borrowed are recorded as "Short-term debt" on the Balance Sheets.
(b) In December 2012, the PPL WW credit facility was subsequently replaced with a credit facility expiring in December 2016 and the capacity was increased to £210 million.
(c) The facilities contain financial covenants that require the company to maintain an interest coverage ratio of not less than 3.0 times consolidated earnings before income taxes, depreciation and amortization and total net debt not in excess of 85% of its RAV, calculated in accordance with the credit facility.
(d) Under these facilities, WPD (East Midlands) and WPD (West Midlands) each have the ability to request the lenders to issue up to £80 million of letters of credit in lieu of borrowing.
(e) The total amounts borrowed at December 31, 2012 and 2011 were USD-denominated borrowings of $171 million and $178 million, which equated to £106 million and £111 million at the time of the borrowings. The interest rates at December 31, 2012 and 2011 were 0.8452% and 1.05%. At December 31, 2012, the unused capacity of WPD's credit facilities was approximately $1.6 billion.
(f) Each company pays customary fees under its respective facility and borrowings generally bear interest at LIBOR-based rates plus an applicable margin.
(g) In October 2010, PPL Energy Supply borrowed $3.2 billion under this facility in order to enable a subsidiary to make loans to certain affiliates to provide interim financing of amounts required by PPL to partially fund PPL's acquisition of LKE. Such borrowing bore interest at 2.26% and was refinanced primarily through the issuance of long-term debt by LKE, LG&E and KU and the use of internal funds. This borrowing and related payments were included in "Net increase (decrease) in short-term debt" on the Statement of Cash Flows.

PPL Energy Supply incurred an aggregate of $41 million of fees in 2010 in connection with establishing this facility. Such fees were initially deferred and amortized through December 2014. In connection with the reduction in the capacity from $4 billion to $3 billion in December 2010, PPL Energy Supply wrote off $10 million, $6 million after tax, of deferred fees, which was reflected in "Interest Expense" in the Statement of Income.
(h) The facilities contain a financial covenant requiring debt to total capitalization not to exceed 65% for PPL Energy Supply and 70% for PPL Electric, LG&E and KU, as calculated in accordance with the facilities and other customary covenants. Additionally, as it relates to the syndicated credit facilities and subject to certain conditions, PPL Energy Supply may request that its facility's capacity be increased by up to $500 million and PPL Electric and KU each may request up to a $100 million increase in its facility's' capacity.
(i) PPL Electric participates in an asset-backed commercial paper program through which PPL Electric obtains financing by selling and contributing its eligible accounts receivable and unbilled revenue to a special purpose, wholly owned subsidiary on an ongoing basis. The subsidiary has pledged these assets to secure loans from a commercial paper conduit sponsored by a financial institution.

At December 31, 2012 and December 31, 2011, $238 million and $251 million of accounts receivable and $106 million and $98 million of unbilled revenue were pledged by the subsidiary under the credit agreement related to PPL Electric's and the subsidiary's participation in the asset-backed commercial paper program. Based on the accounts receivable and unbilled revenue pledged at December 31, 2012, the amount available for borrowing under the facility was $100 million. PPL Electric's sale to its subsidiary of the accounts receivable and unbilled revenue is an absolute sale of assets, and PPL Electric does not retain an interest in these assets. However, for financial reporting purposes, the subsidiary's financial results are consolidated in PPL Electric's financial statements. PPL Electric performs certain record-keeping and cash collection functions with respect to the assets in return for a servicing fee from the subsidiary.
(j) KU's letter of credit facility agreement allows for certain payments under the letter of credit facility to be converted to loans rather than requiring immediate payment.
(k) In February 2013, PPL Energy Supply extended the expiration date of the agreement to March 2014 and, effective April 2013, the capacity will be reduced to $150 million.

(PPL and PPL Energy Supply)

PPL Energy Supply maintains a $500 million Facility Agreement expiring June 2017, whereby PPL Energy Supply has the ability to request up to $500 million of committed letter of credit capacity at fees to be agreed upon at the time of each request, based on certain market conditions. At December 31, 2012, PPL Energy Supply has not requested any capacity for the issuance of letters of credit under this arrangement.

PPL Energy Supply, PPL EnergyPlus, PPL Montour and PPL Brunner Island maintain an $800 million secured energy marketing and trading facility, whereby PPL EnergyPlus will receive credit to be applied to satisfy collateral posting obligations related to its energy marketing and trading activities with counterparties participating in the facility. The credit amount is guaranteed by PPL Energy Supply, PPL Montour and PPL Brunner Island. PPL Montour and PPL Brunner Island have granted liens on their respective generating facilities to secure any amount they may owe under their guarantees, which had an aggregate carrying value of $2.7 billion at December 31, 2012. The facility expires in November 2017, but is subject to automatic one-year renewals under certain conditions. There were no secured obligations outstanding under this facility at December 31, 2012.

In April 2012, PPL Energy Supply increased the capacity of its commercial paper program from $500 million to $750 million to provide an additional financing source to fund its short-term liquidity needs, if and when necessary. Commercial paper issuances are supported by PPL Energy Supply's Syndicated Credit Facility. At December 31, 2012 and 2011, PPL Energy Supply had $356 million and $400 million of commercial paper outstanding, included in "Short-term debt" on the Balance Sheet, at weighted-average interest rates of 0.50% and 0.53%.

(PPL and PPL Electric)

In May 2012, PPL Electric increased the capacity of its commercial paper program from $200 million to $300 million to provide an additional financing source to fund its short-term liquidity needs, if and when necessary. Commercial paper issuances are supported by PPL Electric's Syndicated Credit Facility. PPL Electric had no commercial paper outstanding at December 31, 2012.

(PPL, LKE, LG&E and KU)

In February 2012, LG&E and KU each established a commercial paper program for up to $250 million to provide an additional financing source to fund their short-term liquidity needs. Commercial paper issuances are supported by LG&E's and KU's Syndicated Credit Facilities. At December 31, 2012, LG&E had $55 million of commercial paper outstanding at a weighted-average interest rate of 0.42% and KU had $70 million of commercial paper outstanding at a weighted-average interest rate of 0.42%, included in "Short-term debt" on the Balance Sheet.

(PPL Energy Supply, LKE, LG&E and KU)

See Note 16 for discussion of intercompany borrowings.

2011 Bridge Facility *(PPL)*

In March 2011, concurrently and in connection with entering into the agreement to acquire WPD Midlands, PPL Capital Funding and PPL WEM, as borrowers, and PPL, as guarantor, entered into a 364-day unsecured £3.6 billion bridge facility to (i) fund the acquisition and (ii) pay certain fees and expenses in connection with the acquisition. During 2011, PPL incurred $44 million of fees in connection with establishing the 2011 Bridge Facility, which is reflected in "Interest Expense" on the Statement of Income. On April 1, 2011, concurrent with the closing of the WPD Midlands acquisition, PPL Capital Funding borrowed an aggregate of £1.75 billion and PPL WEM borrowed £1.85 billion under the 2011 Bridge Facility. Borrowings bore interest at approximately 2.62%, determined by one-month LIBOR rates plus a spread, based on PPL Capital Funding's senior unsecured debt rating and the length of time from the date of the acquisition closing that borrowings were outstanding. See Note 10 for additional information on the acquisition.

In accordance with the terms of the 2011 Bridge Facility, PPL Capital Funding's borrowings of £1.75 billion were repaid with approximately $2.8 billion of proceeds received from PPL's issuance of common stock and 2011 Equity Units in April 2011. In April 2011, PPL WEM repaid £650 million of its 2011 Bridge Facility borrowing. Such repayment was funded primarily with proceeds received from PPL WEM's issuance of senior notes. In May 2011, PPL WEM repaid the remaining £1.2 billion of borrowings then-outstanding under the 2011 Bridge Facility, primarily with the proceeds from senior notes issued by WPD (East Midlands) and WPD (West Midlands).

In anticipation of the repayment of a portion of the borrowings under the 2011 Bridge Facility with U.S. dollar proceeds received from PPL's issuance of common stock and 2011 Equity Units and PPL WEM's issuance of U.S. dollar-denominated senior notes, PPL entered into forward contracts to purchase GBP in order to economically hedge the foreign currency exchange rate risk related to the repayment. See Note 19 for additional information.

Long-term Debt *(PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU)*

	Weighted-Average Rate	Maturities	December 31, 2012		2011	
PPL						
U.S.						
Senior Unsecured Notes (a)	4.66%	2013 - 2038	$	4,506	$	3,805
Senior Secured Notes/First Mortgage Bonds (b) (c) (d) (e)	4.19%	2013 - 2041		5,587		5,111
Junior Subordinated Notes	4.89%	2018 - 2067		2,608		2,608
Other	6.95%	2014 - 2020		15		15
Total U.S. Long-term Debt				12,716		11,539
U.K.						
Senior Unsecured Notes (f)	5.71%	2016 - 2040		6,111		5,862
Index-linked Senior Unsecured Notes (g)	1.85%	2043 - 2056		608		581
Total U.K. Long-term Debt (h)				6,719		6,443
Total Long-term Debt Before Adjustments				19,435		17,982
Fair market value adjustments				78		65
Unamortized premium and (discount), net				(37)		(54)
Total Long-term Debt				19,476		17,993
Less current portion of Long-term Debt				751		
Total Long-term Debt, noncurrent			$	18,725	$	17,993
PPL Energy Supply						
Senior Unsecured Notes (a)	5.50%	2013 - 2038	$	2,581	$	2,581
Senior Secured Notes (b)	8.31%	2013 - 2025		663		437
Other	6.00%	2020		5		5
Total Long-term Debt Before Adjustments				3,249		3,023
Fair market value adjustments				22		
Unamortized premium and (discount), net				1		1
Total Long-term Debt				3,272		3,024
Less current portion of Long-term Debt				751		
Total Long-term Debt, noncurrent			$	2,521	$	3,024
PPL Electric						
Senior Secured Notes/First Mortgage Bonds (c) (d)	4.60%	2015 - 2041	$	1,964	$	1,714
Other	7.38%	2014		10		10
Total Long-term Debt Before Adjustments				1,974		1,724
Unamortized discount				(7)		(6)
Total Long-term Debt			$	1,967	$	1,718
LKE						
Senior Unsecured Notes	3.31%	2015 - 2021	$	1,125	$	1,125
Senior Secured Notes/First Mortgage Bonds (c) (e)	3.00%	2015 - 2040		2,960		2,960
Total Long-term Debt Before Adjustments				4,085		4,085
Fair market value adjustments				7		7
Unamortized discount				(17)		(19)
Total Long-term Debt			$	4,075	$	4,073
LG&E						
Senior Secured Notes/First Mortgage Bonds (c) (e)	2.49%	2015 - 2040	$	1,109	$	1,109
Total Long-term Debt Before Adjustments				1,109		1,109
Fair market value adjustments				6		6
Unamortized discount				(3)		(3)
Total Long-term Debt			$	1,112	$	1,112
KU						
Senior Secured Notes/First Mortgage Bonds (c) (e)	3.30%	2015 - 2040	$	1,851	$	1,851
Total Long-term Debt Before Adjustments				1,851		1,851
Fair market value adjustments				1		1
Unamortized discount				(10)		(10)
Total Long-term Debt			$	1,842	$	1,842

(a) Includes $300 million of 5.70% REset Put Securities due 2035 (REPS). The REPS bear interest at a rate of 5.70% per annum to, but excluding, October 15, 2015 (Remarketing Date). The REPS are required to be put by existing holders on the Remarketing Date either for (a) purchase and remarketing by a designated remarketing dealer or (b) repurchase by PPL Energy Supply. If the remarketing dealer elects to purchase the REPS for remarketing, it will purchase the REPS at 100% of the principal amount, and the REPS will bear interest on and after the Remarketing Date at a new fixed rate per annum determined in the remarketing. PPL Energy Supply has the right to terminate the remarketing process. If the remarketing is terminated at the option of PPL Energy Supply or under certain other circumstances, including the occurrence of an event of default by PPL Energy Supply under the related indenture or a failed remarketing for certain specified reasons, PPL Energy Supply will be required to pay the remarketing dealer a settlement amount as calculated in accordance with the related remarketing agreement.

(b) Includes lease financing consolidated through a VIE. See Note 22 for additional information.

(c) Includes PPL Electric's senior secured and first mortgage bonds that are secured by the lien of PPL Electric's 2001 Mortgage Indenture, which covers substantially all electric distribution plant and certain transmission plant owned by PPL Electric. The carrying value of PPL Electric's property, plant and equipment was approximately $4.3 billion and $3.9 billion at December 31, 2012 and 2011.

LG&E's first mortgage bonds are secured by the lien of the LG&E 2010 Mortgage Indenture, which creates a lien, subject to certain exceptions and exclusions, on substantially all of LG&E's real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity and the storage and distribution of natural gas. The aggregate carrying value of the property subject to the lien was $2.7 billion and $2.6 billion at December 31, 2012 and December 31, 2011.

KU's first mortgage bonds are secured by the lien of the KU 2010 Mortgage Indenture, which creates a lien, subject to certain exceptions and exclusions, on substantially all of KU's real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity. The aggregate carrying value of the property subject to the lien was $4.4 billion and $4.1 billion at December 31, 2012 and December 31, 2011.

(d) Includes PPL Electric's series of senior secured bonds that secure its obligations to make payments with respect to each series of Pollution Control Bonds that were issued by the LCIDA and the PEDFA on behalf of PPL Electric. These senior secured bonds were issued in the same principal amount, contain payment and redemption provisions that correspond to and bear the same interest rate as such Pollution Control Bonds. These senior secured bonds were issued under PPL Electric's 2001 Mortgage Indenture and are secured as noted in (c) above. This amount includes $224 million that may be redeemed at par beginning in 2015 and $90 million that may be redeemed, in whole or in part, at par beginning in October 2020 and are subject to mandatory redemption upon determination that the interest rate on the bonds would be included in the holders' gross income for federal tax purposes.

(e) Includes LG&E's and KU's series of first mortgage bonds that were issued to the respective trustees of tax-exempt revenue bonds to secure its respective obligations to make payments with respect to each series of bonds. The first mortgage bonds were issued in the same principal amount, contain payment and redemption provisions that correspond to and bear the same interest rate as such tax-exempt revenue bonds. These first mortgage bonds were issued under the LG&E 2010 Mortgage Indenture and the KU 2010 Mortgage Indenture and are secured as noted in (c) above. The related tax-exempt revenue bonds were issued by various governmental entities, principally counties in Kentucky, on behalf of LG&E and KU. The related revenue bond documents allow LG&E and KU to convert the interest rate mode on the bonds from time to time to a commercial paper rate, daily rate, weekly rate, term rate of at least one year or, in some cases, an auction rate or a LIBOR index rate.

At December 31, 2012, the aggregate tax-exempt revenue bonds issued on behalf of LG&E and KU that were in a term rate mode totaled $321 million for LKE, comprised of $294 million and $27 million for LG&E and KU. At December 31, 2012, the aggregate tax-exempt revenue bonds issued on behalf of LG&E and KU that were in a variable rate mode totaled $604 million for LKE, comprised of $280 million and $324 million for LG&E and KU.

Several series of the tax-exempt revenue bonds are insured by monoline bond insurers whose ratings were reduced due to exposures relating to insurance of sub-prime mortgages. Of the bonds outstanding, $231 million are in the form of insured auction rate securities, wherein interest rates are reset either weekly or every 35 days via an auction process. Beginning in late 2007, the interest rates on these insured bonds began to increase due to investor concerns about the creditworthiness of the bond insurers. During 2008, interest rates increased, and LG&E and KU experienced failed auctions when there were insufficient bids for the bonds. When a failed auction occurs, the interest rate is set pursuant to a formula stipulated in the indenture. As noted above, the instruments governing these auction rate bonds permit LG&E and KU to convert the bonds to other interest rate modes.

Certain variable rate tax-exempt revenue bonds totaling $348 million at December 31, 2012, are subject to tender for purchase by LG&E and KU at the option of the holder and to mandatory tender for purchase by LG&E and KU upon the occurrence of certain events.

(f) Includes £225 million ($361 million at December 31, 2012) of notes that may be redeemed, in total but not in part, on December 21, 2026, at the greater of the principal value or a value determined by reference to the gross redemption yield on a nominated U.K. Government bond.

(g) The principal amount of the notes issued by WPD (South West) and WPD (East Midlands) are adjusted based on changes in a specified index, as detailed in the terms of the related indentures. The adjustment to the principal amounts from 2011 to 2012 was an increase of approximately £9 million ($14 million) resulting from inflation. In addition, this amount includes £225 million ($361 million at December 31, 2012) of notes issued by WPD (South West) that may be redeemed, in total by series, on December 1, 2026, at the greater of the adjusted principal value and a make-whole value determined by reference to the gross real yield on a nominated U.K. government bond.

(h) Includes £3.3 billion ($5.3 billion at December 31, 2012) of notes that may be put by the holders back to the issuer for redemption if the long-term credit ratings assigned to the notes are withdrawn by any of the rating agencies (Moody's, S&P or Fitch) or reduced to a non-investment grade rating of Ba1 or BB+ in connection with a restructuring event which includes the loss of, or a material adverse change to, the distribution licenses under which the issuer operates.

None of the outstanding debt securities noted above have sinking fund requirements. The aggregate maturities of long-term debt for the periods 2013 through 2017 and thereafter are as follows.

	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
2013	$ 751	$ 751				
2014	328	318	$ 10			
2015	1,317	317	100	$ 900	$ 250	$ 250
2016	828	368				
2017	118	18				
Thereafter	16,093	1,477	1,864	3,185	859	1,601
Total	$ 19,435	$ 3,249	$ 1,974	$ 4,085	$ 1,109	$ 1,851

Long-term Debt and Equity Securities Activities

(PPL)

In April 2012, PPL made a registered underwritten public offering of 9.9 million shares of its common stock. In conjunction with that offering, the underwriters exercised an option to purchase 591 thousand additional shares of PPL common stock solely to cover over-allotments.

In connection with the registered public offering, PPL entered into forward sale agreements with two counterparties covering the 9.9 million shares of PPL common stock. Settlement of these initial forward sale agreements will occur no later than April 2013. As a result of the underwriters' exercise of the overallotment option, PPL entered into additional forward sale agreements covering the 591 thousand additional shares of PPL common stock. Settlement of the subsequent forward sale agreements will occur no later than July 2013. Upon any physical settlement of any forward sale agreement, PPL will issue and deliver to the forward counterparties shares of its common stock in exchange for cash proceeds per share equal to the forward sale price. The forward sale price will be calculated based on an initial forward price of $27.02 per share reduced during the period the contracts are outstanding as specified in the forward sale agreements. PPL may, in certain circumstances, elect cash settlement or net share settlement for all or a portion of its rights or obligations under the forward sale agreements.

PPL will not receive any proceeds or issue any shares of common stock until settlement of the forward sale agreements. PPL intends to use any net proceeds that it receives upon settlement to repay short-term debt obligations and for other general corporate purposes.

The forward sale agreements are classified as equity transactions. As a result, no amounts will be recorded in the consolidated financial statements until the settlement of the forward sale agreements. Prior to those settlements, the only impact to the financial statements will be the inclusion of incremental shares within the calculation of diluted EPS using the treasury stock method. See Note 4 for information on the forward sale agreements impact on the calculation of diluted EPS.

In April 2012, WPD (East Midlands) issued £100 million aggregate principal amount of 5.25% Senior Notes due 2023. WPD (East Midlands) received proceeds of £111 million, which equated to $178 million at the time of issuance, net of underwriting fees. The net proceeds were used for general corporate purposes.

In June 2012, PPL Capital Funding issued $400 million of 4.20% Senior Notes due 2022. The notes may be redeemed at PPL Capital Funding's option any time prior to maturity at make-whole redemption prices. PPL Capital Funding received proceeds of $396 million, net of a discount and underwriting fees, which were used for general corporate purposes.

In August 2012, PPL Capital Funding redeemed at par, plus accrued interest, the $99 million outstanding principal amount of its 6.85% Senior Notes due 2047.

In October 2012, PPL Capital Funding issued $400 million of 3.50% Senior Notes due 2022. The notes may be redeemed at PPL Capital Funding's option any time prior to maturity at make-whole redemption prices. PPL Capital Funding received proceeds of $397 million, net of a discount and underwriting fees, which were used to repay short-term debt obligations, including commercial paper borrowings and for general corporate purposes.

(PPL and PPL Energy Supply)

In April 2012, an indirect, wholly owned subsidiary of PPL Energy Supply completed the Ironwood Acquisition. See Note 10 for information on the transaction and the long-term debt of PPL Ironwood, LLC assumed through consolidation as part of the acquisition.

In February 2013, PPL Energy Supply completed an exchange offer to exchange up to all, but not less than a majority, of 8.857% Senior Secured Bonds due 2025 of its wholly owned subsidiary, PPL Ironwood (the "Ironwood Bonds") for newly issued PPL Energy Supply Senior Notes, Series 4.60% due 2021. A total of $167 million aggregate principal amount of outstanding Ironwood Bonds was exchanged for $212 million aggregate principal amount of PPL Energy Supply Senior Notes, Series 4.60% due 2021.

(PPL and PPL Electric)

See Note 3 for information regarding PPL Electric's June 2012 redemption of all 2.5 million shares of its 6.25% Series Preference Stock, par value $100 per share.

In August 2012, PPL Electric issued $250 million of 2.50% First Mortgage Bonds due 2022. The notes may be redeemed at PPL Electric's option any time prior to maturity at make-whole redemption prices. PPL Electric received proceeds of $247 million, net of a discount and underwriting fees. The net proceeds were used to repay short-term debt incurred to fund PPL Electric's redemption of its 6.25% Series Preference Stock in June 2012 and for other general corporate purposes.

(PPL and LKE)

In June 2012, LKE completed an exchange of $250 million of 4.375% Senior Notes due 2021 issued in September 2011 in a transaction not registered under the Securities Act of 1933, for similar securities that were issued in a transaction registered with the SEC.

(PPL)

2011 Equity Units

In April 2011, in connection with the acquisition of WPD Midlands, PPL issued 92 million shares of its common stock at a public offering price of $25.30 per share, for a total of $2.328 billion. Proceeds from the issuance were $2.258 billion, net of the $70 million underwriting discount. PPL also issued 19.55 million 2011 Equity Units at a stated amount per unit of $50.00 for a total of $978 million. Proceeds from the issuance were $948 million, net of the $30 million underwriting discount. PPL used the net proceeds to repay PPL Capital Funding's borrowings under the 2011 Bridge Facility, as discussed above, to pay certain acquisition-related fees and expenses and for general corporate purposes.

Each 2011 Equity Unit consists of a 2011 Purchase Contract and, initially, a 5.0% undivided beneficial ownership interest in $1,000 principal amount of PPL Capital Funding 4.32% Junior Subordinated Notes due 2019 (2019 Notes).

Each 2011 Purchase Contract obligates the holder to purchase, and PPL to sell, for $50.00 a number of shares of PPL common stock to be determined by the average VWAP of PPL's common stock for the 20-trading day period ending on the third trading day prior to May 1, 2014, subject to antidilution adjustments and an early settlement upon a Fundamental Change as follows:

- if the average VWAP equals or exceeds approximately $30.99, then 1.6133 shares (a minimum of 31,540,015 shares);
- if the average VWAP is less than approximately $30.99 but greater than $25.30, a number of shares of common stock having a value, based on the average VWAP, equal to $50.00; and
- if the average VWAP is less than or equal to $25.30, then 1.9763 shares (a maximum of 38,636,665 shares).

If holders elect to settle the 2011 Purchase Contract prior to May 1, 2014, they will receive 1.6133 shares of PPL common stock, subject to antidilution adjustments and an early settlement upon a Fundamental Change.

A holder's ownership interest in the 2019 Notes is pledged to PPL to secure the holder's obligation under the related 2011 Purchase Contract. If a holder of a 2011 Purchase Contract chooses at any time no longer to be a holder of the 2019 Notes, such holder's obligation under the 2011 Purchase Contract must be secured by a U.S. Treasury security.

Each 2011 Purchase Contract also requires PPL to make quarterly contract adjustment payments at a rate of 4.43% per year on the $50.00 stated amount of the 2011 Equity Unit. PPL has the option to defer these contract adjustment payments until the 2011 Purchase Contract settlement date. Deferred contract adjustment payments will accrue additional contract adjustment payments at the rate of 8.75% per year until paid. Until any deferred contract adjustment payments have been paid, PPL may not declare or pay any dividends or distributions on, or redeem, purchase or acquire or make a liquidation payment with respect to, any of its capital stock, subject to certain exceptions.

The 2019 Notes are fully and unconditionally guaranteed by PPL as to payment of principal and interest. The 2019 Notes initially bear interest at 4.32% and are not subject to redemption prior to May 2016. Beginning May 2016, PPL Capital Funding may, at its option, redeem the 2019 Notes, in whole but not in part, at any time, at par plus accrued and unpaid interest. The 2019 Notes are expected to be remarketed in 2014 into two tranches, such that neither tranche will have an aggregate principal amount of less than the lesser of $250 million and 50% of the aggregate principal amount of the 2019 Notes to be remarketed. One tranche will mature on or about the third anniversary of the settlement of the remarketing, and the other tranche will mature on or about the fifth anniversary of such settlement. Upon a successful remarketing, the interest rate on the 2019 Notes may be reset and the maturity of the tranches may be modified as necessary. In connection with a remarketing, PPL Capital Funding may elect with respect to each tranche, to extend or eliminate the early redemption date and/or calculate interest on the notes of a tranche on a fixed or floating rate basis. If the remarketing fails, holders of the 2019 Notes will have the right to put their notes to PPL Capital Funding on May 1, 2014 for an amount equal to the principal amount plus accrued interest.

Prior to May 2016, PPL Capital Funding may elect at one or more times to defer interest payments on the 2019 Notes for one or more consecutive interest periods until the earlier of the third anniversary of the interest payment due date and May 2016. Deferred interest payments will accrue additional interest at a rate equal to the interest rate then applicable to the 2019 Notes. Until any deferred interest payments have been paid, PPL may not, subject to certain exceptions, (i) declare or pay any dividends or distributions on, or redeem, purchase or acquire or make a liquidation payment with respect to, any of its capital stock, (ii) make any payment of principal of, or interest or premium, if any, on, or repay, purchase or redeem any of its debt securities that upon its liquidation ranks equal with, or junior in interest to, the subordinated guarantee of the 2019 Notes by PPL as of the date of issuance and (iii) make any payments regarding any guarantee by PPL of securities of any of its subsidiaries (other than PPL Capital Funding) if the guarantee ranks equal with, or junior in interest to, the 2019 Notes as of the date of their issuance.

In the financial statements, the proceeds from the sale of the 2011 Equity Units were allocated to the 2019 Notes and the 2011 Purchase Contracts, including the obligation to make contract adjustment payments, based on the underlying fair value of each instrument at the time of issuance. As a result, the 2019 Notes were recorded at $978 million, which approximated fair value, as long-term debt. At the time of issuance, the present value of the contract adjustment payments of $123 million was recorded to other liabilities representing the obligation to make contract adjustment payments, with an offsetting reduction to additional paid-in capital for the issuance of the 2011 Purchase Contracts, which approximated the fair value of each. The liability is being accreted through interest expense over the three-year term of the 2011 Purchase Contracts. The initial valuation of the contract adjustment payments is considered a non-cash transaction that is excluded from the Statement of Cash Flows in 2011. Costs to issue the 2011 Equity Units were primarily allocated on a relative cost basis, resulting in $25 million being recorded to "Additional paid-in capital" and $6 million being recorded to "Other noncurrent assets" on the Balance Sheet. See Note 4 for EPS considerations related to the 2011 Purchase Contracts.

2010 Equity Units

In June 2010, in connection with the acquisition of LKE, PPL issued 103.5 million shares of its common stock at a public offering price of $24.00 per share, for a total of $2.484 billion. Proceeds from the issuance were $2.409 billion, net of the $75 million underwriting discount. PPL also issued 23 million 2010 Equity Units at a stated amount per unit of $50.00 for a total of $1.150 billion. Proceeds from the issuance were $1.116 billion, net of the $34 million underwriting discount.

Each 2010 Equity Unit consists of a Purchase Contract and, initially, a 5.0% undivided beneficial ownership interest in $1,000 principal amount of PPL Capital Funding 4.625% Junior Subordinated Notes due 2018 (2018 Notes).

Each 2010 Purchase Contract obligates the holder to purchase, and PPL to sell, for $50.00 a variable number of shares of PPL common stock determined by the average VWAP of PPL's common stock for the 20-trading day period ending on the third trading day prior to July 1, 2013, subject to antidilution adjustments and an early settlement upon a Fundamental Change as follows:

- if the average VWAP equals or exceeds $28.80, then 1.7361 shares (a minimum of 39,930,300 shares);
- if the average VWAP is less than $28.80 but greater than $24.00, a number of shares of common stock having a value, based on the average VWAP, equal to $50.00; and
- if the average VWAP is less than or equal to $24.00, then 2.0833 shares (a maximum of 47,915,900 shares).

If holders elect to settle the 2010 Purchase Contract prior to July 1, 2013, they will receive 1.7361 shares of PPL common stock, subject to antidilution adjustments and an early settlement upon a Fundamental Change.

A holder's ownership interest in the 2018 Notes is pledged to PPL to secure the holder's obligation under the related 2010 Purchase Contract. If a holder of a 2010 Purchase Contract chooses at any time to no longer be a holder of the 2018 Notes, such holder's obligation under the 2010 Purchase Contract must be secured by a U.S. Treasury security.

Each 2010 Purchase Contract also requires PPL to make quarterly contract adjustment payments at a rate of 4.875% per year on the $50.00 stated amount of the 2010 Equity Unit. PPL has the option to defer these contract adjustment payments until the 2010 Purchase Contract settlement date. Deferred contract adjustment payments will accrue additional contract adjustment payments at the rate of 9.5% per year until paid. Until any deferred contract adjustment payments have been paid, PPL may not declare or pay any dividends or distributions on, or redeem, purchase or acquire or make a liquidation payment with respect to, any of its capital stock, subject to certain exceptions.

The 2018 Notes are fully and unconditionally guaranteed by PPL as to payment of principal and interest. The 2018 Notes initially bear interest at 4.625% and are not subject to redemption prior to July 2015. Beginning July 2015, PPL Capital Funding may, at its option, redeem the 2018 Notes, in whole but not in part, at any time, at par plus accrued and unpaid interest. The 2018 Notes are expected to be remarketed in 2013 in two tranches, such that neither tranche will have an aggregate principal amount of less than the lesser of $300 million and 50% of the aggregate principal amount of the 2018 Notes to be remarketed. One tranche will mature on or about the third anniversary of the settlement of the remarketing, and the other tranche will mature on or about the fifth anniversary of such settlement. The 2018 Notes will be remarketed as subordinated, unsecured obligations of PPL Capital Funding, as PPL Capital Funding notified the trustee in September 2010 of its irrevocable election to maintain the subordination provisions of the notes and related guarantees in a remarketing. Upon a successful remarketing, the interest rate on the 2018 Notes may be reset and the maturity of the tranches may be modified as necessary. In connection with a remarketing, PPL Capital Funding may elect, with respect to each tranche, to extend or eliminate the early redemption date and/or calculate interest on the notes of a tranche on a fixed or floating rate basis. If the remarketing fails, holders of the 2018 Notes will have the right to put their notes to PPL Capital Funding on July 1, 2013 for an amount equal to the principal amount plus accrued interest.

Prior to July 2013, PPL Capital Funding may elect at one or more times to defer interest payments on the 2018 Notes for one or more consecutive interest periods until the earlier of the third anniversary of the interest payment due date and July 2015. Deferred interest payments will accrue additional interest at a rate equal to the interest rate then applicable to the 2018 Notes. Until any deferred interest payments have been paid, PPL may not, subject to certain exceptions, (i) declare or pay any dividends or distributions on, or redeem, purchase or acquire or make a liquidation payment with respect to, any of its capital stock, (ii) make any payment of principal of, or interest or premium, if any, on, or repay, purchase or redeem any of its debt securities that upon its liquidation ranks equal with, or junior in interest to, the subordinated guarantee of the 2018 Notes by PPL as of the date of issuance and (iii) make any payments regarding any guarantee by PPL of securities of any of its subsidiaries (other than PPL Capital Funding) if the guarantee ranks equal with, or junior in interest to, the 2018 Notes as of the date of their issuance.

In the financial statements, the proceeds from the sale of the 2010 Equity Units were allocated to the 2018 Notes and the 2010 Purchase Contracts, including the obligation to make contract adjustment payments, based on the underlying fair value of each instrument at the time of issuance. As a result, the 2018 Notes were recorded at $1.150 billion, which approximated fair value, as long-term debt. At the time of issuance, the present value of the contract adjustment payments of $157 million was recorded to other liabilities, representing the obligation to make contract adjustment payments, with an offsetting reduction to additional paid-in capital for the issuance of the 2010 Purchase Contracts, which approximated the fair value of each. The liability is being accreted through interest expense over the three-year term of the 2010 Purchase Contracts. The initial valuation of the contract adjustment payments is considered a non-cash transaction that was excluded from the Statement of Cash Flows in 2010. Costs to issue the 2010 Equity Units were primarily allocated on a relative cost basis, resulting in $29 million being recorded to "Additional paid-in capital" and $7 million being recorded to "Other noncurrent assets" on the Balance Sheet. See Note 4 for EPS considerations related to the 2010 Purchase Contracts.

Legal Separateness *(PPL, PPL Energy Supply, PPL Electric and LKE)*

The subsidiaries of PPL are separate legal entities. PPL's subsidiaries are not liable for the debts of PPL. Accordingly, creditors of PPL may not satisfy their debts from the assets of PPL's subsidiaries absent a specific contractual undertaking by a subsidiary to pay PPL's creditors or as required by applicable law or regulation. Similarly, absent a specific contractual undertaking or as required by applicable law or regulation, PPL is not liable for the debts of its subsidiaries, nor are its subsidiaries liable for the debts of one another. Accordingly, creditors of PPL's subsidiaries may not satisfy their debts from the assets of PPL or its other subsidiaries absent a specific contractual undertaking by PPL or its other subsidiaries to pay the creditors or as required by applicable law or regulation.

Similarly, the subsidiaries of PPL Energy Supply, PPL Electric and LKE are each separate legal entities. These subsidiaries are not liable for the debts of PPL Energy Supply, PPL Electric and LKE. Accordingly, creditors of PPL Energy Supply, PPL Electric and LKE may not satisfy their debts from the assets of their subsidiaries absent a specific contractual undertaking by a subsidiary to pay the creditors or as required by applicable law or regulation. Similarly, absent a specific contractual undertaking or as required by applicable law or regulation, PPL Energy Supply, PPL Electric and LKE are not liable for the debts of their subsidiaries, nor are their subsidiaries liable for the debts of one another. Accordingly, creditors of these subsidiaries may not satisfy their debts from the assets of PPL Energy Supply, PPL Electric and LKE (or their other subsidiaries) absent a specific contractual undertaking by that parent or other subsidiary to pay such creditors or as required by applicable law or regulation.

Distributions, Capital Contributions and Related Restrictions

(PPL)

In November 2012, PPL declared its quarterly common stock dividend, payable January 2, 2013, at 36.0 cents per share (equivalent to $1.44 per annum). In February 2013, PPL declared its quarterly common stock dividend, payable April 1, 2013, at 36.75 cents per share (equivalent to $1.47 per annum). Future dividends, declared at the discretion of the Board of Directors, will depend upon future earnings, cash flows, financial and legal requirements and other factors.

Neither PPL Capital Funding nor PPL may declare or pay any cash dividend or distribution on its capital stock during any period in which PPL Capital Funding defers interest payments on its 2007 Series A Junior Subordinated Notes due 2067. Subject to certain exceptions, PPL may not declare or pay any dividend or distribution on its capital stock until any deferred interest payments on its 4.625% Junior Subordinated Notes due 2018 and its 4.32% Junior Subordinated Notes due 2019 have been paid and deferred contract adjustment payments on PPL's Purchase Contracts have been paid. At December 31, 2012, no payments were deferred on any series of junior subordinated notes or the Purchase Contracts.

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

PPL relies on dividends or loans from its subsidiaries to fund PPL's dividends to its common shareholders. The net assets of certain PPL subsidiaries are subject to legal restrictions. LKE primarily relies on dividends from its subsidiaries to fund its dividends to PPL. LG&E, KU and PPL Electric are subject to Section 305(a) of the Federal Power Act, which makes it unlawful for a public utility to make or pay a dividend from any funds "properly included in capital account." The meaning of this limitation has never been clarified under the Federal Power Act. LG&E, KU and PPL Electric believe, however, that this statutory restriction, as applied to their circumstances, would not be construed or applied by the FERC to prohibit the payment from retained earnings of dividends that are not excessive and are for lawful and legitimate business purposes. In February 2012, LG&E and KU petitioned the FERC requesting authorization to pay dividends in the future based on retained earnings balances calculated without giving effect to the impact of purchase accounting adjustments for the acquisition of LKE by PPL. In May 2012, FERC approved the petitions with the further condition that each utility may not pay dividends if such payment would cause its adjusted equity ratio to fall below 30% of total capitalization. Accordingly, at December 31, 2012, net assets of $2.3 billion ($893 million for LG&E and $1.4 billion for KU) were restricted for purposes of paying dividends to LKE, and net assets of $2.3 billion ($917 million for LG&E and $1.4 billion for KU) were available for payment of dividends to LKE. LG&E and KU believe they will not be required to change their current dividend practices as a result of the foregoing requirement. In addition, under Virginia law, KU is prohibited from making loans to affiliates without the prior approval of the VSCC. There are no comparable statutes under Kentucky law applicable to LG&E and KU, or under Pennsylvania law applicable to PPL Electric. However, orders from the KPSC require LG&E and KU to obtain prior consent or approval before lending amounts to PPL.

(PPL and PPL Energy Supply)

The PPL Montana Colstrip lease places certain restrictions on PPL Montana's ability to declare dividends. At this time, PPL believes that these covenants will not limit PPL's or PPL Energy Supply's ability to operate as desired and will not affect their ability to meet any of their cash obligations.

(PPL)

WPD subsidiaries have financing arrangements that limit their ability to pay dividends. However, PPL does not, at this time, expect that any of such limitations would significantly impact PPL's ability to meet its cash obligations.

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

The following distributions and capital contributions occurred in 2012:

	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
Dividends/distributions paid to parent/member	$ 787	$ 95	$ 155	$ 75	$ 100
Capital contributions received from parent/member	563	150			

8. Ac quisitions, Development and Divestitures

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

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 the projects, sell, cancel or expand them, execute tolling agreements or pursue other options. Any resulting transactions may impact future financial results. See Note 9 for information on PPL Energy Supply's 2011 distribution of its membership interest in PPL Global to its parent, PPL Energy Funding, which was presented as discontinued operations by PPL Energy Supply, and the sales of businesses in 2011 and prior years that were presented as discontinued operations by PPL, PPL Energy Supply and LKE. See Note 10 for information on PPL's and PPL Energy Supply's 2012 Ironwood Acquisition and PPL's 2011 acquisition of WPD Midlands and 2010 acquisition of LKE.

(PPL, LKE, LG&E and KU)

Acquisition

Terminated Bluegrass CTs Acquisition

In September 2011, LG&E and KU entered into an asset purchase agreement with Bluegrass Generation for the purchase of the Bluegrass CTs, aggregating approximately 495 MW, plus limited associated contractual arrangements required for operation of the units, for a purchase price of $110 million, pending receipt of applicable regulatory approvals. In May 2012, the KPSC issued an order approving the request to purchase the Bluegrass CTs. In November 2011, LG&E and KU filed an application with the FERC under the Federal Power Act requesting approval to purchase the Bluegrass CTs. In May 2012, the FERC issued an order conditionally authorizing the acquisition of the Bluegrass CTs, subject to approval by the FERC of satisfactory mitigation measures to address market-power concerns. After a review of potentially available mitigation options, LG&E and KU determined that the options were not commercially justifiable. In June 2012, LG&E and KU terminated the asset purchase agreement for the Bluegrass CTs in accordance with its terms and made applicable filings with the KPSC and FERC.

Development

Cane Run Unit 7 Construction

In September 2011, LG&E and KU filed a CPCN with the KPSC requesting approval to build Cane Run Unit 7. In May 2012, the KPSC issued an order approving the request. LG&E will own a 22% undivided interest, and KU will own a 78% undivided interest in the new generating unit. A formal request for recovery of the costs associated with the construction was not included in the CPCN filing with the KPSC but is expected to be included in future rate proceedings. LG&E and KU commenced preliminary construction activities in the third quarter of 2012 and project construction is expected to be completed by May 2015. The project, which includes building a natural gas supply pipeline and related transmission projects, has an estimated cost of approximately $600 million.

In conjunction with this construction and to meet new, more stringent EPA regulations with a 2015 compliance date, LG&E and KU anticipate retiring five older coal-fired electric generating units at the Cane Run and Green River plants, which have a combined summer capacity rating of 726 MW. In addition, KU retired the remaining 71 MW unit at the Tyrone plant in February 2013.

Future Capacity Needs

In addition to the construction of a combined cycle gas unit at the Cane Run station, LG&E and KU continue to assess future capacity needs. As a part of the assessment, LG&E and KU issued an RFP in September 2012 for up to 700 MW of capacity beginning as early as 2015.

(PPL and PPL Energy Supply)

Hydroelectric Expansion Projects

In 2009, in light of the availability of tax incentives and potential federal loan guarantees for renewable projects contained in the Economic Stimulus Package, PPL Energy Supply filed an application with the FERC to expand capacity at its Holtwood hydroelectric plant, which the FERC approved. The project's expected cost is $443 million. Construction continues on the project, with commercial operations scheduled to begin in 2013. At December 31, 2012, expected remaining expenditures are $84 million.

In 2009, PPL Montana received FERC approval for its request to redevelop the Rainbow hydroelectric facility at Great Falls, Montana. The project's expected cost is $209 million. Commercial operations is scheduled to begin in 2013. At December 31, 2012, expected remaining expenditures were insignificant.

PPL Energy Supply believes that it is qualified for either investment tax credits or Treasury grants for the projects at the Holtwood and Rainbow facilities. PPL Energy Supply has recognized investment tax credits and continues to evaluate whether to seek Treasury grants in lieu of the credits. During 2012, 2011 and 2010, PPL Energy Supply recorded deferred investment tax credits of $40 million, $52 million and $52 million. PPL Energy Supply anticipates recognizing an additional $23 million in investment tax credits for tax year 2013. These credits reduce PPL Energy Supply's tax liability and will be amortized over the life of the related assets.

Bell Bend COLA

In 2008, a PPL Energy Supply subsidiary, PPL Bell Bend, LLC (PPL Bell Bend) submitted a COLA to the NRC for the proposed Bell Bend nuclear generating unit (Bell Bend) to be built adjacent to the Susquehanna plant. Also in 2008, the COLA was formally docketed and accepted for review by the NRC. PPL Bell Bend continues to respond to questions from the NRC regarding technical and site specific information provided in the initial COLA and subsequent amendments. PPL Bell Bend does not expect to complete the COLA review process with the NRC prior to 2015.

In 2008, PPL Bell Bend submitted Parts I and II of an application for a federal loan guarantee for Bell Bend to the DOE. The DOE is expected in the first half of 2013 to finalize the first nuclear loan guarantee for a project in Georgia. Eight of the ten applicants that submitted Part II applications remain active in the DOE program; however, the DOE has stated that the $18.5 billion currently appropriated to support new nuclear projects would not likely be enough for more than three projects. PPL Bell Bend submits quarterly application updates for Bell Bend to the DOE to remain active in the loan guarantee application process.

PPL Bell Bend has made no decision to proceed with construction of Bell Bend and expects that such decision will not be made for several years given the anticipated lengthy NRC license approval process. Additionally, PPL Bell Bend does not expect to proceed with construction absent favorable economics, a joint arrangement with other interested parties and a federal loan guarantee or other acceptable financing. PPL Bell Bend is currently authorized to spend up to $205 million through 2015 on the COLA and other permitting costs necessary for construction, which is expected to be sufficient to fund the project through receipt of the license. At December 31, 2012 and 2011, $154 million and $131 million of costs, which includes capitalized interest, associated with the licensing application were capitalized and are included on the Balance Sheets in noncurrent "Other intangibles." PPL Bell Bend believes that the estimated fair value of the COLA currently exceeds the costs expected to be capitalized for the licensing application.

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

Susquehanna-Roseland

In 2007, PJM directed the construction of a new 150-mile, 500-kilovolt transmission line between the Susquehanna substation in Pennsylvania and the Roseland substation in New Jersey that it identified as essential to long-term reliability of the Mid-Atlantic electricity grid. PJM determined that the line was needed to prevent potential overloads that could occur on several existing transmission lines in the interconnected PJM system. PJM directed PPL Electric to construct the portion of the Susquehanna-Roseland line in Pennsylvania and Public Service Electric & Gas Company to construct the portion of the line in New Jersey.

On October 1, 2012, the National Park Service (NPS) issued its Record of Decision (ROD) on the proposed Susquehanna-Roseland transmission line affirming the route chosen by PPL Electric and Public Service Electric & Gas Company as the preferred alternative under the NPS's National Environmental Policy Act review. On October 15, 2012, a complaint was filed in the United States District Court for the District of Columbia by various environmental groups, including the Sierra Club, challenging the ROD and seeking to prohibit its implementation, and on December 6, 2012, the groups filed a petition for injunctive relief seeking to prohibit all construction activities until the court issues a final decision on the complaint. PPL Electric has intervened in the lawsuit. The chosen route had previously been approved by the PUC and the New Jersey Board of Public Utilities.

On December 13, 2012, PPL Electric received federal construction and right of way permits to build on National Park Service lands.

Construction activities have begun on portions of the 101-mile route in Pennsylvania. The line is expected to be completed before the peak summer demand period of 2015. At December 31, 2012, PPL Electric's estimated share of the project cost was $560 million.

PPL and PPL Electric cannot predict the ultimate outcome or timing of any legal challenges to the project or what additional actions, if any, PJM might take in the event of a further delay to the scheduled in-service date for the new line.

Northeast/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, three new substations and upgrades to adjacent facilities). The incentives were specifically tailored to address the risks and challenges PPL Electric will face in building the project. The FERC granted the incentive for inclusion of all prudently incurred construction work in progress (CWIP) costs in rate base and denied the request for a 100 basis point adder to the return on equity incentive. The order required a follow-up compliance filing from PPL Electric to ensure proper accounting treatment of AFUDC and CWIP for the project, which PPL Electric will submit with the FERC in March 2013. PPL Electric expects the project to be completed in 2017. At December 31, 2012, PPL Electric estimates the total project costs to be approximately $200 million with approximately $190 million qualifying for the CWIP incentive.

9. Discontinued Operations

(PPL and PPL Energy Supply)

Sale of Certain Non-core Generation Facilities

In 2011, PPL Energy Supply subsidiaries completed the sale of their ownership interests in certain non-core generation facilities, which were included in the Supply segment, for $381 million. The transaction included the natural gas-fired facilities in Wallingford, Connecticut and University Park, Illinois and an equity interest in Safe Harbor Water Power Corporation, which owns a hydroelectric facility in Conestoga, Pennsylvania.

These non-core generation facilities met the held for sale criteria in the third quarter of 2010. As a result, a pre-tax impairment charge of $96 million ($58 million after tax) was recorded and $5 million ($4 million after tax) of allocated goodwill was written off. These charges are included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the 2010 Statements of Income.

Following are the components of Discontinued Operations in the Statements of Income.

	2011	2010
Operating revenues	$ 19	$ 113
Operating expenses (a)	11	156
Operating income (loss)	8	(43)
Other income (expense) - net		2
Interest expense (b)	3	11
Income (loss) before income taxes	5	(52)
Income tax expense (benefit)	3	(18)
Income (Loss) from Discontinued Operations	$ 2	$ (34)

(a) 2010 includes the impairments to the carrying value of the non-core generation facilities and the write-off of allocated goodwill.
(b) Represents allocated interest expense based upon debt attributable to the generation facilities sold.

Sale of Long Island Generation Business

In 2010, PPL Energy Supply subsidiaries completed the sale of the Long Island generation business, which was included in the Supply segment. Proceeds from the sale approximated $124 million. There was no significant impact on earnings in 2010 from the operation of this business or as a result of the sale.

Sale of Maine Hydroelectric Generation Business

In 2010, a PPL Energy Supply subsidiary completed the sale of its Maine hydroelectric generation business, which was included in the Supply segment. The business included eight hydroelectric facilities as well as a 50% equity interest in another hydroelectric facility. The majority of the business was sold in 2009. The remaining three hydroelectric facilities were sold in 2010 for $24 million, and also resulted in the receipt of an additional $14 million in contingent consideration in connection with the 2009 sale. As a result of the consideration received in 2010, PPL Energy Supply recorded a gain of $25 million ($15 million after tax), reflected in "Income (Loss) from Discontinued Operations (net of income taxes)" on the 2010 Statement of Income.

Distribution of Membership Interest in PPL Global to Parent *(PPL Energy Supply)*

In January 2011, PPL Energy Supply distributed its entire membership interest in PPL Global, which represented the entire U.K. Regulated segment, to PPL Energy Supply's parent, PPL Energy Funding. The distribution was made based on the book value of the assets and liabilities of PPL Global with financial effect as of January 1, 2011, and no gains or losses were recognized on the distribution. The purpose of the distribution was to better align PPL's organizational structure with the manner in which it manages these businesses, separating the U.S.-based competitive energy marketing and supply business from the U.K.-based regulated electricity distribution business. Following the distribution, PPL Energy Supply operates in a single reportable segment, and through its subsidiaries is primarily engaged in the generation and marketing of power, primarily in the northeastern and northwestern U.S.

Following are the components of Discontinued Operations in the Statement of Income.

	2010
Operating revenues	$ 761
Operating expenses	368
Operating income	393
Other income (expense) - net	4
Interest expense (a)	135
Income before income taxes	262
Income tax expense	1
Income (Loss) from Discontinued Operations	$ 261

(a) No interest was allocated, as PPL Global was sufficiently capitalized.

The amount of cash and cash equivalents of PPL Global at the time of the distribution was reflected as a financing activity in the 2011 Statement of Cash Flows.

WKE

(PPL and LKE)

WKE had a 25-year lease for and operated generating facilities of BREC, and a coal-fired generating facility owned by the City of Henderson, Kentucky. WKE terminated the lease in 2009 prior to PPL acquiring LKE. See Note 15 for additional information related to the termination of the lease. In 2012, an adjustment was made to the liability for certain WKE indemnifications, which is reflected in Discontinued Operations. See "Guarantees and Other Assurances" in Note 15 for additional information on the adjustment and related indemnification. The results of operations for the 2012, 2011 and 2010 periods were not significant.

10. Business Acquisitions

Ironwood Acquisition *(PPL and PPL Energy Supply)*

On April 13, 2012, an indirect, wholly owned subsidiary of PPL Energy Supply completed the acquisition of all of the equity interests of two subsidiaries of The AES Corporation, AES Ironwood, L.L.C. (subsequently renamed PPL Ironwood, LLC) and AES Prescott, L.L.C. (subsequently renamed PPL Prescott, LLC), which own and operate, respectively, the Ironwood Facility. The Ironwood Facility began operation in 2001 and, since 2008, PPL EnergyPlus has supplied natural gas for the facility and received the facility's full electricity output and capacity value pursuant to a tolling agreement that expires in 2021. The acquisition provides PPL Energy Supply, through its subsidiaries, operational control of additional combined-cycle gas generation in PJM.

The fair value of the consideration paid for this acquisition was as follows.

Aggregate enterprise consideration	$	326
Less: Fair value of long-term debt outstanding assumed through consolidation (a)		258
Plus: Restricted cash debt service reserves		17
Cash consideration paid for equity interests (including working capital adjustments)	$	85

(a) The long-term debt assumed through consolidation consisted of $226 million aggregate principal amount of 8.857% senior secured bonds to be fully repaid by 2025, plus $8 million of debt service reserve loans, and a $24 million fair value adjustment.

Purchase Price Allocation

The following table summarizes the allocation of the purchase price to the fair value of the major classes of assets acquired and liabilities assumed through consolidation, and the effective settlement of the tolling agreement through consolidation.

PP&E	$	505
Long-term debt (current and noncurrent) (a)		(258)
Tolling agreement (b)		(170)
Other net assets (a)		8
Net identifiable assets acquired	$	85

(a) Represents non-cash activity excluded from the 2012 Statement of Cash Flows.
(b) Prior to the acquisition, PPL EnergyPlus had recorded primarily an intangible asset , which represented its rights to and the related accounting for the tolling agreement with PPL Ironwood, LLC. On the acquisition date, PPL Ironwood, LLC recorded a liability, recognized at fair value, for its obligation to PPL EnergyPlus. The tolling agreement assets of PPL EnergyPlus and the tolling agreement liability of PPL Ironwood, LLC eliminate in consolidation for PPL and PPL Energy Supply as a result of the acquisition, and therefore the agreement is considered effectively settled. The difference between the tolling agreement assets and liability resulted in an insignificant loss on the effective settlement of the agreement .

During the fourth quarter of 2012, the purchase price allocation was finalized with no material adjustments made to the preliminary valuation.

Acquisition of WPD Midlands *(PPL)*

On April 1, 2011, PPL, through its indirect, wholly owned subsidiary PPL WEM, completed its acquisition of all of the outstanding ordinary share capital of Central Networks East plc and Central Networks Limited, the sole owner of Central Networks West plc, together with certain other related assets and liabilities (collectively referred to as Central Networks and subsequently renamed WPD Midlands), from subsidiaries of E.ON AG. The consideration for the acquisition consisted of cash of $5.8 billion, including the repayment of $1.7 billion of affiliate indebtedness owed to subsidiaries of E.ON AG, and approximately $800 million of long-term debt assumed through consolidation. WPD Midlands operates two regulated distribution networks that serve five million end-users in the Midlands area of England. The acquisition increased the regulated portion of PPL's business and enhances rate-regulated growth opportunities as the regulated businesses make investments to improve infrastructure and customer reliability. Further, since the service territories of WPD (South Wales), WPD (South West) and WPD Midlands are contiguous, cost savings, efficiencies and other benefits are achieved from the combined operations of these entities.

The fair value of the consideration paid for this acquisition was as follows (in billions).

Aggregate enterprise consideration	$	6.6
Less: Fair value of long-term debt outstanding assumed through consolidation		0.8
Total cash consideration paid		5.8
Less: Funds used to repay pre-acquisition affiliate indebtedness		1.7
Cash consideration paid for Central Networks' outstanding ordinary share capital	$	4.1

The total cash consideration paid was primarily funded by borrowings under the 2011 Bridge Facility on the date of acquisition. Subsequently, PPL repaid those borrowings in 2011 using proceeds from the permanent financing, including issuances of common stock and 2011 Equity Units, as well as proceeds from the issuance of debt by PPL WEM, WPD (East Midlands) and WPD (West Midlands). See Note 7 for additional information.

Purchase Price Allocation

The following table summarizes (in billions) the allocation of the purchase price to the fair value of the major classes of assets acquired and liabilities assumed.

Current assets (a)	$	0.2
PP&E		4.9
Intangible assets		0.1
Other noncurrent assets		0.1
Current liabilities (b)		(0.4)
PPL WEM affiliate indebtedness		(1.7)
Long-term debt (current and noncurrent) (b)		(0.8)
Other noncurrent liabilities (b)		(0.7)
Net identifiable assets acquired		1.7
Goodwill		2.4
Net assets acquired	$	4.1

(a) Includes gross contractual amount of the accounts receivable acquired of $122 million, which approximates fair value.
(b) Represents non-cash activity excluded from the 2011 Statement of Cash Flows.

The purchase price allocation resulted in goodwill of $2.4 billion that was assigned to the U.K. Regulated segment. The goodwill is attributable to the expected continued growth of a rate-regulated business with a defined service area operating under a constructive regulatory framework, expected cost savings, efficiencies and other benefits resulting from a contiguous service area with WPD (South West) and WPD (South Wales), as well as the ability to leverage WPD (South West)'s and WPD (South Wales)'s existing management team's high level of performance in capital cost efficiency, system reliability and customer service. The goodwill is not deductible for U.K. income tax purposes.

Separation Benefits - U.K. Regulated Segment

In connection with the 2011 acquisition, PPL completed a reorganization designed to transition WPD Midlands from a functional operating structure to a regional operating structure requiring a smaller combined support structure, reducing duplication and implementing more efficient procedures. As a result of the reorganization, 729 employees of WPD Midlands have been terminated.

The separation benefits, before income taxes, associated with the reorganization are as follows.

Severance compensation	$	61
Early retirement deficiency costs (ERDC) under applicable pension plans		46
Outplacement services		1
Total separation benefits	$	108

In connection with the reorganization, WPD Midlands recorded $93 million of the total expected separation benefits in 2011, of which $48 million related to severance compensation and $45 million related to ERDC. WPD Midlands recorded an additional $15 million of total separation benefits in 2012, of which $13 million related to severance compensation and $2 million related to ERDC. The accrued severance compensation is reflected in "Other current liabilities" and the ERDC reduced "Other noncurrent assets" on the Balance Sheets. All separation benefits are included in "Other operation and maintenance" on the Statements of Income.

The changes in the carrying amounts of accrued severance were as follows.

	2012	2011
Accrued severance at beginning of period	$ 21	
Severance compensation	13	$ 48
Severance paid	(34)	(27)
Accrued severance at end of period	$	$ 21

In addition to the reorganization costs noted above, an additional $9 million was recorded in 2011 for ERDC payable under applicable pension plans and severance compensation for certain employees who separated from the WPD Midlands companies, but were not part of the reorganization. These separation benefits are also included in "Other operation and maintenance" on the Statement of Income.

Other

WPD Midlands 2011 financial results included in PPL's Statement of Income and included in the U.K. Regulated segment were as follows.

Operating Revenues	$ 790
Net Income Attributable to PPL Shareowners	137

Pro forma Information

The pro forma financial information, which includes LKE, discussed below, as if the acquisition had occurred January 1, 2009 and WPD Midlands as if the acquisition had occurred January 1, 2010, is as follows.

	2011	2010
Operating Revenues - PPL consolidated pro forma (unaudited)	$ 13,140	$ 11,850
Net Income Attributable to PPL Shareowners - PPL consolidated pro forma (unaudited)	1,800	1,462

The pro forma financial information presented above has been derived from the historical consolidated financial statements of PPL and LKE, which was acquired on November 1, 2010, and from the historical combined financial statements of WPD Midlands, which was acquired on April 1, 2011. Income (loss) from discontinued operations (net of income taxes), which was not significant for 2011 and was $(18) million for 2010, were excluded from the pro forma amounts above.

The pro forma financial information presented above includes adjustments to depreciation, net periodic pension costs, interest expense and the related income tax effects to reflect the impact of the acquisition. The pre-tax nonrecurring credits (expenses) presented in the following table were directly attributable to the WPD Midlands and LKE acquisitions and adjustments were included in the calculation of pro forma operating revenue and net income to remove the effect of these nonrecurring items and the related income tax effects.

	Income Statement Line Item	2011	2010
WPD Midlands acquisition			
2011 Bridge Facility costs (a)	Interest Expense	$ (44)	
Foreign currency loss on 2011 Bridge Facility (b)	Other Income (Expense) - net	(57)	
Net hedge gains associated with the 2011 Bridge Facility (c)	Other Income (Expense) - net	55	
Hedge ineffectiveness (d)	Interest Expense	(12)	
U.K. stamp duty tax (e)	Other Income (Expense) - net	(21)	
Separation benefits (f)	Other operation and maintenance	(102)	
Other acquisition-related adjustments	(g)	(77)	
LKE acquisition			
2010 Bridge Facility costs (h)	Interest Expense		$ (80)
Other acquisition-related adjustments (i)	Other Income (Expense) - net		(31)

(a) The 2011 Bridge Facility costs, primarily commitment and structuring fees, were incurred to establish a bridge facility for purposes of funding the WPD Midlands acquisition purchase price.
(b) The 2011 Bridge Facility was denominated in GBP. The amount includes a $42 million foreign currency loss on PPL Capital Funding's repayment of its 2011 Bridge Facility borrowing and a $15 million foreign currency loss associated with proceeds received on the U.S. dollar-denominated senior notes issued by PPL WEM in April 2011 that were used to repay a portion of PPL WEM's borrowing under the 2011 Bridge Facility.
(c) The repayment of borrowings on the 2011 Bridge Facility was economically hedged to mitigate the effects of changes in foreign currency exchange rates with forward contracts to purchase GBP, which resulted in net hedge gains.

(d) The hedge ineffectiveness includes a combination of ineffectiveness associated with closed out interest rate swaps and a charge recorded as a result of certain interest rate swaps failing hedge effectiveness testing, both associated with the acquisition financing.
(e) The U.K. stamp duty tax represents a tax on the transfer of ownership of property in the U.K. incurred in connection with the acquisition.
(f) See "Separation Benefits - U.K. Regulated Segment" above.
(g) Primarily includes acquisition-related advisory, accounting and legal fees recorded in "Other Income (Expense) - net" and contract termination costs, rebranding costs and relocation costs recorded in "Other operation and maintenance."
(h) Primarily commitment and structuring fees, incurred to establish a bridge facility for purposes of funding the acquisition purchase price.
(i) Primarily includes acquisition-related advisory, accounting and legal fees.

Acquisition of LKE

(PPL)

On November 1, 2010, PPL completed the acquisition of all of the limited liability company interests of E.ON U.S. LLC from a wholly owned subsidiary of E.ON AG. Upon completion of the acquisition, E.ON U.S. LLC was renamed LG&E and KU Energy LLC (LKE). LKE is a holding company with regulated utility operations conducted through its subsidiaries, LG&E and KU. The acquisition reapportions the mix of PPL's regulated and competitive businesses by increasing the regulated portion of its business, strengthens PPL's credit profile and enhances rate-regulated growth opportunities as the regulated businesses make investments to improve infrastructure and customer reliability.

The fair value of the consideration paid for this acquisition was as follows (in billions).

Aggregate enterprise consideration	$	7.6
Less: Fair value of assumed long-term debt outstanding, net		0.8
Total cash consideration paid		6.8
Less: Funds used to repay pre-acquisition affiliate indebtedness		4.3
Cash consideration paid for E.ON U.S. LLC equity interests	$	2.5

The total cash consideration paid, including repayment of affiliate indebtedness, was funded by PPL's June 2010 issuance of $3.6 billion of common stock and 2010 Equity Units that provided proceeds totaling $3.5 billion, net of underwriting discounts, $3.2 billion of borrowings under an existing credit facility in October 2010, $249 million of proceeds from the monetization of certain full-requirement sales contracts in July 2010 and cash on hand. See Note 7 for additional information on the issuance of common stock and 2010 Equity Units and the October 2010 borrowing under PPL Energy Supply's syndicated credit facility that provided interim financing to partially fund the acquisition. See Note 19 for additional information on the monetization of certain full-requirement sales contracts.

Purchase Price Allocation

The following table summarizes (in billions) the allocation of the purchase price to the fair value of the major classes of assets acquired and liabilities assumed.

Current assets (a)	$	0.9
PP&E		7.5
Other intangibles (current and noncurrent)		0.4
Regulatory and other noncurrent assets		0.7
Current liabilities, excluding current portion of long-term debt (b)		(0.5)
PPL affiliate indebtedness (c)		(4.3)
Long-term debt (current and noncurrent) (b)		(0.9)
Other noncurrent liabilities (b)		(2.3)
Net identifiable assets acquired		1.5
Goodwill		1.0
Net assets acquired	$	2.5

(a) Includes gross contractual amount of the accounts receivable acquired of $186 million. PPL expected $11 million to be uncollectible; however, credit risk is mitigated since uncollectible accounts are a component of customer rates.
(b) Represents non-cash activity excluded from the 2010 Statement of Cash Flows.
(c) Includes $1.6 billion designated as a capital contribution to LKE.

For purposes of goodwill impairment testing, the $996 million of goodwill was assigned to the PPL reportable segments expected to benefit from the acquisition. Both the Kentucky Regulated and the Supply segments are expected to benefit and the assignment of goodwill was $662 million to the Kentucky Regulated segment and $334 million to the Supply segment. The goodwill at the Kentucky Regulated segment reflects the value paid for the expected continued growth of a rate-regulated business located in a defined service area with a constructive regulatory environment, the ability of LKE to leverage its assembled workforce to take advantage of those growth opportunities and the attractiveness of stable, growing cash flows. Although no other assets or liabilities from the acquisition were assigned to the Supply segment, the Supply segment obtained a synergistic benefit attributed to the overall de-risking of the PPL portfolio, which enhanced PPL Energy Supply's credit profile, thereby increasing the value of the Supply segment. This increase in value resulted in the assignment of goodwill to the Supply segment. The goodwill is not deductible for income tax purposes. As such, no deferred taxes were recorded related to goodwill.

See Note 9 and the "Guarantees and Other Assurances" section of Note 15 for additional information on certain indemnifications provided by LKE, the most significant of which relates to the discontinued operations of WKE.

The 2010 LKE financial results included in PPL's Statement of Income and included in the Kentucky Regulated segment were as follows.

	Operating Revenues	Net Income (Loss) Attributable to PPL Shareowners
From November 1, 2010 - December 31, 2010	$ 493	$ 47

(PPL, PPL Energy Supply, LKE, LG&E and KU)

In November 2010, LKE, LG&E and KU issued debt totaling $2.9 billion, of which LKE used $100 million to return capital to PPL. The majority of these proceeds, together with a borrowing by LG&E under its available credit facilities, were used to repay borrowings from a PPL Energy Supply subsidiary. Such borrowings were incurred to permit LKE to repay certain indebtedness owed to affiliates of E.ON AG upon the closing of the acquisition. In November 2010, PPL Energy Supply used the above-referenced amounts received from LKE, together with other cash on hand, to repay approximately $3.0 billion of its October 2010 borrowing under existing credit facilities.

(PPL and PPL Energy Supply)

To ensure adequate funds were available for the acquisition, in July 2010, PPL Energy Supply monetized certain full-requirement sales contracts that resulted in cash proceeds of $249 million. See "Commodity Price Risk (Non-trading) - Monetization of Certain Full-Requirement Sales Contracts" in Note 19 for additional information. Additionally, PPL Energy Supply received proceeds in 2011 from the sale of certain non-core generation facilities, which were used to repay the short-term borrowings drawn on existing credit facilities. See "Sale of Certain Non-core Generation Facilities" in Note 9 for additional information.

As a result of the monetization of these full-requirement sales contracts, coupled with the expected net proceeds from the then-anticipated sale of these non-core generation facilities, debt that had been planned to be issued by PPL Energy Supply in late 2010 was no longer needed. Therefore, hedge accounting associated with interest rate swaps entered into by PPL in anticipation of a debt issuance by PPL Energy Supply was discontinued. Net gains (losses) of $(29) million, or $(19) million after tax, were reclassified from AOCI to "Other Income (Expense) - net" on PPL's 2010 Statement of Income.

(LKE, LG&E and KU)

On November 1, 2010, PPL completed its acquisition of LKE and its subsidiaries. The push-down basis of accounting was used to record the fair value adjustments of assets and liabilities on LKE at the acquisition date. PPL paid cash consideration for the equity interests in LKE and its subsidiaries of $2,493 million and provided a capital contribution on November 1, 2010, of $1,565 million; included within this was the consideration paid of $1,702 million for LG&E and $2,656 million for KU. The allocation of the purchase price was based on the fair value of assets acquired and liabilities assumed.

The push-down accounting for the fair value of assets acquired and liabilities assumed was as follows (in millions).

	LKE	LG&E	KU
Current assets	$ 969	$ 503	$ 341
Investments	31	1	30
PP&E	7,469	2,935	4,531
Other intangibles (current and noncurrent)	427	226	201
Regulatory and other noncurrent assets	689	416	274
Current liabilities, excluding current portion of long-term debt	(516)	(420)	(367)
PPL affiliate indebtedness	(4,349)	(485)	(1,331)
Long-term debt (current and noncurrent)	(934)	(580)	(352)
Other noncurrent liabilities	(2,289)	(1,283)	(1,278)
Net identifiable assets acquired	1,497	1,313	2,049
Goodwill	996	389	607
Net assets acquired	2,493	1,702	2,656
Capital Contribution on November 1, 2010, to replace affiliate indebtedness	1,565		
Beginning equity balance on November 1, 2010	$ 4,058	$ 1,702	$ 2,656

Goodwill represents value paid for the rate regulated businesses of LG&E and KU, which are located in a defined service area with a constructive regulatory environment, which provides for future investment, earnings and cash flow growth, as well as the talented and experienced workforce. LG&E's and KU's franchise values are being attributed to the going concern value of the business, and thus were recorded as goodwill rather than a separately identifiable intangible asset. None of the goodwill recognized is deductible for income tax purposes or included in customer rates.

Adjustments to LKE's, LG&E's and KU's assets and liabilities that contributed to goodwill are as follows:

The fair value adjustment on the EEI investment was calculated using the discounted cash flow valuation method. The result was an increase in KU's value of the investment in EEI; the fair value of EEI was calculated to be $30 million and a fair value adjustment of $18 million was recorded on KU. The fair value adjustment to EEI was being amortized over the expected remaining useful life of plant and equipment at EEI, which was estimated to be over 20 years. During the fourth quarter of 2012, KU recorded an impairment in EEI. See Notes 1 and 18 for additional information.

The pollution control bonds, excluding the reacquired bonds, had a fair value adjustment of $7 million for LG&E and $1 million for KU. All variable bonds were valued at par while the fixed rate bonds were valued with a yield curve based on average credit spreads for similar bonds.

As a result of the purchase accounting associated with the acquisition, the following items had a fair value adjustment but no effect on goodwill as the offset was either a regulatory asset or liability. The regulatory asset or liability has been recorded to eliminate any ratemaking impact of the fair value adjustments:

- The value of OVEC was determined to be $126 million based upon an announced transaction by another owner. LG&E and KU's combined investment in OVEC was not significant and the power purchase agreement was valued at $87 million for LG&E and $39 million for KU. An intangible asset was recorded with the offset to regulatory liability and is amortized using the units of production method until March 2026, the expiration date of the agreement at the date of the acquisition.

- LG&E and KU each recorded an emission allowance intangible asset and a regulatory liability as the result of adjusting the fair value of the emission allowances at LG&E and KU. The emission allowance intangible of $8 million at LG&E and $9 million at KU represents allocated and purchased sulfur dioxide and nitrogen oxide emission allowances that were unused as of the valuation date or allocated for use in future years. LG&E and KU had previously recorded emission allowances as other materials and supplies. To conform to PPL's accounting policy all emission allowances are now recorded as intangible assets. The emission allowance intangible asset is amortized as the emission allowances are consumed, which is expected to occur through 2040.

- Coal contract intangible assets were recorded at LG&E for $124 million and at KU for $145 million as well as a non-current liability of $11 million for LG&E and $22 million for KU on the Balance Sheets. An offsetting regulatory asset was recorded for those contracts with unfavorable terms relative to market. An offsetting regulatory liability was recorded for those contracts that had favorable terms relative to market. All coal contracts held by LG&E and KU, wherein it had entered into arrangements to buy amounts of coal at fixed prices from counterparties at a future date, were fair valued. The intangible assets and other liabilities, as well as the regulatory assets and liabilities, are being amortized over the same terms as the related contracts, which expire through 2016.

- Adjustments on November 1, 2010 were made to record LKE pension assets at fair value, remeasure its pension and postretirement benefit obligations at current discount rates and eliminate accumulated other comprehensive income (loss). An increase of $4 million in the liability balances of LG&E and KU was recorded, due to the lowering of the discount rate; this was credited to their respective pension and postretirement liability balances with offsetting adjustments made to the related regulatory assets and liabilities.

The fair value of intangible assets and liabilities (e.g. contracts that have favorable or unfavorable terms relative to market), including coal contracts and power purchase agreements, as well as emission allowances, have been reflected on the Balance Sheets with offsetting regulatory assets or liabilities. Prior to the acquisition, LG&E and KU recovered the cost of the coal contracts, power purchases and emission allowances and this rate treatment will continue after the acquisition. As a result, management believes the regulatory assets and liabilities created to offset the fair value adjustments meet the recognition criteria established by existing accounting guidance and eliminate any ratemaking impact of the fair value adjustments. LG&E's and KU's customer rates will continue to reflect these items (e.g. coal, purchased power, emission allowances) at their original contracted prices.

LG&E and KU also considered whether a separate fair value should be assigned to LG&E's and KU's rights to operate within its various electric and natural gas distribution service areas but concluded that these rights only provided the opportunity to earn a regulated return and barriers to market entry, which in management's judgment is not considered a separately identifiable intangible asset under applicable accounting guidance; rather, it is considered going-concern value, or goodwill.

Kentucky Acquisition Commitments

(PPL, LKE, LG&E and KU)

In connection with the September 2010 approval of PPL's acquisition of LKE, LG&E and KU agreed to implement the Acquisition Savings Sharing Deferral (ASSD) methodology whereby LG&E's and KU's adjusted jurisdictional revenues, expenses, and net operating income are calculated each year. If LG&E's or KU's actual earned rate of return on common equity exceeds 10.75%, half of the excess amount will be deferred as a regulatory liability and ultimately returned to customers. The first ASSD filing with the KPSC was made on March 30, 2012 based on the 2011 calendar year. On July 2, 2012, the KPSC issued an order approving the calculations contained in the 2011 ASSD filing and determined that such calculations produced no deferral amounts for the purpose of establishing regulatory liabilities and are proper and in accordance with the settlement agreement. The ASSD methodology for each of LG&E's and KU's utility operations terminated on January 1, 2013, when new rates went into effect. Therefore, no further ASSD filings will be made.

11. Leases

Lessee Transactions

(PPL, LKE, LG&E and KU)

E.W. Brown Combustion Turbines

LG&E and KU are participants in a sale-leaseback transaction involving two combustion turbines at the E.W. Brown generating plant. In December 1999, after selling their interests in the combustion turbines, LG&E and KU entered into an 18-year lease of the turbines. LG&E and KU provided funds to fully defease the lease including the repurchase price and have the right to exercise an early purchase option contained in the lease after 15.5 years, which will occur in 2015. The financial statement treatment of this transaction is the same as if LG&E and KU had retained their ownership interest. Since the lease was defeased, there are no remaining minimum lease payments and all related PP&E is reflected on the Balance Sheets. See Note 14 for the balances included on the Balance Sheets related to this transaction. Depreciation expense was insignificant for all periods presented.

Upon a default under the lease, LG&E and KU are obligated to pay to the lessor their share of certain amounts. Primary events of default include loss or destruction of the combustion turbines, failure to insure or maintain the combustion turbines and unwinding of the transaction due to governmental actions. No events of default currently exist with respect to the lease. Upon any termination of the lease, whether by default or expiration of its term, title to the combustion turbines reverts to LG&E and KU. The maximum aggregate amount at December 31, 2012 that could be required to be paid by LKE is $5 million, by LG&E is $2 million and by KU is $3 million. LKE has guaranteed the payment of these potential default payments of LG&E and KU.

(PPL and PPL Energy Supply)

Colstrip Generating Plant

In July 2000, PPL Montana sold its interest in the Colstrip generating plants to owner lessors who lease back to PPL Montana, under four 36-year non-cancelable leases, a 50% interest in Colstrip Units 1 and 2 and a 30% interest in Unit 3. This transaction is accounted for as a sale-leaseback and classified as an operating lease. PPL Montana is responsible for its share of the operating expenses associated with its leasehold interests. See Note 14 for information on the sharing agreement for Colstrip Units 3 and 4. PPL Montana currently amortizes material leasehold improvements over no more than the remaining life of the original leases; however, the leases provide two renewal options based on the economic useful life of the generation assets. The leases place certain restrictions on PPL Montana's ability to incur additional debt, sell assets and declare dividends and require PPL Montana to maintain certain financial ratios related to cash flow and net worth. There are no residual value guarantees in these leases. However, upon an event of default or an event of loss, PPL Montana could be required to pay a termination value of amounts sufficient to allow the lessor to repay amounts owing on the lessor notes and make the lessor whole for its equity investment and anticipated return on investment. The events of default include payment defaults, breaches of representations or covenants, acceleration of other indebtedness of PPL Montana, change in control of PPL Montana and certain bankruptcy events. The termination value was estimated to be $301 million at December 31, 2012.

Kerr Dam

Under the Kerr Hydroelectric Project No. 5 joint operating license issued by the FERC, PPL Montana is responsible to make payments to the Confederated Salish and Kootenai Tribes of the Flathead Nation for the use of certain of their tribal lands in connection with the operation of Kerr Dam. This payment arrangement, subject to escalation based upon inflation, extends until the end of the license term in 2035. Between 2015 and 2025, the tribes have the option to purchase, hold and operate the project, at a conveyance price to be determined in accordance with the provisions in the FERC license. Exercise of the option by the tribes would result in the termination of this payment arrangement obligation for PPL Montana. The payment arrangement has been treated as an operating lease for accounting purposes. In February 2013, the parties to the license submitted the issue of the appropriate amount of the conveyance price to arbitration.

(PPL, PPL Energy Supply, LKE, LG&E and KU)

Other Leases

PPL and its subsidiaries have entered into various agreements for the lease of office space, vehicles, land gas storage and other equipment.

Rent - Operating Leases

Rent expense for operating leases was as follows:

	2012	2011	2010
PPL	$ 116	$ 109	$ 90
PPL Energy Supply	62	84	87

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
LKE	$ 18	$ 18	$ 3	$ 14
LG&E	7	7	1	5
KU	10	10	2	8

Total future minimum rental payments for all operating leases are estimated to be:

	PPL	PPL Energy Supply	LKE	LG&E	KU
2013	$ 109	$ 76	$ 15	$ 5	$ 9
2014	106	78	15	6	8
2015	85	65	12	5	7
2016	37	26	8	3	5
2017	21	13	6	2	4
Thereafter	149	104	34	14	18
Total	$ 507	$ 362	$ 90	$ 35	$ 51

12. Stock-Based Compensation

(PPL, PPL Energy Supply, PPL Electric and LKE)

In 2012, shareowners approved the PPL SIP. This new equity plan replaces the PPL ICP and incorporates the following changes:

- Eliminates the potential to pay dividend equivalents on stock options.
- Eliminates the automatic lapse of restrictions on all equity awards in the event of a "potential" change in control and requires that a termination of employment occur in the event of a change in control before restrictions lapse.
- Changes the treatment of outstanding stock options upon retirement to limit the exercise period to the earlier of the end of the term (ten years from grant) or five years after retirement.

To further align the executives' interests with those of PPL shareowners, this plan provides that each restricted stock unit entitles the executive to accrue additional restricted stock units equal to the amount of quarterly dividends paid on PPL stock. These additional restricted stock units would be deferred and payable in shares of PPL common stock at the end of the restriction period. Dividend equivalents on restricted stock unit awards prior to 2013 are currently paid in cash when dividends are declared by PPL.

Under the ICP, SIP and the ICPKE (together, the Plans), restricted shares of PPL common stock, restricted stock units, performance units and stock options may be granted to officers and other key employees of PPL, PPL Energy Supply, PPL Electric, LKE and other affiliated companies. Awards under the Plans are made by the Compensation, Governance and Nominating Committee (CGNC) of the PPL Board of Directors, in the case of the ICP and SIP, and by the PPL Corporate Leadership Council (CLC), in the case of the ICPKE.

The following table details the award limits under each of the plans.

Plan	Total Plan Award Limit (Shares)	Annual Grant Limit Total As % of Outstanding PPL Common Stock On First Day of Each Calendar Year	Annual Grant Limit Options (Shares)	Annual Grant Limit For Individual Participants - Performance Based Awards: For awards denominated in shares (Shares)	Annual Grant Limit For Individual Participants - Performance Based Awards: For awards denominated in cash (in dollars)
ICP(a)	15,769,431	2%	3,000,000		
SIP	10,000,000		2,000,000	750,000	$ 15,000,000
ICPKE	14,199,796	2%	3,000,000		

(a) Applicable to outstanding awards granted from January 27, 2006 to January 26, 2012. During 2012, the total plan award limit was reached and the ICP was replaced by the SIP.

Any portion of these awards that has not been granted may be carried over and used in any subsequent year. If any award lapses, is forfeited or the rights of the participant terminate, the shares of PPL common stock underlying such an award are again available for grant. Shares delivered under the Plans may be in the form of authorized and unissued PPL common stock, common stock held in treasury by PPL or PPL common stock purchased on the open market (including private purchases) in accordance with applicable securities laws.

Restricted Stock and Restricted Stock Units

Restricted shares of PPL common stock are outstanding shares with full voting and dividend rights. Restricted stock awards are granted as a retention award for select key executives and vest when the recipient reaches a certain age or meets service or other criteria set forth in the executive's restricted stock award agreement. The shares are subject to forfeiture or accelerated payout under plan provisions for termination, retirement, disability and death of employees. Restricted shares vest fully, in certain situations, as defined by each of the Plans.

The Plans allow for the grant of restricted stock units. Restricted stock units are awards based on the fair value of PPL common stock on the date of grant. Actual PPL common shares will be issued upon completion of a vesting period, generally three years.

The fair value of restricted stock and restricted stock units granted is recognized on a straight-line basis over the service period or through the date at which the employee reaches retirement eligibility. The fair value of restricted stock and restricted stock units granted to retirement-eligible employees is recognized as compensation expense immediately upon the date of grant. Recipients of restricted stock and restricted stock units may also be granted the right to receive dividend equivalents through the end of the restriction period or until the award is forfeited. Restricted stock and restricted stock units are subject to forfeiture or accelerated payout under the plan provisions for termination, retirement, disability and death of employees. Restricted stock and restricted stock units vest fully, in certain situations, as defined by each of the Plans.

The weighted-average grant date fair value of restricted stock and restricted stock units granted was:

	2012	2011	2010
PPL	$ 28.35	$ 25.25	$ 28.93
PPL Energy Supply	28.29	25.14	29.49
PPL Electric	28.51	25.09	29.40
LKE	28.34		26.31

Restricted stock and restricted stock unit activity for 2012 was:

	Restricted Shares/Units	Weighted-Average Grant Date Fair Value Per Share
PPL		
Nonvested, beginning of period	2,040,035	$ 27.03
Granted	1,487,556	28.35
Vested	(1,002,229)	27.23
Forfeited	(21,592)	27.69
Nonvested, end of period	2,503,770	27.73
PPL Energy Supply		
Nonvested, beginning of period	665,180	$ 27.30
Transferred	62,320	28.66
Granted	564,020	28.29
Vested	(219,124)	27.04
Forfeited	(11,710)	27.97
Nonvested, end of period	1,060,686	27.95
PPL Electric		
Nonvested, beginning of period	251,595	$ 27.10
Transferred	(54,460)	28.93
Granted	133,530	28.51
Vested	(61,995)	27.63
Forfeited	(7,442)	27.46
Nonvested, end of period	261,228	27.30
LKE		
Nonvested, beginning of period	145,210	$ 26.31
Granted	144,340	28.34
Vested	(149,910)	26.38
Nonvested, end of period	139,640	28.34

Substantially all restricted stock and restricted stock unit awards are expected to vest.

The total fair value of restricted stock and restricted stock units vesting for the years ended December 31 was:

	2012	2011	2010
PPL	$ 27	$ 19	$ 15
PPL Energy Supply	6	6	7
PPL Electric	2	2	2
LKE	4	1	

Performance Units

Performance units are intended to encourage and award future performance. Performance units represent a target number of shares (Target Award) of PPL's common stock that the recipient would receive upon PPL's attainment of the applicable performance goal. Performance is determined based on total shareowner return during a 3-year performance period. At the end of the period, payout is determined by comparing PPL's performance to the total shareowner return of the companies included in an index group, in the case of the 2010 and 2011 awards, the S&P 500 Electric Utilities Index, and in the case of the 2012 awards, the Philadelphia Electric Utilities Index. Awards granted in 2010 are payable on a graduated basis within the following ranges: if PPL's performance is at or above the 85th percentile of the index group, the award is paid at 200% of the Target Award; at the 50th percentile of the index group, the award is paid at 100% of the Target Award; at the 40th percentile of the index group, the award is paid at 50% of the Target Award; and below the 40th percentile, no award is payable. Awards granted in 2011 and 2012 are payable on a graduated basis similar to 2010, except that the 2011 awards provide for a minimum payment at 25% of the Target Award if performance falls below the 40th percentile of the index group, and in 2012 the minimum payment was eliminated, with no award payable if performance falls below the 25th percentile. Dividends payable during the performance cycle accumulate and are converted into additional performance units and are payable in shares of PPL common stock upon completion of the performance period based on the determination of the CGNC of whether the performance goals have been achieved. Under the plan provisions, performance units are subject to forfeiture upon termination of employment except for retirement, disability or death of an employee, in which case the total performance units remain outstanding and are eligible for vesting through the conclusion of the performance period. The fair value of performance units granted is recognized as compensation expense on a straight-line basis over the 3-year performance period. Performance units vest on a pro rata basis, in certain situations, as defined by each of the Plans.

The fair value of each performance unit granted was estimated using a Monte Carlo pricing model that considers stock beta, a risk-free interest rate, expected stock volatility and expected life. The stock beta was calculated comparing the risk of the individual securities to the average risk of the companies in the index group. The risk-free interest rate reflects the yield on a U.S. Treasury bond commensurate with the expected life of the performance unit. Volatility over the expected term of the performance unit is calculated using daily stock price observations for PPL and all companies in the index group and is evaluated with consideration given to prior periods that may need to be excluded based on events not likely to recur that had impacted PPL and the companies in the index group. PPL had used historical volatility to value its performance units in 2010. Beginning in 2011, PPL began using a mix of historic and implied volatility in response to the significant changes in its business model, moving from a primarily unregulated to a primarily regulated business model, as a result of the acquisitions of LKE and WPD Midlands.

The weighted-average assumptions used in the model were:

	2012	2011	2010
Risk-free interest rate	0.30%	1.00%	1.41%
Expected stock volatility	19.30%	23.40%	34.70%
Expected life	3 years	3 years	3 years

The weighted-average grant date fair value of performance units granted was:

	2012	2011	2010
PPL	$ 31.41	$ 29.67	$ 34.06
PPL Energy Supply	31.40	29.68	34.16
PPL Electric	31.37	29.57	33.54
LKE	31.30	29.20	

Performance unit activity for 2012 was:

	Performance Units		Weighted-Average Grant Date Fair Value Per Share
PPL			
Nonvested, beginning of period	398,609	$	33.31
Granted	322,771		31.41
Forfeited	(127,177)		38.61
Nonvested, end of period	594,203		31.14
PPL Energy Supply			
Nonvested, beginning of period	75,067	$	33.00
Transferred	12,719		34.15
Granted	71,572		31.40
Forfeited	(35,169)		38.90
Nonvested, end of period	124,189		31.26
PPL Electric			
Nonvested, beginning of period	32,808	$	33.11
Transferred	(12,719)		34.15
Granted	16,234		31.37
Forfeited	(10,240)		34.17
Nonvested, end of period	26,083		31.10
LKE			
Nonvested, beginning of period	26,893	$	29.20
Granted	55,857		31.30
Nonvested, end of period	82,750		30.62

Stock Options

Under the Plans, stock options may be granted with an option exercise price per share not less than the fair value of PPL's common stock on the date of grant. Options outstanding at December 31, 2012, become exercisable in equal installments over a three-year service period beginning one year after the date of grant, assuming the individual is still employed by PPL or a subsidiary. The CGNC and CLC have discretion to accelerate the exercisability of the options, except that the exercisability of an option issued under the ICP may not be accelerated unless the individual remains employed by PPL or a subsidiary for one year from the date of grant. All options expire no later than ten years from the grant date. The options become exercisable immediately in certain situations, as defined by each of the Plans. The fair value of options granted is recognized as compensation expense on a straight-line basis over the service period or through the date at which the employee reaches retirement eligibility. The fair value of options granted to retirement-eligible employees is recognized as compensation expense immediately upon the date of grant.

The fair value of each option granted is estimated using a Black-Scholes option-pricing model. PPL uses a risk-free interest rate, expected option life, expected volatility and dividend yield to value its stock options. The risk-free interest rate reflects the yield for a U.S. Treasury Strip available on the date of grant with constant rate maturity approximating the option's expected life. Expected life is calculated based on historical exercise behavior. Volatility over the expected term of the options is evaluated with consideration given to prior periods that may need to be excluded based on events not likely to recur that had impacted PPL's volatility in those prior periods. Management's expectations for future volatility, considering potential changes to PPL's business model and other economic conditions, are also reviewed in addition to the historical data to determine the final volatility assumption. PPL had used historical volatility to value its stock options granted in 2010. Beginning in 2011, PPL began using a mix of historic and implied volatility in response to the significant changes in its business model, moving from a primarily unregulated to a primarily regulated business model, as a result of the acquisitions of LKE and WPD Midlands. The dividend yield is based on several factors, including PPL's most recent dividend payment, as of the grant date and the forecasted stock price through 2013. The assumptions used in the model were:

	2012	2011	2010
Risk-free interest rate	1.13%	2.34%	2.52%
Expected option life	6.17 years	5.71 years	5.43 years
Expected stock volatility	20.60%	21.60%	28.57%
Dividend yield	5.00%	5.93%	5.61%

The weighted-average grant date fair value of options granted was:

	2012	2011	2010
PPL	$ 2.48	$ 2.47	$ 4.70
PPL Energy Supply	2.51	2.47	4.73
PPL Electric	2.50	2.47	4.62
LKE	2.51	2.47	

Stock option activity for 2012 was:

	Number of Options	Weighted Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term	Aggregate Total Intrinsic Value
PPL				
Outstanding at beginning of period	7,530,198	$ 30.65		
Granted	1,948,550	28.19		
Exercised	(263,094)	23.22		
Forfeited	(81,109)	28.43		
Outstanding at end of period	9,134,545	30.36	6.3	$ 9
Options exercisable at end of period	6,134,265	31.70	5.7	6
PPL Energy Supply				
Outstanding at beginning of period	1,690,153	$ 30.79		
Transferred	176,070	31.90		
Granted	483,740	28.19		
Exercised	(36,358)	24.35		
Forfeited	(48,482)	29.34		
Outstanding at end of period	2,265,123	30.45	6.1	$ 2
Options exercisable at end of period	1,529,711	31.80	4.9	1
PPL Electric				
Outstanding at beginning of period	460,510	$ 31.05		
Transferred	(176,070)	31.90		
Granted	100,590	28.22		
Exercised	(11,873)	25.67		
Forfeited	(32,627)	27.07		
Outstanding at end of period	340,530	30.35	7.0	
Options exercisable at end of period	193,355	32.43	5.8	
LKE				
Outstanding at beginning of period	329,600	$ 25.77		
Granted	354,490	28.17		
Exercised	(49,243)	25.74		
Outstanding at end of period	634,847	27.11	8.6	$ 1
Options exercisable at end of period	144,260	26.62	8.4	

PPL received $6 million in cash from stock options exercised in 2012. The related tax savings were not significant for 2012. Substantially all stock option awards are expected to vest.

The total intrinsic value of stock options exercised for the years ended December 31, 2012, 2011 and 2010 was not significant.

Compensation Expense

Compensation expense for restricted stock, restricted stock units, performance units and stock options accounted for as equity awards was as follows:

	2012	2011	2010
PPL	$ 49	$ 36	$ 26
PPL Energy Supply	23	16	20
PPL Electric	11	8	6
LKE	8	5	

The income tax benefit related to above compensation expense was as follows:

	2012	2011	2010
PPL	$ 20	$ 15	$ 11
PPL Energy Supply	10	6	8
PPL Electric	4	3	3
LKE	4	2	

The income tax benefit PPL realized from stock-based awards vested or exercised for 2012 was not significant.

At December 31, 2012, unrecognized compensation expense related to nonvested restricted stock, restricted stock units, performance units and stock option awards was:

	Unrecognized Compensation Expense	Weighted-Average Period for Recognition
PPL	$ 27	2.1 years
PPL Energy Supply	11	2.4 years
PPL Electric	2	2.2 years
LKE	2	1.8 years

13. Re tirement and Postemployment Benefits

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

Defined Benefits

Until January 1, 2012, the majority of PPL's subsidiaries domestic employees were eligible for pension benefits under non-contributory defined benefit pension plans with benefits based on length of service and final average pay, as defined by the plans. Effective January 1, 2012, PPL's domestic qualified pension plans were closed to newly hired salaried employees. Newly hired bargaining unit employees will continue to be eligible under the plans based on their collective bargaining agreements. Salaried employees hired on or after January 1, 2012 are eligible to participate in the new PPL Retirement Savings Plan, a 401(k) savings plan with enhanced employer matching. PPL does not expect a significant near-term cost impact as a result of the change.

Until January 1, 2012, employees of PPL Montana were eligible for pension benefits under a cash balance pension plan. Effective January 1, 2012, that plan also was closed to newly hired salaried employees. Newly hired bargaining unit employees will continue to be eligible under the plan based on their collective bargaining agreements. Salaried employees hired on or after January 1, 2012 are eligible to participate in the new PPL Retirement Savings Plan. PPL Montana does not expect a significant near-term cost impact as a result of the change.

The defined benefit pension plans of LKE and its subsidiaries were closed to new salaried and bargaining unit employees hired after December 31, 2005. Employees hired after December 31, 2005 receive additional company contributions above the standard matching contributions to their savings plans.

Employees of certain of PPL Energy Supply's mechanical contracting companies are eligible for benefits under multiemployer plans sponsored by various unions.

Effective April 1, 2010, PPL WW's principal defined benefit pension plan was closed to most new employees, except for those meeting specific grandfathered participation rights. WPD Midlands was acquired by PPL WEM on April 1, 2011. WPD Midlands' defined benefit plan had been closed to new members, except for those meeting specific grandfathered participation rights, prior to acquisition. New employees not eligible to participate in the plan are offered benefits under a defined contribution plan.

PPL and certain of its subsidiaries also provide supplemental retirement benefits to executives and other key management employees through unfunded nonqualified retirement plans.

The majority of employees of PPL's domestic subsidiaries will become eligible for certain health care and life insurance benefits upon retirement through contributory plans. Postretirement health benefits may be paid from 401(h) accounts established as part of the PPL Retirement Plan and the LG&E and KU Retirement Plan within the PPL Services Corporation Master Trust, funded VEBA trusts and company funds. Postretirement benefits under the PPL Montana Retiree Health Plan are paid from company assets. WPD does not sponsor any postretirement benefit plans other than pensions.

(PPL)

The following disclosures distinguish between the domestic (U.S.) and WPD (U.K.) pension plans.

	Pension Benefits								
	U.S.			U.K.			Other Postretirement Benefits		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
PPL									
Net periodic defined benefit costs (credits):									
Service cost	$ 103	$ 95	$ 64	$ 54	$ 44	$ 17	$ 12	$ 12	$ 8
Interest cost	220	217	159	340	282	151	31	33	28
Expected return on plan assets	(259)	(245)	(184)	(458)	(338)	(202)	(23)	(23)	(20)
Amortization of:									
Transition (asset) obligation							2	2	5
Prior service cost	24	24	21	4	4	4	1		4
Actuarial (gain) loss	42	30	8	79	57	48	4	6	6
Net periodic defined benefit costs (credits) prior to settlement charges and termination benefits	130	121	68	19	49	18	27	30	31
Settlement charges	11								
Termination benefits (a)				2	50				
Net periodic defined benefit costs (credits)	$ 141	$ 121	$ 68	$ 21	$ 99	$ 18	$ 27	$ 30	$ 31
Other Changes in Plan Assets and Benefit Obligations Recognized in OCI and Regulatory Assets/Liabilities - Gross:									
Settlements	$ (11)								
Net (gain) loss	372	$ 117	$ 142	$ 1,073	$ 152	$ 17	$ 13	$ (9)	$ 20
Prior service cost (credit)		8					(1)	10	(71)
Amortization of:									
Transition asset							(2)	(2)	(5)
Prior service cost	(24)	(24)	(21)	(4)	(4)	(4)	(1)		(4)
Actuarial gain (loss)	(42)	(30)	(7)	(79)	(57)	(48)	(4)	(6)	(6)
Acquisition of regulatory assets/ liabilities:									
Transition obligation									4
Prior service cost			31						6
Actuarial (gain) loss			303						(2)
Total recognized in OCI and regulatory assets/liabilities (b)	295	71	448	990	91	(35)	5	(7)	(58)
Total recognized in net periodic defined benefit costs, OCI and regulatory assets/liabilities (b)	$ 436	$ 192	$ 516	$ 1,011	$ 190	$ (17)	$ 32	$ 23	$ (27)

(a) Related to the WPD Midlands separations in the U.K.
(b) WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP. As a result, WPD does not record regulatory assets/liabilities.

For PPL's U.S. pension benefits and for other postretirement benefits, the amounts recognized in OCI and regulatory assets/liabilities for the years ended December 31 were as follows:

	U.S. Pension Benefits			Other Postretirement Benefits		
	2012	2011	2010	2012	2011	2010
OCI	$ 181	$ 47	$ 84	$ 12	$ (6)	$ (40)
Regulatory assets/liabilities	114	24	364	(7)	(1)	(18)
Total recognized in OCI and regulatory assets/liabilities	$ 295	$ 71	$ 448	$ 5	$ (7)	$ (58)

The estimated amounts to be amortized from AOCI and regulatory assets/liabilities into net periodic defined benefit costs in 2013 are as follows:

	Pension Benefits U.S.	Pension Benefits U.K.	Other Postretirement Benefits
Prior service cost	$ 22		
Actuarial loss	78	$ 154	$ 6
Total	$ 100	$ 154	$ 6
Amortization from Balance Sheet:			
AOCI	$ 43	$ 154	$ 3
Regulatory assets/liabilities	57		3
Total	$ 100	$ 154	$ 6

(PPL Energy Supply)

	Pension Benefits								
	U.S.			U.K. (a)			Other Postretirement Benefits		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
PPL Energy Supply Net periodic defined benefit costs (credits):									
Service cost	$ 6	$ 5	$ 4			$ 17	$ 1	$ 1	$ 1
Interest cost	7	7	7			151	1	1	1
Expected return on plan assets	(9)	(9)	(7)			(202)			
Amortization of:									
Prior service cost						4			
Actuarial (gain) loss	2	2	2			48			
Net periodic defined benefit costs (credits) prior to settlement charges	6	5	6			18	2	2	2
Net periodic defined benefit costs (credits)	$ 6	$ 5	$ 6			$ 18	$ 2	$ 2	$ 2
Other Changes in Plan Assets and Benefit Obligations Recognized in OCI:									
Current year net (gain) loss	$ 16	$ 7	$ 4			$ 17		$ (2)	
Current year prior service credit							$ (1)		
Amortization of:									
Prior service cost						(4)			
Actuarial gain (loss)	(2)	(2)	(2)			(48)			
Total recognized in OCI	14	5	2			(35)	(1)	(2)	
Total recognized in net periodic defined benefit costs and OCI	$ 20	$ 10	$ 8			$ (17)	$ 1	$	$ 2

(a) In January 2011, PPL Energy Supply distributed its membership interest in PPL Global to PPL Energy Supply's parent. See Note 9 for additional information.

Actuarial loss of $3 million related to PPL Energy Supply's U.S. pension plan is expected to be amortized from AOCI into net periodic defined benefit costs in 2013.

(LKE)

The following table provides the components of net periodic defined benefit costs for LKE's pension and other postretirement benefit plans for the years ended December 31, 2012, and 2011, and November 1, 2010 through December 31, 2010, for the Successor and January 1, 2010 through October 31, 2010, for the Predecessor.

	Pension Benefits				Other Postretirement Benefits			
	Successor			Predecessor	Successor			Predecessor
	2012	2011	2010	2010	2012	2011	2010	2010
LKE								
Net periodic defined benefit costs (credits):								
Service cost	$ 22	$ 24	$ 4	$ 17	$ 4	$ 4	$ 1	$ 3
Interest cost	64	67	11	54	9	10	1	9
Expected return on plan assets	(70)	(64)	(9)	(45)	(4)	(3)		(2)
Amortization of:								
Transition obligation					2	2		1
Prior service cost	5	5	1	7	3	2		2
Actuarial (gain) loss	22	24	5	16	(1)			
Net periodic defined benefit costs	$ 43	$ 56	$ 12	$ 49	$ 13	$ 15	$ 2	$ 13
Other Changes in Plan Assets and Benefit Obligations Recognized in OCI and Regulatory Assets/Liabilities - Gross:								
Current year net (gain) loss	$ 96	$ 29	$ (22)	$ 96	$ (11)	$ (3)	$ (2)	$ 3
Current year prior service cost		8				11		
Amortization of:								
Transition obligation					(2)	(2)		(2)
Prior service cost	(5)	(5)	(1)	(7)	(3)	(2)		(1)
Actuarial gain (loss)	(22)	(24)	(5)	(16)	1			
Total recognized in OCI and regulatory assets/liabilities	69	8	(28)	73	(15)	4	(2)	
Total recognized in net periodic defined benefit costs, OCI and regulatory assets/liabilities	$ 112	$ 64	$ (16)	$ 122	$ (2)	$ 19	$	$ 13

For LKE's pension and other postretirement benefits, the amounts recognized in OCI and regulatory assets/liabilities are as follows at December 31, 2012, 2011 and 2010 for the Successor, and at October 31, 2010 for the Predecessor.

	Pension Benefits				Other Postretirement Benefits			
	Successor			Predecessor	Successor			Predecessor
	2012	2011	2010	2010	2012	2011	2010	2010
OCI	$ 34	$ 1	$ (8)	$ 32	$ (1)	$ 2	$ (1)	$ (1)
Regulatory assets/liabilities	35	7	(20)	41	(14)	2	(1)	1
Total recognized in OCI and regulatory assets/liabilities	$ 69	$ 8	$ (28)	$ 73	$ (15)	$ 4	$ (2)	$

The estimated amounts to be amortized from AOCI and regulatory assets/liabilities into net periodic defined benefit costs for LKE in 2013 are as follows.

	Pension Benefits	Other Postretirement Benefits
Prior service cost	$ 5	$ 3
Actuarial loss	31	(1)
Total	$ 36	$ 2
Amortization from Balance Sheet:		
Regulatory assets/liabilities	$ 36	$ 2
Total	$ 36	$ 2

(LG&E)

The following table provides the components of net periodic defined benefit costs for LG&E's pension benefit plan for the years ended December 31, 2012 and 2011, and November 1, 2010 through December 31, 2010, for the Successor and January 1, 2010 through October 31, 2010, for the Predecessor.

	Pension Benefits			
	Successor			Predecessor
	2012	2011	2010	2010
LG&E				
Net periodic defined benefit costs (credits):				
Service cost	$ 2	$ 2		$ 1
Interest cost	14	14	$ 2	12
Expected return on plan assets	(19)	(18)	(3)	(13)
Amortization of:				
Prior service cost	3	2	1	2
Actuarial loss	11	11	2	6
Net periodic defined benefit costs	$ 11	$ 11	$ 2	$ 8
Other Changes in Plan Assets and Benefit Obligations Recognized in Regulatory Assets - Gross:				
Current year net (gain) loss	$ 18	$ 15	$ (5)	$ 18
Current year prior service cost		9		
Amortization of:				
Prior service cost	(2)	(2)		(2)
Actuarial (loss)	(11)	(11)	(2)	(6)
Total recognized in regulatory assets	5	11	(7)	10
Total recognized in net periodic defined benefit costs and regulatory assets	$ 16	$ 22	$ (5)	$ 18

The estimated amounts to be amortized from regulatory assets into net periodic defined benefit costs for LG&E in 2013 are as follows.

	Pension Benefits
Prior service cost	$ 2
Actuarial loss	13
Total	$ 15

(PPL, PPL Energy Supply and PPL Electric)

Net periodic defined benefit costs (credits) charged to operating expense, excluding amounts charged to construction and other non-expense accounts were:

	Pension Benefits						Other Postretirement Benefits		
	U.S.			U.K.					
	2012	2011	2010	2012	2011	2010(a)	2012	2011	2010
PPL	$ 119	$ 98	$ 59	$ 25	$ 82	$ 16	$ 22	$ 24	$ 27
PPL Energy Supply	37	27	24			16	6	7	12
PPL Electric (b)	19	14	12				3	4	8

(a) As a result of PPL Energy Supply's January 2011 distribution of its membership interest in PPL Global to its parent, PPL Energy Funding, these amounts are included in "Income (Loss) from Discontinued Operations (net of income taxes)" on PPL Energy Supply's Statements of Income. See Note 9 for additional information.
(b) PPL Electric does not directly sponsor any defined benefit plans. PPL Electric was allocated these costs of defined benefit plans sponsored by PPL Services, based on its participation in those plans, which management believes are reasonable.

In the table above, for PPL Energy Supply, amounts include costs for the specific plans it sponsors and the following allocated costs of defined benefit plans sponsored by PPL Services, based on PPL Energy Supply's participation in those plans, which management believes are reasonable:

	Pension Benefits			Other Postretirement Benefits		
	2012	2011	2010	2012	2011	2010
PPL Energy Supply	$ 31	$ 23	$ 19	$ 5	$ 6	$ 10

(LKE, LG&E and KU)

The following table provides net periodic defined benefit costs charged to operating expense for the years ended December 31, 2012, and 2011, and November 1, 2010 through December 31, 2010, for the Successor and January 1, 2010 through October 31, 2010, for the Predecessor.

	Pension Benefits				Other Postretirement Benefits			
	Successor			Predecessor	Successor			Predecessor
	2012	2011	2010	2010	2012	2011	2010	2010
LKE	$ 31	$ 40	$ 9	$ 37	$ 9	$ 11	$ 2	$ 9
LG&E	13	16	3	12	5	5	1	4
KU (a)	8	10	2	8	3	4	1	3

(a) KU does not directly sponsor any defined benefit plans. KU was allocated these costs of defined benefit plans sponsored by LKE, based on its participation in those plans, which management believes are reasonable.

In the table above, for LG&E, amounts include costs for the specific plans it sponsors and the following allocated costs of defined benefit plans sponsored by LKE, based on its participation in those plans, which management believes are reasonable.

	Pension Benefits				Other Postretirement Benefits			
	Successor			Predecessor	Successor			Predecessor
	2012	2011	2010	2010	2012	2011	2010	2010
LG&E	$ 5	$ 7	$ 1	$ 6	$ 2	$ 5	$ 1	$ 4

(PPL and PPL Energy Supply)

The following weighted-average assumptions were used in the valuation of the benefit obligations at December 31.

	Pension Benefits				Other Postretirement Benefits	
	U.S.		U.K.			
	2012	2011	2012	2011	2012	2011
PPL						
Discount rate	4.22%	5.06%	4.27%	5.24%	4.00%	4.80%
Rate of compensation increase	3.98%	4.02%	4.00%	4.00%	3.97%	4.00%
PPL Energy Supply						
Discount rate	4.25%	5.12%			3.77%	4.60%
Rate of compensation increase	3.95%	4.00%			3.95%	4.00%

(LKE and LG&E)

The following table provides the weighted-average assumptions used in the valuation of the benefit obligations at December 31.

	Pension Benefits		Other Postretirement Benefits	
	2012	2011	2012	2011
LKE				
Discount rate	4.24%	5.08%	3.99%	4.78%
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%
LG&E				
Discount rate	4.20%	5.00%		
Rate of compensation increase	N/A	N/A		

(PPL and PPL Energy Supply)

The following weighted-average assumptions were used to determine the net periodic defined benefit costs for the year ended December 31.

	Pension Benefits						Other Postretirement Benefits		
	U.S.			U.K.					
	2012	2011	2010	2012	2011	2010	2012	2011	2010
PPL									
Discount rate	5.06%	5.42%	5.96%	5.24%	5.59%	5.59%	4.80%	5.14%	5.47%
Rate of compensation increase	4.02%	4.88%	4.79%	4.00%	3.75%	4.00%	4.00%	4.90%	4.78%
Expected return on plan assets (a)	7.07%	7.25%	7.96%	7.17%	7.04%	7.91%	5.99%	6.57%	6.90%
PPL Energy Supply									
Discount rate	5.12%	5.47%	6.00%			5.59%	4.60%	4.95%	5.55%
Rate of compensation increase	4.00%	4.75%	4.75%			4.00%	4.00%	4.75%	4.75%
Expected return on plan assets (a)	7.00%	7.25%	8.00%			7.91%	N/A	N/A	N/A

(LKE and LG&E)

The following table provides the weighted-average assumptions used to determine the net periodic defined benefit costs for the years ended December 31, 2012, and 2011, and November 1, 2010 through December 31, 2010, for the Successor and January 1, 2010 through October 31, 2010, for the Predecessor.

	Pension Benefits				Other Postretirement Benefits			
	Successor			Predecessor	Successor			Predecessor
	2012	2011	2010	2010	2012	2011	2010	2010
LKE								
Discount rate	5.09%	5.49%	5.40%	6.11%	4.78%	5.12%	4.94%	5.82%
Rate of compensation increase	4.00%	5.25%	5.25%	5.25%	4.00%	5.25%	5.25%	5.25%
Expected return on plan assets (a)	7.25%	7.25%	7.25%	7.75%	7.02%	7.16%	7.04%	7.20%
LG&E								
Discount rate	5.00%	5.39%	5.28%	6.08%				
Rate of compensation increase	N/A	N/A	N/A	N/A				
Expected return on plan assets (a)	7.25%	7.25%	7.25%	7.75%				

(PPL, PPL Energy Supply, LKE and LG&E)

(a) The expected long-term rates of return for PPL's, PPL Energy Supply's, LKE's and LG&E's U.S. pension and other postretirement benefits have been developed using a best-estimate of expected returns, volatilities and correlations for each asset class. The best estimates are based on historical performance, future expectations and periodic portfolio rebalancing among the diversified asset classes. PPL management corroborates these rates with expected long-term rates of return calculated by its independent actuary, who uses a building block approach that begins with a risk-free rate of return with factors being added such as inflation, duration, credit spreads and equity risk. Each plan's specific asset allocation is also considered in developing a reasonable return assumption.

The expected long-term rates of return for PPL's U.K. pension plans have been developed by PPL management with assistance from an independent actuary using a best estimate of expected returns, volatilities and correlations for each asset class. The best estimates are based on historical performance, future expectations and periodic portfolio rebalancing among the diversified asset classes.

(PPL and PPL Energy Supply)

The following table provides the assumed health care cost trend rates for the year ended December 31:

	2012	2011	2010
PPL and PPL Energy Supply			
Health care cost trend rate assumed for next year			
- obligations	8.0%	8.5%	9.0%
- cost	8.5%	9.0%	8.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)			
- obligations	5.5%	5.5%	5.5%
- cost	5.5%	5.5%	5.5%
Year that the rate reaches the ultimate trend rate			
- obligations	2019	2019	2019
- cost	2019	2019	2016

(LKE)

The following table provides the assumed health care cost trend rates for the years ended December 31, 2012, 2011 and November 1, 2010 through December 31, 2010, for the Successor and January 1, 2010 through October 31, 2010, for the Predecessor.

	Successor			Predecessor
	2012	2011	2010	2010
LKE				
Health care cost trend rate assumed for next year				
- obligations	8.0%	8.5%	9.0%	7.8%
- cost	8.5%	9.0%	9.0%	8.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)				
- obligations	5.5%	5.5%	5.5%	4.5%
- cost	5.5%	5.5%	5.5%	4.5%
Year that the rate reaches the ultimate trend rate				
- obligations	2019	2019	2019	2029
- cost	2019	2019	2019	2029

(PPL and LKE)

A one percentage point change in the assumed health care costs trend rate assumption would have had the following effects on the other postretirement benefit plans in 2012:

	One Percentage Point	
	Increase	Decrease
Effect on accumulated postretirement benefit obligation		
PPL	$ 7	$ (6)
LKE	5	(4)

(PPL Energy Supply)

The effects on PPL Energy Supply's other postretirement benefit plan would not have been significant.

(PPL)

The funded status of the PPL plans was as follows:

	Pension Benefits				Other Postretirement Benefits	
	U.S.		U.K.			
	2012	2011	2012	2011	2012	2011
Change in Benefit Obligation						
Benefit Obligation, beginning of period	$ 4,381	$ 4,007	$ 6,638	$ 2,841	$ 687	$ 667
Service cost	103	95	54	44	12	12
Interest cost	220	217	340	282	31	33
Participant contributions			15	11	6	5
Plan amendments		8			(1)	10
Actuarial loss	546	220	1,081	257	31	6
Acquisition (a)				3,501		
Settlements	(25)					
Termination benefits			2	50		
Net transfer in (out)			12			
Actual expenses paid	(3)					
Gross benefits paid	(176)	(166)	(397)	(309)	(46)	(47)
Federal subsidy					2	1
Currency conversion			143	(39)		
Benefit Obligation, end of period	5,046	4,381	7,888	6,638	722	687
Change in Plan Assets						
Plan assets at fair value, beginning of period	3,471	2,819	6,351	2,524	391	360
Actual return on plan assets	432	349	476	444	42	38
Employer contributions	239	470	341	164	27	33
Participant contributions			15	11	5	5
Acquisition (a)				3,567		
Settlements	(25)					
Actual expenses paid	(2)	(1)				
Gross benefits paid	(176)	(166)	(397)	(309)	(44)	(45)
Currency conversion			125	(50)		
Plan assets at fair value, end of period	3,939	3,471	6,911	6,351	421	391
Funded Status, end of period	$ (1,107)	$ (910)	$ (977)	$ (287)	$ (301)	$ (296)
Amounts recognized in the Balance Sheets consist of:						
Noncurrent asset				$ 130		
Current liability	$ (8)	$ (29)			$ (1)	$ (1)
Noncurrent liability	(1,099)	(881)	$ (977)	(417)	(300)	(295)
Net amount recognized, end of period	$ (1,107)	$ (910)	$ (977)	$ (287)	$ (301)	$ (296)
Amounts recognized in AOCI and regulatory assets/liabilities (pre-tax) consist of:						
Transition obligation						$ 2
Prior service cost (credit)	$ 91	$ 115	$ 1	$ 3	$ (7)	(5)
Net actuarial loss	1,241	922	2,184	1,191	106	97
Total (b)	$ 1,332	$ 1,037	$ 2,185	$ 1,194	$ 99	$ 94
Total accumulated benefit obligation for defined benefit pension plans	$ 4,569	$ 3,949	$ 7,259	$ 6,144		

(a) Includes the pension plans of WPD Midlands, which was acquired in 2011. See Note 10 for additional information.
(b) WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP. As a result, WPD does not record regulatory assets/liabilities.

For PPL's U.S. pension and other postretirement benefit plans, the amounts recognized in AOCI and regulatory assets/liabilities at December 31 were as follows:

	U.S. Pension Benefits		Other Postretirement Benefits	
	2012	2011	2012	2011
AOCI	$ 659	$ 481	$ 59	$ 56
Regulatory assets/liabilities	673	556	40	38
Total	$ 1,332	$ 1,037	$ 99	$ 94

All of PPL's U.S. pension plans had projected and accumulated benefit obligations in excess of plan assets at December 31, 2012 and 2011. All of PPL's other postretirement benefit plans had accumulated postretirement benefit obligations in excess of plan assets at December 31, 2012 and 2011.

For the U.K. pension plans of PPL WEM, projected benefit obligations of $4.3 billion were in excess of plan assets of $4.1 billion at December 31, 2012.

For the U.K. pension plans of PPL WW, projected and accumulated benefit obligations were in excess of plan assets at December 31 as follows (in billions):

	2012	2011
Projected benefit obligation	$ 3.6	$ 3.0
Accumulated benefit obligation	3.3	2.8
Fair value of plan assets	2.8	2.6

(PPL Energy Supply)

The funded status of the PPL Energy Supply plans were as follows:

	Pension Benefits					
	U.S.		U.K.		Other Postretirement Benefits	
	2012	2011	2012	2011	2012	2011
Change in Benefit Obligation						
Benefit Obligation, beginning of period	$ 143	$ 121		$ 2,841	$ 17	$ 18
Service cost	6	5			1	1
Interest cost	7	7			1	1
Plan amendments					(1)	
Actuarial loss	23	13				(2)
Distribution to parent (a)				(2,841)		
Actual expenses paid						(1)
Gross benefits paid	(3)	(3)			(1)	
Benefit Obligation, end of period	176	143			17	17
Change in Plan Assets						
Plan assets at fair value, beginning of period	132	106		2,524		
Actual return on plan assets	16	14				
Employer contributions	4	15				
Distribution to parent (a)				(2,524)		
Gross benefits paid	(3)	(3)				
Plan assets at fair value, end of period	149	132				
Funded Status, end of period	$ (27)	$ (11)		$	$ (17)	$ (17)
Amounts recognized in the Balance Sheets consist of:						
Current liability					$ (1)	$ (1)
Noncurrent liability	$ (27)	$ (11)			(16)	(16)
Net amount recognized, end of period	$ (27)	$ (11)			$ (17)	$ (17)

	Pension Benefits				Other Postretirement Benefits	
	U.S.		U.K.			
	2012	2011	2012	2011	2012	2011
Amounts recognized in AOCI (pre-tax) consist of:						
Prior service cost (credit)		$ 1			$ (1)	
Net actuarial loss	$ 52	38			2	$ 2
Total	$ 52	$ 39			$ 1	$ 2
Total accumulated benefit obligation for defined benefit pension plans	$ 176	$ 143				

(a) As a result of PPL Energy Supply's January 2011 distribution of its membership interest in PPL Global to its parent, PPL Energy Funding, the funded status and AOCI were removed from the balance sheet in January 2011. See Note 9 for additional information.

PPL Energy Supply's pension plan had projected and accumulated benefit obligations in excess of plan assets at December 31, 2012 and 2011. PPL Energy Supply's other postretirement benefit plan had accumulated postretirement benefit obligations in excess of plan assets at December 31, 2012 and 2011.

In addition to the plans it sponsors, PPL Energy Supply and its subsidiaries are allocated a portion of the funded status and costs of the defined benefit plans sponsored by PPL Services based on their participation in those plans, which management believes are reasonable. The actuarially determined obligations of current active employees are used as a basis to allocate total plan activity, including active and retiree costs and obligations. Allocations to PPL Energy Supply resulted in liabilities at December 31 as follows:

	2012	2011
Funded status of the pension plans	$ 268	$ 204
Other postretirement benefits	60	51

(LKE)

The funded status of the LKE plans was as follows.

	Pension Benefits		Other Postretirement Benefits	
	2012	2011	2012	2011
Change in Benefit Obligation				
Benefit Obligation, beginning of period	$ 1,306	$ 1,229	$ 214	$ 204
Service cost	22	24	4	4
Interest cost	63	67	9	10
Plan amendments		9		10
Actuarial loss (gain)	144	25	(8)	(3)
Gross benefits paid	(48)	(48)	(11)	(12)
Federal subsidy			1	1
Benefit Obligation, end of period	1,487	1,306	209	214
Change in Plan Assets				
Plan assets at fair value, beginning of period	944	778	58	49
Actual return on plan assets	117	62	8	3
Employer contributions	57	152	13	18
Gross benefits paid	(48)	(48)	(11)	(12)
Plan assets at fair value, end of period	1,070	944	68	58
Funded Status, end of period	$ (417)	$ (362)	$ (141)	$ (156)
Amounts recognized in the Balance Sheets consist of:				
Current liability	$ (3)	$ (3)		
Noncurrent liability	(414)	(359)	$ (141)	$ (156)
Net amount recognized, end of period	$ (417)	$ (362)	$ (141)	$ (156)
Amounts recognized in AOCI and regulatory assets/liabilities (pre-tax) consist of:				
Transition obligation				$ 2
Prior service cost	$ 28	$ 34	$ 11	14
Net actuarial (gain) loss	355	280	(17)	(7)
Total	$ 383	$ 314	$ (6)	$ 9
Total accumulated benefit obligation for defined benefit pension plans	$ 1,319	$ 1,141		

At December 31, the amounts recognized in AOCI and regulatory assets/liabilities are as follows.

	Pension Benefits		Other Postretirement Benefits	
	2012	2011	2012	2011
AOCI	$ 27	$ (7)		$ 1
Regulatory assets/liabilities	356	321	$ (6)	8
Total	$ 383	$ 314	$ (6)	$ 9

All of LKE's pension plans had projected and accumulated benefit obligations in excess of plan assets at December 31, 2012 and 2011. LKE's other postretirement benefit plan had accumulated postretirement benefit obligations in excess of plan assets at December 31, 2012 and 2011.

(LG&E)

The funded status of the LG&E plan was as follows.

	Pension Benefits	
	2012	2011
Change in Benefit Obligation		
Benefit Obligation, beginning of period	$ 298	$ 274
Service cost	1	2
Interest cost	14	14
Plan amendments		9
Actuarial loss	32	14
Gross benefits paid	(14)	(15)
Benefit Obligation, end of period	331	298
Change in Plan Assets		
Plan assets at fair value, beginning of period	256	217
Actual return on plan assets	32	16
Employer contributions	13	38
Gross benefits paid	(14)	(15)
Plan assets at fair value, end of period	287	256
Funded Status, end of period	$ (44)	$ (42)
Amounts recognized in the Balance Sheets consist of:		
Noncurrent liability	$ (44)	$ (42)
Net amount recognized, end of period	$ (44)	$ (42)
Amounts recognized in regulatory assets (pre-tax) consist of:		
Prior service cost	$ 17	$ 20
Net actuarial loss	123	115
Total	$ 140	$ 135
Total accumulated benefit obligation for defined benefit pension plan	$ 328	$ 292

LG&E's pension plan had projected and accumulated benefit obligations in excess of plan assets at December 31, 2012 and 2011.

In addition to the plan it sponsors, LG&E is allocated a portion of the funded status and costs of certain defined benefit plans sponsored by LKE based on its participation in those plans, which management believes are reasonable. The actuarially determined obligations of current active employees and retired employees are used as a basis to allocate total plan activity, including active and retiree costs and obligations. Allocations to LG&E resulted in liabilities at December 31 as follows.

	2012	2011
Funded status of the pension plans	$ 58	$ 53
Other postretirement benefits	81	87

(PPL and PPL Energy Supply)

PPL Energy Supply's mechanical contracting subsidiaries make contributions to over 70 multiemployer pension plans, based on the bargaining units from which labor is procured. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers .
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If PPL Energy Supply's mechanical contracting subsidiaries choose to stop participating in some of their multiemployer plans, they may be required to pay those plans an amount based on the unfunded status of the plan, referred to as a withdrawal liability.

PPL Energy Supply identified the Steamfitters Local Union No. 420 Pension Plan, EIN/Plan Number 23-2004424/001 as the only significant plan to which contributions are made. Contributions to this plan by PPL Energy Supply's mechanical contracting companies were $5 million for 2012, $5 million for 2011 and $4 million for 2010. At the date the financial statements were issued, the Form 5500 was not available for the plan year ending in 2012. Therefore, the following disclosures specific to this plan are being made based on the Form 5500s filed for the plan years ended December 31, 2011 and 2010. PPL Energy Supply's mechanical contracting subsidiaries were not identified individually as greater than 5% contributors on the Form 5500s. However, the combined contributions of the three subsidiaries contributing to the plan had exceeded 5%. The plan had a Pension Protection Act zone status of yellow and red, without utilizing an extended amortization period, as of December 31, 2011 and 2010. In addition, the plan is subject to a rehabilitation plan and surcharges have been applied to participating employer contributions. The expiration date of the collective-bargaining agreement related to those employees participating in this plan is April 30, 2014. There were no other plans deemed individually significant based on a multifaceted assessment of each plan. This assessment included review of the funded/zone status of each plan and PPL Energy Supply's potential obligations under the plan and the number of participating employers contributing to the plan.

PPL Energy Supply's mechanical contracting subsidiaries also participate in multiemployer other postretirement plans that provide for retiree life insurance and health benefits.

The table below details total contributions to all multiemployer pension and other postretirement plans, including the plan identified as significant above. The contribution amounts fluctuate each year based on the volume of work and type of projects undertaken from year to year.

	2012	2011	2010
Pension Plans	$ 31	$ 36	$ 26
Other Postretirement Medical Plans	28	31	23
Total Contributions	$ 59	$ 67	$ 49

PPL Energy Supply maintains a liability for the cost of health care of retired miners of former subsidiaries that had been engaged in coal mining, as required by the Coal Industry Retiree Health Benefit Act of 1992. At December 31, 2012, the liability was $3 million. The liability is the net of $67 million of estimated future benefit payments offset by $35 million of assets in a retired miners VEBA trust and an additional $29 million of excess assets available in a Black Lung Trust that can be used to fund the health care benefits of retired miners.

(PPL Electric)

Although PPL Electric does not directly sponsor any defined benefit plans, it is allocated a portion of the funded status and costs of plans sponsored by PPL Services based on its participation in those plans, which management believes are reasonable. The actuarially determined obligations of current active employees are used as a basis to allocate total plan activity, including active and retiree costs and obligations. Allocations to PPL Electric resulted in liabilities at December 31 as follows:

	2012	2011
Funded status of the pension plans	$ 237	$ 186
Other postretirement benefits	61	53

(KU)

Although KU does not directly sponsor any defined benefit plans, it is allocated a portion of the funded status and costs of plans sponsored by LKE based on its participation in those plans, which management believes are reasonable. The actuarially determined obligations of current active employees and retired employees of KU are used as a basis to allocate total plan activity, including active and retiree costs and obligations. Allocations to KU resulted in liabilities at December 31 as follows.

	2012	2011
Funded status of the pension plans	$ 104	$ 83
Other postretirement benefits	53	62

Plan Assets - U.S. Pension Plans

(PPL, PPL Energy Supply, LKE and LG&E)

PPL's primary legacy pension plan and the pension plan in which employees of PPL Montana participate are invested in the PPL Services Corporation Master Trust that also includes a 401(h) account that is restricted for certain other postretirement benefit obligations. Through December 31, 2011, the plans sponsored by LKE, including LG&E's plan, were invested in Pension Trusts that also included a 401(h) account that is restricted for certain other postretirement benefit obligations. Effective January 1, 2012, the assets in the LKE Pension Trusts were transferred into the PPL Services Corporation Master Trust. The investment strategy for the master trust is to achieve a risk-adjusted return on a mix of assets that, in combination with PPL's funding policy, will ensure that sufficient assets are available to provide long-term growth and liquidity for benefit payments. The master trust benefits from a wide diversification of asset types, investment fund strategies and external investment fund managers, and therefore has no significant concentration of risk.

The investment policy of the PPL Services Corporation Master Trust outlines investment objectives and defines the responsibilities of the EBPB, external investment managers, investment advisor and trustee and custodian. The investment policy is reviewed annually by PPL's Board of Directors.

The EBPB created a risk management framework around the trust assets and pension liabilities. This framework considers the trust assets as being composed of three sub-portfolios: the growth, immunizing and liquidity portfolios. The growth portfolio is comprised of investments that generate a return at a reasonable risk, including equity securities, certain debt securities and alternative investments. The immunizing portfolio consists of debt securities and derivative positions that will typically have long durations. The immunizing portfolio is designed to offset a portion of the change in the pension liabilities due to changes in interest rates. The liquidity portfolio consists primarily of cash and cash equivalents.

Target allocation ranges have been developed for each portfolio on a plan basis based on input from external consultants with a goal of limiting funded status volatility. The EBPB monitors the investments in each portfolio on a plan basis, and seeks to obtain a target portfolio that emphasizes reduction of risk of loss from market volatility. In pursuing that goal, the EBPB establishes revised guidelines from time to time. EBPB investment guidelines on a plan basis, as well as the weighted average of such guidelines, as of the end of 2012 are presented below.

The asset allocation for the trusts and the target allocation by portfolio, at December 31, are as follows:

PPL Services Corporation Master Trust

	Percentage of trust assets		2012 Target Asset Allocation (a)		
	2012 (a)	2011	Weighted Average	PPL Plans	LKE Plans
Growth Portfolio	**58%**	**57%**	**56%**	**55%**	**59%**
Equity securities	31%	31%			
Debt securities (b)	18%	17%			
Alternative investments	9%	9%			
Immunizing Portfolio	**41%**	**41%**	**42%**	**43%**	**38%**
Debt securities (b)	40%	40%			
Derivatives	1%	1%			
Liquidity Portfolio	**1%**	**2%**	**2%**	**2%**	**3%**
Total	100%	100%	100%	100%	100%

(a) Allocations exclude consideration of cash for the WKE Bargaining Employees' Retirement Plan and a guaranteed annuity contract held by the LG&E and KU Retirement Plan.
(b) Includes commingled debt funds, which PPL treats as debt securities for asset allocation purposes.

LG&E and KU Energy LLC Pension Trusts

	Percentage of trust assets 2011	Target Asset Allocation 2011
Growth Portfolio	**54%**	**59%**
Equity securities	33%	
Debt securities (a)	21%	
Immunizing Portfolio	**34%**	**38%**
Debt securities (a) (b)	34%	
Liquidity Portfolio (b)	**12%**	**3%**
Total	100%	100%

(a) Includes commingled debt funds, which LKE treats as debt securities for asset allocation purposes.
(b) The asset allocation for this portfolio was not within the established target range due to the transition of assets at the end of 2011 in anticipation of transfer into the PPL Services Corporation Master Trust in January 2012.

(PPL Energy Supply)

PPL Montana, a subsidiary of PPL Energy Supply, has a pension plan whose assets are invested solely in the PPL Services Corporation Master Trust, which is fully disclosed below. The fair value of this plan's assets of $149 million at December 31, 2012 represents an interest of approximately 4% in the master trust.

(LKE)

LKE has pension plans, including LG&E's plan, whose assets, effective January 1, 2012, are invested solely in the PPL Services Corporation Master Trust, which is fully disclosed below. The fair value of these plans' assets of $1.1 billion at December 31, 2012 represents an interest of approximately 26% in the master trust.

(LG&E)

LG&E has a pension plan whose assets, effective January 1, 2012, are invested solely in the PPL Services Corporation Master Trust, which is fully disclosed below. The fair value of this plan's assets of $287 million at December 31, 2012 represents an interest of approximately 7% in the master trust. At December 31, 2011, this plan's assets were invested solely in the LG&E and KU Energy LLC Pension Trusts, which is also fully disclosed below. The fair value of this plan's assets of $256 million at December 31, 2011 represents an interest of approximately 26% in the pension trust.

(PPL, PPL Energy Supply, LKE and LG&E)

The fair value of net assets in the U.S. pension plan trusts by asset class and level within the fair value hierarchy was:

	December 31, 2012				December 31, 2011			
		Fair Value Measurements Using				Fair Value Measurements Using		
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL Services Corporation Master Trust								
Cash and cash equivalents	$ 84	$ 84			$ 78	$ 78		
Equity securities:								
U.S.:								
Large-cap	558	206	$ 352		371	247	$ 124	
Small-cap	124	124			112	112		
Commingled debt	676	56	620		458		458	
International	557	184	373		299	102	197	
Debt securities:								
U.S. Treasury and U.S. government sponsored agency	704	634	70		515	443	72	
Residential/commercial backed securities	12		11	$ 1	9		9	
Corporate	874		847	27	446		439	$ 7
Other	24		23	1	10		10	
International	7		7		6		6	

	December 31, 2012				December 31, 2011			
		Fair Value Measurements Using				Fair Value Measurements Using		
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Alternative investments:								
Commodities	59		59					
Real estate	93		93		85		85	
Private equity	75			75	45			45
Hedge funds	125		125		92		92	
Derivatives:								
Interest rate swaps and swaptions	36		36		20		20	
Other	2		2		5		5	
Insurance contracts	42			42				
Receivables	55	29	26		50	31	19	
Payables	(66)	(55)	(11)		(48)	(40)	(8)	
Total PPL Services Corporation Master Trust assets	4,041	1,262	2,633	146	2,553	973	1,528	52
401(h) account restricted for other postretirement benefit obligations	(102)	(32)	(66)	(4)	(26)	(10)	(16)	
Fair value - PPL Services Corporation Master Trust pension assets	3,939	1,230	2,567	142	2,527	963	1,512	52
(PPL, LKE and LG&E)								
LG&E and KU Energy LLC Pension Trusts								
Cash and cash equivalents					122	122		
Equity securities:								
U.S.:								
Large-cap					220		220	
Commingled debt					65		65	
International					106	44	62	
Debt securities:								
U.S. Treasury					97	97		
Corporate					342		342	
Derivatives:								
Total return swaps					4		4	
Insurance contracts					46			46
Total LG&E and KU Energy LLC Pension Trusts assets					1,002	263	693	46
401(h) account restricted for other postretirement benefit obligations					(58)	(13)	(45)	
Fair value - LG&E and KU Energy LLC Pension Trusts pension assets					944	250	648	46
Fair value - total U.S. pension plans	$ 3,939	$ 1,230	$ 2,567	$ 142	$ 3,471	$ 1,213	$ 2,160	$ 98

A reconciliation of U.S. pension trust assets classified as Level 3 at December 31, 2012 is as follows:

	Residential/ commercial backed securities	Corporate debt	Private equity	Insurance contracts	Other Debt	Total
Balance at beginning of period		$ 7	$ 45	$ 46		$ 98
Actual return on plan assets						
Relating to assets still held at the reporting date		1	10	3		14
Relating to assets sold during the period		2				2
Purchases, sales and settlements	$ 1	21	20	(7)		35
Transfers from level 2 to level 3					$ 1	1
Transfers from level 3 to level 2		(4)				(4)
Balance at end of period	$ 1	$ 27	$ 75	$ 42	$ 1	$ 146

A reconciliation of U.S. pension trust assets classified as Level 3 at December 31, 2011 is as follows:

	Residential/ commercial backed securities	Corporate debt	Private equity	Insurance contracts	Other	Total
Balance at beginning of period		$ 6	$ 10	$ 47		$ 63
Actual return on plan assets						
Relating to assets still held						
at the reporting date		(4)	8	3		7
Purchases, sales and settlements		5	27	(4)		28
Balance at end of period		$ 7	$ 45	$ 46		$ 98

(PPL, PPL Energy Supply, LKE and LG&E)

The fair value measurements of cash and cash equivalents are based on the amounts on deposit.

The market approach is used to measure fair value of equity securities. The fair value measurements of equity securities (excluding commingled funds), which are generally classified as Level 1, are based on quoted prices in active markets. These securities represent actively and passively managed investments that are managed against various equity indices.

Investments in commingled equity and debt funds are categorized as equity securities. These investments are classified as Level 2, except for exchange-traded funds, which are classified as Level 1 based on quoted prices in active markets. The fair value measurements for Level 2 investments are based on firm quotes of net asset values per share, which are not considered obtained from a quoted price in an active market. For the commingled equity funds, these securities represent investments that are measured against the Russell 1000 Growth Index, the Russell 1000 Index, the Russell 3000 Index and the MSCI EAFE Index. Commingled debt funds are described in greater detail in the following discussion of debt securities.

The fair value measurements of debt securities are generally based on evaluated prices that reflect observable market information, such as actual trade information for identical securities or for similar securities, adjusted for observable differences. Debt securities are generally measured using a market approach, including the use of matrix pricing. Common inputs include reported trades; broker/dealer bid/ask prices, benchmark securities and credit valuation adjustments. When necessary, the fair value of debt securities is measured using the income approach, which incorporates similar observable inputs as well as benchmark yields, credit valuation adjustments, reference data from market research publications, monthly payment data, collateral performance and new issue data. For the PPL Services Corporation Master Trust, these securities represent investments in securities issued by U.S. Treasury and U.S. government sponsored agencies; investments securitized by residential mortgages, auto loans, credit cards and other pooled loans; investments in investment grade and non-investment grade bonds issued by U.S. companies across several industries; investments in debt securities issued by foreign governments and corporations; and exchange traded funds as well as commingled fund investments. Investments in commingled funds include a fund that invests in a diversified portfolio of emerging market debt obligations that is measured against the JP Morgan EMBI Global Diversified Index, as well as funds that invest in investment grade long duration fixed income securities that are measured against the Barclays Long A or Better Index. During the first ten months of 2011 for the LG&E and KU Energy LLC Pension Trusts, debt securities within commingled trusts were measured against the Barclays Aggregated Bond Index and the Barclays U.S. Government/Credit Long Index. During the last two months of 2011, the debt securities for the LG&E and KU Energy LLC Pension Trusts were transitioned to debt securities similar to those within the PPL Services Corporation Master Trust. The debt securities, excluding those in commingled funds, held by the PPL Services Corporation Master Trust at December 31, 2012 have a weighted-average coupon of 3.49% and a weighted-average maturity of 21 years.

Investments in commodities represent ownership of units of a commingled fund that is invested as a long-only, unleveraged portfolio of exchange-traded futures and forward contracts in tangible commodities to obtain broad exposure to all principal groups in the global commodity markets, including energies, agriculture and metals (both precious and industrial) using proprietary commodity trading strategies. The fund has daily liquidity with a specified notification period. The fund's fair value is based upon a unit value as calculated by the fund's trustee.

Investments in real estate represent an investment in a partnership whose purpose is to manage investments in core U.S. real estate properties diversified geographically and across major property types (e.g., office, industrial, retail, etc.). The manager is focused on properties with high occupancy rates with quality tenants. This results in a focus on high income and stable cash flows with appreciation being a secondary factor. Core real estate generally has a lower degree of leverage when compared with more speculative real estate investing strategies. The partnership has limitations on the amounts that may be redeemed based on available cash to fund redemptions. Additionally, the general partner may decline to accept redemptions when necessary to avoid adverse consequences for the partnership, including legal and tax implications, among others. The fair value of the investment is based upon a partnership unit value.

Investments in private equity represent interests in partnerships in multiple early-stage venture capital funds and private equity fund of funds that use a number of diverse investment strategies. Four of the partnerships have limited lives of ten years, while the fifth has a life of 15 years, after which liquidating distributions will be received. Prior to the end of each partnership's life, the investment cannot be redeemed with the partnership; however, the interest may be sold to other parties, subject to the general partner's approval. The PPL Services Corporation Master Trust has unfunded commitments of $73 million that may be required during the lives of the partnerships. Fair value is based on an ownership interest in partners' capital to which a proportionate share of net assets is attributed.

Investments in hedge funds represent investments in three hedge fund of funds. Hedge funds seek a return utilizing a number of diverse investment strategies. The strategies, when combined aim to reduce volatility and risk while attempting to deliver positive returns under all market conditions. Major investment strategies for the hedge fund of funds include long/short equity, market neutral, distressed debt, and relative value. Generally, shares may be redeemed on 90 days prior written notice. The funds are subject to short term lockups and have limitations on the amount that may be withdrawn based on a percentage of the total net asset value of the fund, among other restrictions. All withdrawals are subject to the general partner's approval. The fair value for two of the funds has been estimated using the net asset value per share and the third fund's fair value is based on an ownership interest in partners' capital to which a proportionate share of net assets is attributed.

The fair value measurements of derivative instruments utilize various inputs that include quoted prices for similar contracts or market-corroborated inputs. In certain instances, these instruments may be valued using models, including standard option valuation models and standard industry models. These securities primarily represent investments in interest rate swaps and swaptions (the option to enter into an interest rate swap) which are valued based on the swap details, such as swap curves, notional amount, index and term of index, reset frequency, volatility and payer/receiver credit ratings.

Receivables/payables classified as Level 1 represent investments sold/purchased but not yet settled. Receivables/payables classified as Level 2 represent interest and dividends earned but not yet received and costs incurred but not yet paid.

Insurance contracts, classified as Level 3, represent an investment in an immediate participation guaranteed group annuity contract. The fair value is based on contract value, which represents cost plus interest income less distributions for benefit payments and administrative expenses.

Plan Assets - U.S. Other Postretirement Benefit Plans *(PPL and LKE)*

PPL's and LKE's investment strategy with respect to its other postretirement benefit obligations is to fund VEBA trusts and/or 401(h) accounts with voluntary contributions and to invest in a tax efficient manner. Excluding the 401(h) accounts included in the PPL Services Corporation Master Trust in 2012 and LG&E and KU Energy LLC Pension Trusts in 2011 discussed in Plan Assets - U.S. Pension Plans above, PPL's and LKE's other postretirement benefit plans are invested in a mix of assets for long-term growth with an objective of earning returns that provide liquidity as required for benefit payments. These plans benefit from diversification of asset types, investment fund strategies and investment fund managers, and therefore, have no significant concentration of risk. Equity securities include investments in domestic large-cap commingled funds. Ownership interests in commingled funds that invest entirely in debt securities are classified as equity securities, but treated by PPL and LKE as debt securities for asset allocation and target allocation purposes. Ownership interests in commingled money market funds that invest entirely in money market securities are classified as equity securities, but treated by PPL and LKE as cash and cash equivalents for asset allocation and target allocation purposes. The asset allocation for the VEBA trusts and the target allocation, by asset class, at December 31 are detailed below.

	Percentage of plan assets		Target Asset Allocation
	2012	**2011**	**2012**
Asset Class			
U.S. Equity securities	46%	41%	45%
Debt securities (a)	51%	53%	50%
Cash and cash equivalents (b)	3%	6%	5%
Total	100%	100%	100%

(a) Includes commingled debt funds and debt securities.
(b) Includes commingled money market fund.

The fair value of assets in the U.S. other postretirement benefit plans by asset class and level within the fair value hierarchy was:

	December 31, 2012				December 31, 2011			
		Fair Value Measurement Using				Fair Value Measurement Using		
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
U.S. Equity securities:								
Large-cap	$ 145		$ 145		$ 126		$ 126	
Commingled debt	119		119		121		121	
Commingled money market funds	13	$ 13			20		20	
Municipalities	41		41		40		40	
Receivables	1		1					
Total VEBA trust assets	319	13	306		307		307	
401(h) account assets (a)	102	32	66	$ 4	84	$ 23	61	
Fair value - U.S. other postretirement benefit plans	$ 421	$ 45	$ 372	$ 4	$ 391	$ 23	$ 368	

(a) LKE's other postretirement benefit plan was invested primarily in a 401(h) account as disclosed in the PPL Services Corporation Master trust in 2012 and the LG&E and KU Energy LLC Pension Trusts in 2011.

Investments in large-cap equity securities represent investments in a passively managed equity index fund that invests in securities and a combination of other collective funds that together track the performance of the S&P 500 Index. Redemptions can be made daily on this fund.

Investments in commingled debt securities represent investments in a fund that invests in a diversified portfolio of investment grade long-duration fixed income securities that are managed to track the Barclays U.S. Long Credit Index, as well as a fund that is tracked to the Barclays U.S. Long Treasury Index. Redemptions can be made weekly on these funds.

Investments in commingled money market funds represent investments in a fund that invests primarily in a diversified portfolio of investment grade money market instruments, including, but not limited to, commercial paper, notes, repurchase agreements and other evidences of indebtedness with a maturity not exceeding 13 months from the date of purchase. The primary objective of the fund is a high level of current income consistent with stability of principal and liquidity. Redemptions can be made daily on this fund.

Investments in municipalities represent investments in a diverse mix of tax-exempt municipal securities.

Receivables represent interest and dividends earned but not received as well as investments sold but not yet settled.

Plan Assets - U.K. Pension Plans *(PPL)*

The overall investment strategy of WPD's pension plans is developed by each plan's independent trustees in its Statement of Investment Principles compliance with the U.K. Pensions Act of 1995 and other U.K. legislation. The trustees' primary focus is to ensure that assets are sufficient to mee members' benefits as they fall due with a longer term objective to reduce investment risk. The investment strategy is intended to maximize investment returns while not incurring excessive volatility in the funding position. WPD's plans are invested in a wide diversification of asset type fund strategies and fund managers and therefore have no significant concentration of risk. Commingled funds that consist entirely of debt securitie are traded as equity units, but treated by WPD as debt securities for asset allocation and target allocation purposes. These include investments in U.K. corporate bonds and U.K. gilts.

The asset allocation and target allocation at December 31 of WPD's pension plans are detailed below.

	Percentage of plan assets		Target Asset Allocation
	2012	2011	2012
Asset Class			
Cash and cash equivalents		5%	
Equity securities			
U.K.	6%	14%	6%
European (excluding the U.K.)	14%	5%	4%
Asian-Pacific		5%	3%
North American		5%	5%
Emerging markets	3%	2%	5%
Currency	2%	1%	1%
Global Tactical Asset Allocation	18%		18%
Debt securities (a)	51%	56%	52%
Alternative investments	6%	7%	6%
Total	100%	100%	100%

(a) Includes commingled debt funds.

The fair value of assets in the U.K. pension plans by asset class and level within the fair value hierarchy was:

	December 31, 2012				December 31, 2011			
		Fair Value Measurement Using				Fair Value Measurement Using		
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 14	$ 14			$ 313	$ 313		
Equity securities:								
U.K. companies	440	223	$ 217		921		$ 921	
European companies (excluding the U.K.)	956	720	236		313		313	
Asian-Pacific companies					312		312	
North American companies					335		335	
Emerging markets companies	231		231		116		116	
Currency	127		127		31		31	
Global Tactical Asset Allocation	1,220		1,220		25		25	
Commingled debt:								
U.K. corporate bonds	593		593		699		699	
U.K. gilts	1,664		1,664		2,109		2,109	
U.K. index-linked gilts	1,243		1,243		744		744	
Alternative investments:								
Real estate	423		423		433		433	
Fair value - U.K. pension plans	$ 6,911	$ 957	$ 5,954		$ 6,351	$ 313	$ 6,038	

Except for investments in real estate, the fair value measurements of WPD's pension plan assets are based on the same inputs and measurement techniques used to measure the U.S. pension plan assets described above.

Investments in U.K. equity securities represent passively managed equity index funds that are measured against the FTSE All Share Index. Investments in European equity securities represent passively managed equity index funds that are measured against the FTSE Europe ex U.K. Index. Investments in Asian-Pacific equity securities represent passively managed equity index funds that aim to outperform 50% FTSE Asia Pacific ex-Japan Index and 50% FTSE Japan Index. Investments in North American equity securities represent passively managed index funds that are measured against the FTSE North America Index. Investments in emerging market equity securities represent passively managed equity index funds that are measured against the MSCI Emerging Markets Index. Investments in currency equity securities represent investments in unitized passive and actively traded currency funds. The Global Tactical Asset Allocation strategy attempts to benefit from short-term market inefficiencies by taking positions in worldwide markets with the objective to profit from relative movements across those markets.

Debt securities include investment grade corporate bonds of companies from diversified U.K. industries.

Investments in real estate represent holdings in a U.K. unitized fund that owns and manages U.K. industrial and commercial real estate with a strategy of earning current rental income and achieving capital growth. The fair value measurement of the fund is based upon a net asset value per share, which is based on the value of underlying properties that are independently appraised in accordance with Royal Institution of Chartered Surveyors valuation standards at least annually with quarterly valuation updates based on recent sales of similar properties, leasing levels, property operations and/or market conditions. The fund may be subject to redemption restrictions in the unlikely event of a large forced sale in order to ensure other unit holders are not disadvantaged.

Expected Cash Flows - U.S. Defined Benefit Plans *(PPL)*

PPL's U.S. defined benefit plans have the option to utilize available prior year credit balances to meet current and future contribution requirements. However, PPL contributed $394 million to its U.S. pension plans in January 2013.

PPL sponsors various non-qualified supplemental pension plans for which no assets are segregated from corporate assets. PPL expects to make approximately $7 million of benefit payments under these plans in 2013.

PPL is not required to make contributions to its other postretirement benefit plans but has historically funded these plans in amounts equal to the postretirement benefit costs recognized. Continuation of this past practice would cause PPL to contribute $24 million to its other postretirement benefit plans in 2013.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid and the following federal subsidy payments are expected to be received by the separate plan trusts.

		Other Postretirement	
	Pension	Benefit Payment	Expected Federal Subsidy
2013	$ 196	$ 49	$ 1
2014	206	53	1
2015	219	55	1
2016	232	58	1
2017	249	60	1
2018-2022	1,475	333	3

(PPL Energy Supply)

The PPL Montana pension plan has the option to utilize available prior year credit balances to meet current and future contribution requirements. Therefore, no contributions are expected for 2013.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the separate plan trusts.

	Pension	Other Postretirement
2013	$ 4	$ 1
2014	5	2
2015	6	2
2016	6	2
2017	7	2
2018-2022	48	12

(LKE)

LKE's defined benefit plans have the option to utilize available prior year credit balances to meet current and future contribution requirements. However, LKE contributed $150 million to its pension plans in January 2013.

LKE sponsors various non-qualified supplemental pension plans for which no assets are segregated from corporate assets. LKE expects to make $3 million of benefit payments under these plans in 2013.

LKE is not required to make contributions to its other postretirement benefit plan but has historically funded this plan in amounts equal to the postretirement benefit costs recognized. Continuation of this past practice would cause LKE to contribute $12 million to its other postretirement benefit plan in 2013.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid and the following federal subsidy payments are expected to be received by the separate plan trusts.

		Other Postretirement	
	Pension	Benefit Payment	Expected Federal Subsidy
2013	$ 55	$ 13	$ 1
2014	55	13	
2015	58	14	1
2016	60	14	
2017	65	14	1
2018 - 2022	399	77	2

(LG&E)

LG&E's defined benefit plan has the option to utilize available prior year credit balances to meet current and future contribution requirements. However, LG&E contributed $11 million to its pension plan in January 2013.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the separate plan trust.

	Pension
2013	$ 15
2014	15
2015	15
2016	16
2017	16
2018 - 2022	95

Expected Cash Flows - U.K. Pension Plans *(PPL)*

The pension plans of WPD are subject to formal actuarial valuations every three years, which are used to determine funding requirements. Future contributions for PPL WW were evaluated in accordance with the latest valuation performed as of March 31, 2010, in respect of PPL WW's principal pension plan, to determine contribution requirements for 2013 and forward. Future contributions for PPL WEM were evaluated in accordance with the latest valuation performed as of June 30, 2011, in respect of PPL WEM's principal pension plan, to determine contribution requirements for 2013 and forward. WPD expects to make contributions of approximately $136 million in 2013. PPL WW and PPL WEM are currently permitted to recover in rates approximately 75% of their deficit funding requirements for their primary pension plans.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the separate plan trusts.

	Pension
2013	$ 379
2014	385
2015	393
2016	400
2017	406
2018-2022	2,141

Savings Plans *(PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU)*

Substantially all employees of PPL's domestic subsidiaries are eligible to participate in deferred savings plans (401(k)s). Employer contributions to the plans were:

	2012	2011	2010
PPL	$ 36	$ 31	$ 23
PPL Energy Supply	12	11	10
PPL Electric	5	5	4

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
LKE	$ 12	$ 11	$ 2	$ 9
LG&E	6	5	1	4
KU	6	6	1	4

The increase for PPL in 2012 and 2011 is primarily the result of PPL's acquisition of LKE and the employer contributions related to the employees of that company and its subsidiaries under their existing plans.

(PPL, PPL Energy Supply and PPL Electric)

Employee Stock Ownership Plan

Certain PPL subsidiaries sponsor a non-leveraged ESOP in which domestic employees, excluding those of PPL Montana, LKE and the mechanical contractors, are enrolled on the first day of the month following eligible employee status. Dividends paid on ESOP shares are treated as ordinary dividends by PPL. Under existing income tax laws, PPL is permitted to deduct the amount of those dividends for income tax purposes and to contribute the resulting tax savings (dividend-based contribution) to the ESOP.

The dividend-based contribution is used to buy shares of PPL's common stock and is expressly conditioned upon the deductibility of the contribution for federal income tax purposes. Contributions to the ESOP are allocated to eligible participants' accounts as of the end of each year, based 75% on shares held in existing participants' accounts and 25% on the eligible participants' compensation.

Compensation expense for ESOP contributions was $8 million in 2012, 2011 and 2010. These amounts were offset by the dividend-based contribution tax savings and had no impact on PPL's earnings.

PPL shares within the ESOP outstanding at December 31, 2012 were 7,857,222, or 1% of total common shares outstanding, and are included in all EPS calculations.

Separation Benefits

Certain PPL subsidiaries provide separation benefits to eligible employees. These benefits may be provided in the case of separations due to performance issues, loss of job related qualifications or organizational changes. Until December 1, 2012, certain employees separated were eligible for cash severance payments, outplacement services, accelerated stock award vesting, continuation of group health and welfare coverage, and enhanced pension and postretirement medical benefits. As of December 1, 2012, separation benefits for certain employees were changed to eliminate accelerated stock award vesting and enhanced pension and postretirement medical benefits. Also, the continuation of group health and welfare coverage was replaced with a single sum payment approximating the dollar amount of premium payments that would be incurred for continuation of group health and welfare coverage. Separation benefits are recorded when such amounts are probable and estimable.

Separation benefits were not significant in 2012 and 2010.

See Note 10 for separation benefits recorded in 2011 in connection with a reorganization following the acquisition of WPD Midlands.

(PPL, PPL Energy Supply, PPL Electric and LKE)

Health Care Reform

In March 2010, Health Care Reform was signed into law. Many provisions of Health Care Reform do not take effect for an extended period of time, and most will require the publication of implementing regulations and/or issuance of program guidelines.

Beginning in 2013, provisions within Health Care Reform eliminate the tax deductibility of retiree health care costs to the extent of federal subsidies received by plan sponsors that provide retiree prescription drug benefits equivalent to Medicare Part D Coverage. As a result, in 2010:

- PPL recorded income tax expense of $8 million; and
- PPL Energy Supply recorded income tax expense of $5 million.

Other provisions within Health Care Reform that apply to PPL and its subsidiaries include:

- an excise tax, beginning in 2018, imposed on high-cost plans providing health coverage that exceeds certain thresholds;
- a requirement to extend dependent coverage up to age 26; and
- broadening the eligibility requirements under the Federal Black Lung Act.

PPL and its subsidiaries have evaluated the provisions of Health Care Reform and have included the applicable provision in the valuation of those benefit plans that are impacted. The inclusion of the various provisions of Health Care Reform did not have a material impact on the financial statements. PPL and its subsidiaries will continue to monitor the potential impact of any changes to the existing provisions and implementation guidance related to Health Care Reform on their benefit programs.

14. Jointly Owned Facilities

(PPL, PPL Energy Supply, LKE, LG&E and KU)

At December 31, 2012 and 2011, the Balance Sheets reflect the owned interests in the facilities listed below.

	Ownership Interest	Electric Plant	Other Property	Accumulated Depreciation	Construction Work in Progress
PPL					
December 31, 2012					
Generating Plants					
Susquehanna	90.00%	$ 4,628		$ 3,530	$ 65
Conemaugh	16.25%	238		122	30
Keystone	12.34%	206		82	3
Trimble County Units 1 & 2	75.00%	1,279		112	43
Merrill Creek Reservoir	8.37%		$ 22	15	
December 31, 2011					
Generating Plants					
Susquehanna	90.00%	$ 4,608		$ 3,496	$ 42
Conemaugh	16.25%	233		115	14
Keystone	12.34%	198		69	3
Trimble County Units 1 & 2	75.00%	1,245		61	35
Merrill Creek Reservoir	8.37%		$ 22	15	
PPL Energy Supply					
December 31, 2012					
Generating Plants					
Susquehanna	90.00%	$ 4,628		$ 3,530	$ 65
Conemaugh	16.25%	238		122	30
Keystone	12.34%	206		82	3
Merrill Creek Reservoir	8.37%		$ 22	15	
December 31, 2011					
Generating Plants					
Susquehanna	90.00%	$ 4,608		$ 3,496	$ 42
Conemaugh	16.25%	233		115	14
Keystone	12.34%	198		69	3
Merrill Creek Reservoir	8.37%		$ 22	15	

	Ownership Interest	Electric Plant	Other Property	Accumulated Depreciation	Construction Work in Progress
LKE					
December 31, 2012					
Generating Plants					
Trimble County Unit 1	75.00%	$ 304		$ 33	$ 10
Trimble County Unit 2	75.00%	975		79	33
December 31, 2011					
Generating Plants					
Trimble County Unit 1	75.00%	$ 297		$ 19	$ 11
Trimble County Unit 2	75.00%	948		42	24
LG&E					
December 31, 2012					
Generating Plants					
E.W. Brown Units 6-7	38.00%	$ 40		$ 5	
Paddy's Run Unit 13 & E.W. Brown Unit 5	53.00%	46		3	
Trimble County Unit 1	75.00%	304		33	$ 10
Trimble County Unit 2	14.25%	198		14	13
Trimble County Units 5-6	29.00%	29		2	
Trimble County Units 7-10	37.00%	68		6	2
Cane Run Unit 7 CCGT	22.00%				16
December 31, 2011					
Generating Plants					
E.W. Brown Units 6-7	38.00%	$ 39		$ 3	
Paddy's Run Unit 13 & E.W. Brown Unit 5	53.00%	44		2	$ 5
Trimble County Unit 1	75.00%	297		19	11
Trimble County Unit 2	14.25%	190		7	7
Trimble County Units 5-6	29.00%	31		1	
Trimble County Units 7-10	37.00%	64		4	1
KU					
December 31, 2012					
Generating Plants					
E.W. Brown Units 6-7	62.00%	$ 64		$ 7	$ 1
Paddy's Run Unit 13 & E.W. Brown Unit 5	47.00%	42		2	
Trimble County Unit 2	60.75%	777		65	20
Trimble County Units 5-6	71.00%	70		4	
Trimble County Units 7-10	63.00%	116		10	2
Cane Run Unit 7 CCGT	78.00%				53
December 31, 2011					
Generating Plants					
E.W. Brown Units 6-7	62.00%	$ 64		$ 5	
Paddy's Run Unit 13 & E.W. Brown Unit 5	47.00%	39		2	$ 4
Trimble County Unit 2	60.75%	758		35	17
Trimble County Units 5-6	71.00%	66		2	4
Trimble County Units 7-10	63.00%	109		6	5

Each subsidiary owning these interests provides its own funding for its share of the facility. Each receives a portion of the total output of the generating plants equal to its percentage ownership. The share of fuel and other operating costs associated with the plants is included in the corresponding operating expenses on the Statements of Income.

In addition to the interests mentioned above, at December 31, 2012 and 2011, PPL Montana has a 50% leasehold interest in Colstrip Units 1 and 2 and a 30% leasehold interest in Colstrip Unit 3 under operating leases. See Note 11 for additional information. At December 31, 2012 and 2011, NorthWestern owned a 30% interest in Colstrip Unit 4. PPL Montana and NorthWestern have a sharing agreement that governs each party's responsibilities and rights relating to the operation of Colstrip Units 3 and 4. Under the terms of that agreement, each party is responsible for 15% of the total non-coal operating and construction costs of Colstrip Units 3 and 4, regardless of whether a particular cost is specific to Colstrip Unit 3 or 4, and is entitled to take up to the same percentage of the available generation from Units 3 and 4.

15. C ommitments and Contingencies

Energy Purchases, Energy Sales and Other Commitments

Energy Purchase Commitments

(PPL and PPL Energy Supply)

PPL Energy Supply enters into long-term energy and energy related contracts which include commitments to purchase:

Contract Type	Maximum Maturity Date
Fuels (a)	2023
Limestone	2030
Natural Gas Storage	2015
Natural Gas Transportation	2032
Power, excluding wind	2017
RECs	2038
Wind Power	2027

(a) PPL Energy Supply enters into long-term purchase contracts to supply the coal requirements for its coal-fired generation facilities. As a result of lower electricity and natural gas prices, coal unit utilization has decreased. To mitigate the risk of exceeding available coal storage, PPL Energy Supply incurred pre-tax charges of $29 million during 2012 to reduce its 2012 and 2013 contracted coal deliveries. These charges were recorded to "Fuel" on the Statement of Income.

(PPL, LKE, LG&E and KU)

LG&E and KU enter into purchase contracts to supply the coal and natural gas requirements for generation facilities and LG&E's gas supply operations. These contracts include the following commitments:

Contract Type	Maximum Maturity Date
Coal	2017
Coal Transportation and Fleeting Services	2023
Natural Gas Storage	2013
Natural Gas Transportation	2024

LG&E and KU have a power purchase agreement with OVEC expiring in June 2040. Pursuant to the OVEC power purchase contract, LG&E and KU are responsible for their pro-rata share of certain obligations of OVEC under defined circumstances. These potential liabilities include unpaid OVEC indebtedness as well as shortfall amounts in certain excess decommissioning costs and other post-employment and post-retirement benefit costs other than pension. LKE's proportionate share of OVEC's outstanding debt was $135 million at December 31, 2012, consisting of LG&E's share of $93 million and KU's share of $42 million. Future obligations for power purchases from OVEC are unconditional demand payments, comprised of annual minimum debt service payments, as well as contractually required reimbursement of plant operating, maintenance and other expenses as follows:

	LG&E	KU	Total
2013	$ 21	$ 9	$ 30
2014	21	9	30
2015	21	9	30
2016	22	10	32
2017	22	10	32
Thereafter	612	272	884
	$ 719	$ 319	$ 1,038

In addition, LG&E and KU had total energy purchases under the OVEC power purchase agreement for the periods ended as follows:

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
LG&E	$ 20	$ 22	$ 4	$ 17
KU	9	10	2	7
Total	$ 29	$ 32	$ 6	$ 24

(PPL and PPL Electric)

In 2009, the PUC approved PPL Electric's procurement plan for the period January 2011 through May 2013. To date, PPL Electric has conducted all of its planned competitive solicitations. The solicitations include a mix of long-term and short-term purchases, ranging from five months to ten years, to fulfill PPL Electric's obligation to provide for customer supply as a PLR. In May 2012, PPL Electric filed a plan with the PUC to purchase its electricity supply for default customers for the period June 2013 through May 2015. The PUC subsequently approved PPL Electric's plan on January 24, 2013. The approved plan proposes that PPL Electric procure this electricity through competitive solicitations conducted twice each plan year beginning in April 2013.

(PPL Electric)

See Note 16 for information on the power supply agreements between PPL EnergyPlus and PPL Electric.

Energy Sales Commitments

(PPL and PPL Energy Supply)

In connection with its marketing activities or hedging strategy for its power plants, PPL Energy Supply has entered into long-term power sales contracts that extend into 2019, excluding long-term renewable energy agreements that extend into 2038.

(PPL Energy Supply)

See Note 16 for information on the power supply agreements between PPL EnergyPlus and PPL Electric.

PPL Montana Hydroelectric License Commitments *(PPL and PPL Energy Supply)*

PPL Montana owns and operates 11 hydroelectric facilities and one storage reservoir licensed by the FERC under long-term licenses pursuant to the Federal Power Act. Pursuant to Section 8(e) of the Federal Power Act, the FERC approved the transfer from Montana Power to PPL Montana of all pertinent licenses in connection with the Montana Asset Purchase Agreement.

The Kerr Dam Project license (50-year term) was issued by the FERC jointly to Montana Power and the Confederated Salish and Kootenai Tribes of the Flathead Nation in 1985, and requires PPL Montana (as successor licensee to Montana Power) to hold and operate the project for at least 30 years (to 2015). Between 2015 and 2025, the tribes have the option to purchase, hold and operate the project for the remainder of the license term, which expires in 2035. While the tribes have indicated their intent to exercise the option at the earliest possible date, PPL Montana cannot predict if and when this option will be exercised. The license also requires PPL Montana to continue to implement a plan to mitigate the impact of the Kerr Dam on fish, wildlife and their habitats. Under this arrangement, PPL Montana has a remaining commitment to spend $6 million between 2013 and 2015, in addition to the annual rent it pays to the tribes.

PPL Montana entered into two Memoranda of Understanding (MOUs) with state, federal and private entities related to the issuance in 2000 of the FERC renewal license for the nine dams comprising the Missouri-Madison project. The MOUs are periodically updated and renewed and require PPL Montana to implement plans to mitigate the impact of its projects on fish, wildlife and their habitats, and to increase recreational opportunities. The MOUs were created to maximize collaboration between the parties and enhance the possibility to receive matching funds from relevant federal agencies. Under these arrangements, PPL Montana has a remaining commitment to spend $30 million between 2013 and 2040.

Legal Matters

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

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

WKE Indemnification *(PPL and LKE)*

See footnote (l) 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 and PPL Energy Supply)

Montana Hydroelectric Litigation

In November 2004, PPL Montana, Avista Corporation (Avista) and PacifiCorp commenced an action for declaratory judgment in Montana First Judicial District Court seeking a determination that no lease payments or other compensation for their hydroelectric facilities' use and occupancy of certain riverbeds in Montana can be collected by the State of Montana. This lawsuit followed dismissal on jurisdictional grounds of an earlier federal lawsuit seeking such compensation in the U.S. District Court of Montana. The federal lawsuit alleged that the beds of Montana's navigable rivers became state-owned trust property upon Montana's admission to statehood, and that the use of them should, under a 1931 regulatory scheme enacted after all but one of the hydroelectric facilities in question were constructed, trigger lease payments for use of land beneath. In July 2006, the Montana state court approved a stipulation by the State of Montana that it was not seeking compensation for the period prior to PPL Montana's December 1999 acquisition of the hydroelectric facilities.

Following a number of adverse trial court rulings, in 2007 Pacificorp and Avista each entered into settlement agreements with the State of Montana providing, in pertinent part, that each company would make prospective lease payments for use of the State's navigable riverbeds (subject to certain future adjustments), resolving the State's claims for past and future compensation.

Following an October 2007 trial of this matter on damages, in June 2008, the Montana District Court awarded the State retroactive compensation of approximately $35 million for the 2000-2006 period and approximately $6 million for 2007 compensation. Those unpaid amounts accrue interest at 10% per year. The Montana District Court also deferred determination of compensation for 2008 and future years to the Montana State Land Board. In October 2008, PPL Montana appealed the decision to the Montana Supreme Court, requesting a stay of judgment and a stay of the Land Board's authority to assess compensation for 2008 and future periods.

In March 2010, the Montana Supreme Court substantially affirmed the June 2008 Montana District Court decision. As a result, in the first quarter of 2010, PPL Montana recorded a pre-tax charge of $56 million ($34 million after tax), representing estimated rental compensation for the first quarter of 2010 and prior years, including interest. Rental compensation was estimated for periods subsequent to 2007. The portion of the pre-tax charge that related to prior years totaled $54 million ($32 million after tax). The pre-tax charge recorded on the Statement of Income was $49 million in "Other operation and maintenance" and $7 million in "Interest Expense."

In August 2010, PPL Montana filed a petition for a writ of certiorari with the U.S. Supreme Court requesting review of this matter. In June 2011, the U.S. Supreme Court granted PPL Montana's petition, and in February 2012 issued a decision overturning the Montana Supreme Court decision and remanded the case to the Montana Supreme Court for further proceedings consistent with the U.S. Supreme Court's opinion. As a result, in the fourth quarter of 2011 PPL Montana reversed its total loss accrual of $89 million ($53 million after-tax) which had been recorded prior to the U.S. Supreme Court decision. The amount reversed was recorded on the Statement of Income as a $75 million credit to "Other operation and maintenance" and a $14 million credit to "Interest Expense." PPL Montana believes the U.S. Supreme Court decision resolves certain questions of liability in this case in favor of PPL Montana and leaves open for reconsideration by Montana courts, consistent with the findings of the U.S. Supreme Court, certain other questions. In April 2012, the case was returned by the Montana Supreme Court to the Montana First Judicial District Court. Further proceedings have not yet been scheduled by the District Court. PPL Montana has concluded it is no longer probable, but it remains reasonably possible, that a loss has been incurred. While unable to estimate a range of loss, PPL Montana believes that any such amount would not be material.

Bankruptcy of SMGT

In October 2011, SMGT, a Montana cooperative and purchaser of electricity under a long-term supply contract with PPL EnergyPlus expiring in June 2019 (SMGT Contract), filed for protection under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Montana. At the time of the bankruptcy filing, SMGT was PPL EnergyPlus' largest unsecured credit exposure. This contract was accounted for as NPNS by PPL EnergyPlus.

The SMGT Contract provided for fixed volume purchases on a monthly basis at established prices. Pursuant to a court order and subsequent stipulations entered into between the SMGT bankruptcy trustee and PPL EnergyPlus, since the date of its Chapter 11 filing through January 2012, SMGT continued to purchase electricity from PPL EnergyPlus at the price specified in the SMGT Contract and made timely payments for such purchases, but at lower volumes than as prescribed in the SMGT Contract. In January 2012, the trustee notified PPL EnergyPlus that SMGT would not purchase electricity under the SMGT Contract for the month of February. In March 2012, the U.S. Bankruptcy Court for the District of Montana issued an order approving the request of the SMGT trustee and PPL EnergyPlus to terminate the SMGT Contract. As a result, the SMGT Contract was terminated effective April 1, 2012, allowing PPL EnergyPlus to resell to other customers the electricity previously contracted to SMGT.

PPL EnergyPlus' receivable under the SMGT Contract, representing non-performance by SMGT prior to termination of the SMGT Contract, totaled approximately $21 million at December 31, 2012, which has been fully reserved.

In July 2012, PPL EnergyPlus filed its proof of claim in the SMGT bankruptcy proceeding. The total claim, including the above receivable, is approximately $375 million, predominantly an unsecured claim representing the value for energy sales that will not occur as a result of the termination of the SMGT Contract. No assurance can be given as to the collectability of the claim, thus no amounts have been recorded in the 2012 financial statements.

PPL Energy Supply cannot predict any amount that it may recover in connection with the SMGT bankruptcy or the prices and other terms on which it will be able to market to third parties the power that SMGT will not purchase from PPL EnergyPlus due to the termination of the SMGT Contract.

Notices of Intent to Sue Colstrip Owners

In July 2012, PPL Montana received a Notice of Intent to Sue for violations of the Clean Air Act at Colstrip Steam Electric Station (Notice) from counsel on behalf of the Sierra Club and the MEIC. An Amended Notice was received on September 4, 2012, and a Second Amended Notice was received in October 2012. A Supplemental Notice was received in December 2012. The Notice, Amended Notice, Second Amended Notice, and Supplemental Notice (the Notices) were all addressed to the Owner or Managing Agent of Colstrip, and to the other Colstrip co-owners: Avista Corporation, Puget Sound Energy, Portland General Electric Company, NorthWestern Energy and PacifiCorp. The Notice alleges certain violations of the Clean Air Act, including New Source Review, Title V and opacity requirements. The Amended Notice alleges additional opacity violations at Colstrip, and the Second Amended Notice alleges additional Title V violations. The Supplemental Notice includes additional New Source Review Claims. All four notices state that Sierra Club and MEIC will request a United States District Court to impose injunctive relief and civil penalties, require a beneficial environmental project in the areas affected by the alleged air pollution and require reimbursement of Sierra Club's and MEIC's costs of litigation and attorney's fees. Under the Clean Air Act, lawsuits cannot be filed until 60 days after the applicable notice date. PPL is evaluating the allegations set forth in the Notices and cannot at this time predict the outcome of this matter.

Regulatory Issues

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

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

Enactment of Financial Reform Legislation *(PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU)*

The Dodd-Frank Act became effective in July 2010 and includes provisions that impose derivative transaction reporting requirements and require most over-the-counter derivative transactions to be executed through an exchange and to be centrally cleared. The Dodd-Frank Act also provides that the U.S. Commodity Futures Trading Commission (CFTC) may impose collateral and margin requirements for over-the-counter derivative transactions, as well as capital requirements for certain entity classifications. Final rules on major provisions in the Dodd-Frank Act are being established through rulemakings. The rulemakings are scheduled to become effective at different times beginning with the October 12, 2012 effective date of the definitional rule for the term "swap". In particular, the CFTC's Final Rule (Final Rule), defining key terms such as "swap dealer" and "major swap participant", took effect with the effectiveness of the swap definitional rule.

The heightened thresholds and requirements for these entity classifications set forth in the Final Rule resulted in the Registrants currently being designated neither swap dealers nor major swap participants. The Dodd-Frank Act and its implementing regulations, however, will impose on the Registrants significant additional and costly recordkeeping and reporting requirements. Also, the Registrants could face significantly higher operating costs or may be required to post additional collateral if they or their counterparties are subject to capital or margin requirements as ultimately adopted in the implementing regulations of the Dodd-Frank Act. The Registrants will continue to evaluate the provisions of the Dodd-Frank Act and its implementing regulations. At this time, the Registrants cannot predict the impact that the law or its implementing regulations will have on their businesses or operations, or the markets in which they transact business, but could incur significant costs related to compliance with the Dodd-Frank Act.

(PPL, PPL Energy Supply and PPL Electric)

New Jersey Capacity Legislation

In January 2011, New Jersey enacted a law that intervenes in the wholesale capacity market exclusively regulated by the FERC: S. No. 2381, 214th Leg. (N.J. 2011) (the Act). To create incentives for the development of new, in-state electric generation facilities, the Act implements a "long-term capacity agreement pilot program (LCAPP)." The Act requires New Jersey utilities to pay a guaranteed fixed price for wholesale capacity, imposed by the New Jersey Board of Public Utilities (BPU), to certain new generators participating in PJM, with the ultimate costs of that guarantee to be borne by New Jersey ratepayers. PPL believes the intent and effect of the LCAPP is to encourage the construction of new generation in New Jersey even when, under the FERC-approved PJM economic model, such new generation would not be economic. The Act could depress capacity prices in PJM in the short term, impacting PPL Energy Supply's revenues, and harm the long-term ability of the PJM capacity market to incent necessary generation investment throughout PJM. In February 2011, the PJM Power Providers Group (P3), an organization in which PPL is a member, filed a complaint before the FERC seeking changes in PJM's capacity market rules designed to ensure that subsidized generation, such as the generation that may result from the implementation of the LCAPP, will not be able to set capacity prices artificially low as a result of their exercise of buyer market power. In April 2011, the FERC issued an order granting in part and denying in part P3's complaint and ordering changes in PJM's capacity rules consistent with a significant portion of P3's requested changes. Several parties have filed appeals of the FERC's order. PPL, PPL Energy Supply and PPL Electric cannot predict the outcome of this proceeding or the economic impact on their businesses or operations, or the markets in which they transact business.

In addition, in February 2011, PPL, and several other generating companies and utilities filed a complaint in U.S. District Court in New Jersey challenging the Act on the grounds that it violates well-established principles under the Supremacy Clause and the Commerce Clause of the U.S. Constitution. In this action, the plaintiffs request declaratory and injunctive relief barring implementation of the Act by the Commissioners of the BPU. In October 2011, the court denied the BPU's motion to dismiss the proceeding. In September 2012, the U.S. District Court denied all summary judgment motions, and the litigation is continuing. Trial is scheduled to begin in March 2013. PPL, PPL Energy Supply and PPL Electric cannot predict the outcome of this proceeding or the economic impact on their businesses or operations, or the markets in which they transact business.

Maryland Capacity Order

In April 2012, the Maryland Public Service Commission (MD PSC) ordered three electric utilities in Maryland to enter into long-term contracts to support the construction of new electric generating facilities in Maryland, specifically a 661 MW natural gas-fired combined-cycle generating facility to be owned by CPV Maryland, LLC. PPL believes the intent and effect of the action by the MD PSC is to encourage the construction of new generation in Maryland even when, under the FERC-approved PJM economic model, such new generation would not be economic. The MD PSC action could depress capacity prices in PJM in the short term, impacting PPL Energy Supply's revenues, and harm the long-term ability of the PJM capacity market to encourage necessary generation investment throughout PJM.

In April 2012, PPL and several other generating companies filed a complaint in U.S. District Court in Maryland challenging the MD PSC order on the grounds that it violates well-established principles under the Supremacy and Commerce clauses of the U.S. Constitution. In this action, the plaintiffs request declaratory and injunctive relief barring implementation of the order by the Commissioners of the MD PSC. In August 2012, the court denied the MD PSC and CPV Maryland, LLC motions to dismiss the proceeding and the litigation is continuing. Trial is scheduled to begin in March 2013. PPL, PPL Energy Supply, and PPL Electric cannot predict the outcome of this proceeding or the economic impact on their businesses or operations, or the markets in which they transact business.

Pacific Northwest Markets *(PPL and PPL Energy Supply)*

Through its subsidiaries, PPL Energy Supply made spot market bilateral sales of power in the Pacific Northwest during the period from December 2000 through June 2001. Several parties subsequently claimed refunds at FERC as a result of these sales. In June 2003, the FERC terminated proceedings to consider whether to order refunds for spot market bilateral sales made in the Pacific Northwest, including sales made by PPL Montana, during the period December 2000 through June 2001. In August 2007, the U.S. Court of Appeals for the Ninth Circuit reversed the FERC's decision and ordered the FERC to consider additional evidence. In October 2011, FERC initiated proceedings to consider additional evidence. At June 30, 2012, there were two remaining claims against PPL Energy Supply totaling $73 million. In July 2012, PPL Montana and the City of Tacoma, one of the parties claiming refunds at FERC, reached a settlement whereby PPL Montana would pay $75 thousand to resolve the City of Tacoma's $23 million claim, $9 million of which represents interest. The settlement does not resolve the remaining claim outstanding at December 31, 2012 of approximately $50 million.

Although PPL and its subsidiaries believe they have not engaged in any improper trading or marketing practices affecting the Pacific Northwest markets, PPL and PPL Energy Supply cannot predict the outcome of the above-described proceedings or whether any subsidiaries will be the subject of any additional governmental investigations or named in other lawsuits or refund proceedings. Consequently, PPL and PPL Energy Supply cannot estimate a range of reasonably possible losses, if any, related to this matter.

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

FERC Market-Based Rate Authority

In 1998, the FERC authorized LG&E, KU and PPL EnergyPlus to make wholesale sales of electric power and related products at market-based rates. In those orders, the FERC directed LG&E, KU and PPL EnergyPlus, respectively, to file an updated market analysis within three years after the order, and every three years thereafter. Since then, periodic market-based rate filings with the FERC have been made by LG&E, KU, PPL EnergyPlus, PPL Electric, PPL Montana and most of PPL Generation's subsidiaries. These filings consisted of a Northwest market-based rate filing for PPL Montana and a Northeast market-based rate filing for most of the other PPL subsidiaries in PJM's region. In June 2011, FERC approved PPL's market-based rate update for the Eastern and Western regions. Also, in June 2011, PPL filed its market-based rate update for the Southeast region, including LG&E and KU in addition to PPL EnergyPlus. In June 2011, the FERC issued an order approving LG&E's and KU's request for a determination that they no longer be deemed to have market power in the BREC balancing area and removing restrictions on their market-based rate authority in such region.

Currently, a seller granted FERC market-based rate authority may enter into power contracts during an authorized time period. If the FERC determines that the market is not workably competitive or that the seller possesses market power or is not charging "just and reasonable" rates, it may institute prospective action, but any contracts entered into pursuant to the FERC's market-based rate authority remain in effect and are generally subject to a high standard of review before the FERC can order changes. Recent court decisions by the U.S. Court of Appeals for the Ninth Circuit have raised issues that may make it more difficult for the FERC to continue its program of promoting wholesale electricity competition through market-based rate authority. These court decisions permit retroactive refunds and a lower standard of review by the FERC for changing power contracts, and could have the effect of requiring the FERC in advance to review most, if not all, power contracts. In June 2008, the U.S. Supreme Court reversed one of the decisions of the U.S. Court of Appeals for the Ninth Circuit, thereby upholding the higher standard of review for modifying contracts. At this time, PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU cannot predict the impact of these court decisions on the FERC's future market-based rate authority program or on their businesses.

Electric Reliability Standards

The NERC is responsible for establishing and enforcing mandatory reliability standards (Reliability Standards) regarding the bulk power system. 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 power electricity system, including electric utility companies, generators and marketers. Under the Federal Power Act, the FERC may assess civil penalties of up to $1 million per day, per violation, for certain violations.

LG&E, KU , PPL Electric and certain subsidiaries of PPL Energy Supply monitor their compliance with the Reliability Standards and continue to self-report potential violations of certain applicable reliability requirements and submit accompanying mitigation plans, as required. The resolution of a number of potential violations is pending. 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, other than the amounts currently recorded.

In October 2012, the FERC issued a Notice of Proposed Rulemaking (NOPR) concerning Reliability Standards for Geomagnetic Disturbances. The FERC proposes to direct NERC to submit for approval Reliability Standards that address the impact of geomagnetic disturbances on the reliable operation of the bulk-power system, including one or more measures to protect against damage to the bulk-power system, such as the installation of equipment that blocks geomagnetically induced currents on implicated transformers. If the NOPR is adopted by the FERC, it is expected to require the Registrants either or both to make significant expenditures in new equipment or modifications to their facilities. The Registrants are unable to predict whether the NOPR will be adopted as proposed by the FERC or the amount of any expenditures that may be required as a result of the adoption of any Reliability Standards for geomagnetic disturbances.

Settled Litigation *(PPL and PPL Energy Supply)*

Spent Nuclear Fuel Litigation

In May 2011, PPL Susquehanna entered into a settlement agreement with the U.S. Government relating to PPL Susquehanna's lawsuit, seeking damages for the Department of Energy's failure to accept spent nuclear fuel from the PPL Susquehanna plant. PPL Susquehanna recorded credits totaling $56 million to "Fuel" on the Statement of Income in 2011 to recognize recovery, under the settlement agreement, of certain costs to store spent nuclear fuel at the Susquehanna plant. The amounts recorded through September 2011 cover costs incurred from 1998 through December 2010. PPL Susquehanna is eligible to receive payment of annual claims for allowed costs, as set forth in the settlement agreement, that are incurred through December 31, 2013. In exchange, PPL Susquehanna has waived any claims against the United States government for costs paid or injuries sustained related to storing spent nuclear fuel at the Susquehanna plan through December 31, 2013.

Environmental Matters - Domestic

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

Due to the environmental issues discussed below or other environmental matters, it may be necessary for the Registrants to modify, curtail, replace or cease operating certain facilities or 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 impact of these permits and rules.

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 which apply to coal combustion wastes and by-products from facilities utilized for production of energy from coal in accordance with their approved compliance plans. Costs not covered by the ECR for LG&E and KU and all such costs for PPL Electric are subject to rate recovery before their respective state regulatory authorities, or the FERC, if applicable. Because PPL Electric does not own any generating plants, its exposure to environmental compliance costs is reduced. As PPL Energy Supply is not a rate regulated entity, it does not have any mechanism for seeking rate recovery of environmental compliance costs. 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.

(PPL, PPL Energy Supply, LKE, LG&E and KU)

Air

CSAPR (formerly Clean Air Transport Rule) and CAIR

In July 2011, the EPA adopted the CSAPR, which was intended to finalize and rename the Clean Air Transport Rule (Transport Rule) proposed in August 2010. The CSAPR replaced the EPA's previous CAIR which was invalidated by the U.S. Court of Appeals for the District of Columbia Circuit (the Court) in July 2008. CAIR subsequently was effectively reinstated by the Court in December 2008, pending finalization of the Transport Rule. Like CAIR, CSAPR only applied to PPL's fossil-fueled generating plants located in Kentucky and Pennsylvania.

In December 2011, the Court stayed implementation of the CSAPR and left CAIR in effect pending a final decision on the validity of the rule. In August 2012, the Court issued a ruling invalidating CSAPR, remanding the rule to the EPA for further action, and leaving CAIR in place during the interim. A further revised rule is not expected from the EPA for at least two years.

The CSAPR was meant to facilitate attainment of ambient air quality standards for ozone and fine particulates by requiring reductions in sulfur dioxide and nitrogen oxides emissions. The CSAPR established new sulfur dioxide and nitrogen oxide emission allowance cap and trade programs that were more restrictive than previously under CAIR. The CSAPR provided for two-phased programs of sulfur dioxide and nitrogen oxide emissions reductions, with initial reductions in 2012 and more stringent reductions in 2014.

The Kentucky fossil-fueled generating plants can meet the CAIR sulfur dioxide emission requirements by utilizing sulfur dioxide allowances (including banked allowances). To meet nitrogen oxide standards, under the CAIR, the Kentucky companies will need to buy allowances and/or make operational changes. LG&E and KU do not currently anticipate that the costs of meeting these reinstated CAIR requirements or standards will be significant.

PPL Energy Supply's Pennsylvania fossil-fueled generating plants can meet the CAIR sulfur dioxide emission requirements with the existing scrubbers that were placed in service in 2008 and 2009. To meet nitrogen oxide standards, under the CAIR, PPL Energy Supply will need to buy allowances and/or make operational changes, the costs of which are not anticipated to be significant.

National Ambient Air Quality Standards

In addition to the reductions in sulfur dioxide and nitrogen oxide emissions required under the CAIR for its Pennsylvania and Kentucky plants, PPL's fossil-fueled generating plants, including those in Montana, may face further reductions in sulfur dioxide and nitrogen oxide emissions as a result of more stringent national ambient air quality standards for ozone, nitrogen oxide, sulfur dioxide and/or fine particulates.

In 2010, the EPA finalized a new one-hour standard for sulfur dioxide, and states are required to identify areas that meet those standards and areas that are in non-attainment. For non-attainment areas, states are required to develop plans by 2014 to achieve attainment by 2017. For areas that are in attainment or that are unclassifiable, states are required to develop maintenance plans by mid-2013 that demonstrate continued attainment. In December 2012, the EPA issued final rules that strengthen the particulate standards. Under the final rule, states and the EPA have until the end of 2014 to identify initial non-attainment areas, and states have until 2020 to achieve attainment status for those areas. States can request an extension to 2025 to comply with the rule. Until particulate matter and sulfur dioxide maintenance and compliance plans are developed, PPL, PPL Energy Supply, LKE, LG&E and KU cannot predict which of their facilities may be located in a non-attainment area and what measures would be required to achieve attainment status.

PPL, PPL Energy Supply, LKE, LG&E and KU anticipate that some of the measures required for compliance with the CAIR, the MATS, or the Regional Haze requirements, such as upgraded or new sulfur dioxide scrubbers at some of their plants and, in the case of LG&E and KU, the previously announced retirement of coal-fired generating units at the Cane Run, Green River and Tyrone plants, will help to achieve compliance with the new one-hour sulfur dioxide standard. If additional reductions were to be required, the financial impact could be significant.

Mercury and Other Hazardous Air Pollutants

In May 2011, the EPA published a proposed regulation providing for stringent reductions of mercury and other hazardous air pollutants. In February 2012, the EPA published the final rule, known as the MATS, with an effective date of April 16, 2012. The rule is being challenged by industry groups and states. The EPA issued a proposed rule in November 2012 reconsidering limited aspects of its MATS and New Source Performance Standards (NSPS) to which PPL responded with comments.

The rule provides for a three-year compliance deadline with the potential for a one-year extension as provided under the statute. Based on their assessment of the need to install pollution control equipment to meet the provisions of the proposed rule, LG&E and KU filed requests with the KPSC for environmental cost recovery to facilitate moving forward with plans to install environmental controls including chemical additive and fabric-filter baghouses to remove certain hazardous air pollutants. Recovery of the cost of certain controls was granted by the KPSC in December 2011. See Note 6 for information on LG&E's and KU's anticipated retirement of certain coal-fired electric generating units in response to this and other environmental regulations. With the publication of the final MATS rule, LG&E and KU are currently assessing whether any revisions of their approved compliance plans will be necessary.

With respect to PPL Energy Supply's Pennsylvania plants, PPL Energy Supply believes that certain coal-fired plants may require installation of chemical additive systems, the cost of which is not expected to be significant. With respect to PPL Energy Supply's Montana plants, modifications to the current air pollution controls installed on Colstrip may be required, the cost of which is not expected to be significant. For the Corette plant, PPL Energy Supply announced in September 2012 its intention, beginning in April 2015, to place the plant in long-term reserve status, suspending the plant's operation due to expected market conditions and the costs to comply with the MATS requirements. The Corette plant asset group's carrying amount at December 31, 2012 was approximately $68 million. Although the Corette plant asset group was not determined to be impaired at December 31, 2012, it is reasonably possible that an impairment could occur in future periods as higher priced sales contracts settle, adversely impacting projected cash flows. PPL Energy Supply, LG&E and KU are continuing to conduct in-depth reviews of the MATS, including the potential implications to scrubber wastewater discharges. See the discussion of effluent limitations guidelines and standards below.

Regional Haze and Visibility

In January 2012, the EPA proposed limited approval of the Pennsylvania regional haze State Implementation Plan (PA SIP). That proposal would essentially approve PPL's analysis that further particulate controls at PPL Energy Supply's Pennsylvania plants are not warranted. The limited approval does not address deficiencies of the state plan arising from the remand of the CAIR. Previously, the EPA had determined that implementation of the CAIR requirements would meet regional haze requirements.

In 2012, the EPA finalized a rule providing that implementation of the CSAPR would also meet the Best Available Retrofit Technology (BART) requirements for sulfur dioxide and nitrogen oxides. This rule also addresses the PA SIP deficiency arising from the CAIR remand. However, in August 2012, the U.S. Court of Appeals for the District of Columbia Circuit (Court) vacated and remanded the CSAPR back to the EPA for further rulemaking (as discussed above). In September 2012, several environmental groups filed a petition for review with the Court challenging the EPA's approval of the PA SIP. At this time, it is not known whether the EPA will reinstate its previous determination that CAIR satisfies the BART requirement or will require states to conduct source-specific BART studies.

In Montana, the EPA Region 8 developed the regional haze plan as the Montana Department of Environmental Quality declined to develop a BART state implementation plan at this time. PPL submitted to the EPA its analyses of the visibility impacts of sulfur dioxide, nitrogen oxides and particulate emissions for Colstrip Units 1 and 2 and Corette. PPL's analyses concluded that further reductions are not warranted, except that the EPA concurred with the installation of Separated Overfire Air (SOFA) and lime injection for Units 1 and 2. PPL has also submitted data and analyses of various air emission control options under the rules to reduce air emissions related to the non-BART-affected emission sources of Colstrip Units 3 and 4. The analyses show that any incremental reductions would not be cost-effective and that further analysis is not warranted.

In September 2012, the EPA issued its final Federal Implementation Plans (FIP) for the Montana regional haze rule. The final FIP indicated that no additional controls were required for Corette or Colstrip Units 3 and 4 but proposed tighter limits for Corette and Colstrip Units 1 and 2. PPL Energy Supply expects to meet these tighter permit limits at Corette without any significant changes to operations, although other requirements have led to the planned suspension of operations at Corette beginning in April 2015. See "Mercury and Other Hazardous Air Pollutants" discussion above. Under the final FIP, Colstrip Units 1 and 2 will require additional controls, including the possible installation of an SNCR and other technology, to meet more stringent nitrogen oxide and sulfur dioxide limits. The cost of these potential additional controls, if required, could be significant. In November 2012, PPL filed a petition for review of the Montana Regional Haze FIP with the U.S. Court of Appeals for the Ninth Circuit. Environmental groups have also filed a petition for review. The two matters have been consolidated, and the parties have agreed to a briefing schedule.

LG&E and KU also submitted analyses of the visibility impacts of their Kentucky BART-eligible sources to the Kentucky Division for Air Quality (KDAQ). Only LG&E's Mill Creek plant was determined to have a significant regional haze impact. The KDAQ has submitted a regional haze SIP to the EPA which requires the Mill Creek plant to reduce its sulfuric acid mist emissions from Units 3 and 4, the costs of which are not expected to be significant. After approval of the Kentucky SIP by the EPA and revision of the Mill Creek plant's air permit under Title V, LG&E intends to install sorbent injection controls at the plant to reduce sulfuric acid mist emissions.

New Source Review (NSR)

The EPA has continued its NSR enforcement efforts targeting coal-fired generating plants. The EPA has asserted that modification of these plants has increased their emissions and, consequently, that they are subject to stringent NSR requirements under the Clean Air Act. In April 2009, PPL received EPA information requests for its Montour and Brunner Island plants. The requests are similar to those that PPL received in the early 2000s for its Colstrip, Corette and Martins Creek plants. PPL and the EPA have exchanged certain information regarding this matter. In January 2009, PPL and other companies that own or operate the Keystone plant in Pennsylvania received a notice of violation from the EPA alleging that certain projects were undertaken without proper NSR compliance. In May and November 2012, PPL Montana received information requests from the EPA regarding projects undertaken during the Spring 2012 maintenance outage at Colstrip Unit 1. In September 2012, PPL Montana received an information request from the Montana Department of Environmental Quality regarding the Unit 1 and other projects. PPL and PPL Energy Supply cannot predict the outcome of these matters, and cannot estimate a range of reasonably possible losses, if any.

In addition, in August 2007, LG&E received information requests for the Mill Creek and Trimble County plants, and KU received requests for the Ghent plant, but they have received no further communications from the EPA since providing their responses. PPL, LKE, LG&E and KU cannot predict the outcome of these matters, and cannot estimate a range of reasonably possible losses, if any.

In March 2009, KU received a notice alleging that KU violated certain provisions of the Clean Air Act's rules governing NSR and prevention of significant deterioration by installing sulfur dioxide scrubbers and SCR controls at its Ghent plant without assessing potential increased sulfuric acid mist emissions. KU contends that the work in question, as pollution control projects, was exempt from the requirements cited by the EPA. In December 2009, the EPA issued an information request on this matter. In September 2012, the parties reached a tentative settlement addressing the Ghent NSR matter and a September 2007 notice of violation alleging opacity violations at the plant. A consent decree was lodged in the U.S. District Court for the Eastern District of Kentucky in December 2012. PPL, LKE and KU cannot predict the outcome of this matter until the consent decree is entered by the Court, but currently do not expect such outcome to result in costs in excess of amounts already accrued, which amounts are not material.

If PPL subsidiaries are found to have violated NSR regulations, PPL, PPL Energy Supply, LKE, LG&E and KU would, among other things, be required to meet permit limits reflecting Best Available Control Technology (BACT) for the emissions of any pollutant found to have significantly increased due to a major plant modification. The costs to meet such limits, including installation of technology at certain units, could be significant.

States and environmental groups also have provided notice of their intention to initiate enforcement actions and litigation alleging violations of the NSR regulations by coal-fired generating plants. See "Legal Matters" above for information on a notice of intent to sue received in July 2012 (and amended multiple times thereafter) by PPL Montana and other owners of Colstrip. PPL, PPL Energy Supply, LKE, LG&E and KU are unable to predict whether such actions will be brought against any of their other plants.

Colstrip and Corette Air Permits (PPL and PPL Energy Supply)

In January 2013, Earthjustice, on behalf of the Sierra Club and the MEIC filed an administrative appeal with the Board of Environmental Review, setting forth challenges to certain components of the Title V permits for Colstrip and Corette. These challenges include: 1) the regional haze requirements should have been included in the Title V permits for Corette and Colstrip; 2) the MATS requirements should have been included in the Title V permits for Corette and Colstrip; 3) the particulate monitoring methodology is inadequate at Corette and Colstrip; and 4) sulfur dioxide monitoring is inadequate at Corette. PPL Montana intends to participate in this proceeding and cannot predict its outcome.

On January 31, 2013, the Sierra Club and the MEIC alleged identical claims in their joint petition to the EPA, requesting that the EPA object to the MDEQ's issuance of Colstrip's and Corette's Title V permits. PPL Montana cannot predict the outcome of this parallel matter pending before the EPA.

TC2 Air Permit (PPL, LKE, LG&E and KU)

The Sierra Club and other environmental groups petitioned the Kentucky Environmental and Public Protection Cabinet to overturn the air permit issued for the TC2 baseload 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 were incorporated into a final revised permit issued by the KDAQ in January 2010. 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 capital costs of this project, if any.

(PPL, PPL Energy Supply, LKE, LG&E and KU)

Global Climate Change

There is concern nationally and internationally about global climate change and the possible contribution of GHG emissions including, most significantly, carbon dioxide, from the combustion of fossil fuels. This has resulted in increased demands for carbon dioxide emission reductions from investors, environmental organizations, government agencies and the international community. These demands and concerns have led to federal legislative proposals, actions at regional, state and local levels, litigation relating to GHG emissions and the EPA regulations on GHGs.

Greenhouse Gas Legislation

While climate change legislation was actively considered in 2009-2010, such legislation has not significantly progressed. Since that time, although the U.S. House of Representatives passed legislation attempting to bar the EPA from regulating GHG emissions under the existing authority of the Clean Air Act, the Senate never took up the legislation. The timing and elements of future federal legislation addressing GHG emission reductions are uncertain at this time.

Greenhouse Gas Regulations and Tort Litigation

As a result of the April 2007 U.S. Supreme Court decision that the EPA has authority under the Clean Air Act to regulate GHG emissions from new motor vehicles, in April 2010, the EPA and the U.S. Department of Transportation issued new light-duty vehicle emissions standards that apply beginning with 2012 model year vehicles. The EPA also clarified that this standard, beginning in 2011, authorized regulation of GHG emissions from stationary sources under the NSR and Title V operating permit provisions of the Clean Air Act. As a result, any new sources or major modifications to existing GHG sources causing a net significant emissions increase requires the BACT permit limits for GHGs. The rules were challenged, and in June 2012, the U.S. Court of Appeals for the District of Columbia Circuit upheld the EPA's regulations. In December 2012, the Court denied petitions for rehearing pertaining to the Court's June 2012 opinion.

In addition, in April 2012, the EPA proposed NSPS for carbon dioxide emissions from new coal-fired generating units, combined-cycle natural gas units, and integrated gasification combined-cycle units. The proposal would require new coal plants to achieve the same stringent limitations on carbon dioxide emissions as the best performing new gas plants. There presently is no commercially available technology to allow new coal plants to achieve these limitations and, as a result, the EPA's proposal would effectively preclude future construction of new coal-fired generation. In December 2012, the U.S. Court of Appeals for the District of Columbia Circuit dismissed consolidated challenges to the NSPS holding that the proposed rule is not a final agency action. The EPA is expected to finalize the NSPS for new sources in early 2013.

At the regional level, ten northeastern states signed a Memorandum of Understanding (MOU) agreeing to establish a GHG emission cap-and-trade program, called the Regional Greenhouse Gas Initiative (RGGI). The program commenced in January 2009 and calls for stabilizing carbon dioxide emissions, at base levels established in 2005, from electric power plants with capacity greater than 25 MW. The MOU also provides for a 10% reduction, by 2019, in carbon dioxide emissions from base levels.

Pennsylvania has not stated an intention to join the RGGI, but enacted the Pennsylvania Climate Change Act of 2008 (PCCA). The PCCA established a Climate Change Advisory Committee to advise the PADEP on the development of a Climate Change Action Plan. In December 2009, the Advisory Committee finalized its Climate Change Action Report and identified specific actions that could result in reducing GHG emissions by 30% by 2020. Some of the proposed actions, such as a mandatory 5% efficiency improvement at power plants, could be technically unachievable. To date, there have been no regulatory or legislative actions taken to implement the recommendations of the report. In addition, legislation has been introduced that would, if enacted, accelerate solar supply requirements and restrict eligible solar projects to those located in Pennsylvania. PPL and PPL Energy Supply cannot predict at this time whether this legislation will be enacted.

Eleven western states and certain Canadian provinces established the Western Climate Initiative (WCI) in 2003. The WCI established a goal of reducing carbon dioxide emissions by 15% below 2005 levels by 2020 and developed GHG emission allocations, offsets, and reporting recommendations. Montana was once a partner in the WCI, but by 2011 withdrew, along with several other western states.

In November 2008, the Governor of Kentucky issued a comprehensive energy plan including non-binding targets aimed at promoting improved energy efficiency, development of alternative energy, development of carbon capture and sequestration projects, and other actions to reduce GHG emissions. In December 2009, the Kentucky Climate Action Plan Council was established to develop an action plan addressing potential GHG reductions and related measures. To date, the state has not issued a final plan. The impact of any such plan is not now determinable, but the costs to comply with the plan could be significant.

A number of lawsuits have been filed asserting common law claims including nuisance, trespass and negligence against various companies with GHG emitting plants, and the law remains unsettled on these claims. In September 2009, the U.S. Court of Appeals for the Second Circuit in the case of AEP v. Connecticut reversed a federal district court's decision and ruled that several states and public interest groups, as well as the City of New York, could sue five electric utility companies under federal common law for allegedly causing a public nuisance as a result of their emissions of GHGs. In June 2011, the U.S. Supreme Court overturned the lower court and held that such federal common law claims were displaced by the Clean Air Act and regulatory actions of the EPA. In addition, in Comer v. Murphy Oil (Comer case), the U.S. Court of Appeals for the Fifth Circuit (Fifth Circuit) declined to overturn a district court ruling that plaintiffs did not have standing to pursue state common law claims against companies that emit GHGs. The complaint in the Comer case named the previous indirect parent of LKE as a defendant based upon emissions from the Kentucky plants. In January 2011, the Supreme Court denied a petition to reverse the Fifth Circuit's ruling. In May 2011, the plaintiffs in the Comer case filed a substantially similar complaint in federal district court in Mississippi against 87 companies, including KU and three other indirect subsidiaries of LKE, under a Mississippi statute that allows the re-filing of an action in certain circumstances. In March 2012, the Mississippi federal court granted defendants' motions to dismiss the state common law claims because plaintiffs had previously raised the same claims, plaintiffs lacked standing, plaintiffs' claims were displaced by the Clean Air Act, and other grounds. In April 2012, plaintiffs filed a notice of appeal in the Fifth Circuit. Additional litigation in federal and state courts over these issues is continuing. PPL, LKE and KU cannot predict the outcome of this litigation or estimate a range of reasonably possible losses, if any.

In 2012, PPL's power plants emitted approximately 70 million tons of carbon dioxide compared with 74 million tons in 2011. The totals reflect 35 million tons from PPL Generation and 35 million tons from LG&E's and KU's generating fleet. All tons are U.S. short tons (2,000 pounds/ton).

Renewable Energy Legislation (PPL, PPL Energy Supply, LKE, LG&E and KU)

There has been interest in renewable energy legislation at both the state and federal levels. Federal legislation on renewable energy is not expected to be introduced this year. In Pennsylvania, bills were recently introduced in both the Senate and House amending the existing AEPS to accelerate the current solar generation obligation, but no action was taken before the end of the 2011-2012 legislative session. Future bills are expected calling for an increase in AEPS Tier 1 (renewable resources, such as wind and solar) obligations and to create a $25 million permanent funding program for solar. Bills have also been introduced in Montana to add hydropower as a qualified source to the renewable portfolio standard.

PPL, PPL Energy Supply, LKE, LG&E and KU believe there are financial, regulatory and logistical uncertainties related to the implementation of renewable energy mandates that will need to be resolved before the impact of such requirements on them can be estimated. Such uncertainties, among others, include the need to provide back-up supply to augment intermittent renewable generation, potential generation over-supply that could result from such renewable generation and back-up, impacts to PJM's capacity market and the need for substantial changes to transmission and distribution systems to accommodate renewable energy sources. These uncertainties are not directly addressed by proposed legislation. PPL and PPL Energy Supply cannot predict at this time the effect on their merchant plants' future competitive position, results of operation, cash flows and financial position of renewable energy mandates that may be adopted, although the costs to implement and comply with any such requirements could be significant.

<u>Water/Waste</u>

Coal Combustion Residuals (CCRs) (PPL, PPL Energy Supply, LKE, LG&E and KU)

In June 2010, the EPA proposed two approaches to regulating the disposal and management of CCRs (as either hazardous or non-hazardous) under the Resource Conservation and Recovery Act (RCRA). CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes. The first approach would regulate CCRs as a hazardous waste under Subtitle C of the RCRA. This approach would materially increase costs and result in early retirements of many coal-fired plants, as it would require plants to retrofit their operations to comply with full hazardous waste requirements for the generation of CCRs and associated waste waters through generation, transportation and disposal. This would also have a negative impact on the beneficial use of CCRs and could eliminate existing markets for CCRs. The second approach would regulate CCRs as a solid (non-hazardous) waste under Subtitle D of the RCRA. This approach would mainly affect disposal and most significantly affect any wet disposal operations. Under this approach, many of the current markets for beneficial uses would not be affected. Currently, PPL expects that several of its plants in Kentucky and Montana could be significantly impacted by the requirements of Subtitle D of the RCRA, as these plants are using surface impoundments for management and disposal of CCRs.

The EPA has issued information requests on CCR management practices at numerous plants throughout the power industry as it considers whether or not to regulate CCRs as hazardous waste. PPL has provided information on CCR management practices at most of its plants in response to the EPA's requests. In addition, the EPA has conducted follow-up inspections to evaluate the structural stability of CCR management facilities at several PPL plants and PPL has implemented certain actions in response to recommendations from these inspections.

The EPA is continuing to evaluate the unprecedented number of comments it received on its June 2010 proposed regulations. In October 2011, the EPA issued a Notice of Data Availability (NODA) that requests comments on selected documents that the EPA received during the comment period for the proposed regulations. In addition, the U.S. House of Representatives in September 2012 approved a bill that was revised in the Senate to modify Subtitle D of the RCRA to provide for the proper management and disposal of CCRs and to preclude the EPA from regulating CCRs under Subtitle C of the RCRA. This revised bill is being considered in the Senate and the prospect for passage is uncertain.

In January 2012, a coalition of environmental groups filed a 60-day notice of intent to sue the EPA for failure to perform nondiscretionary duties under RCRA, which could require a deadline for the EPA to issue strict CCR regulations. In February 2012, two CCR recycling companies also issued a 60-day notice of intent to sue the EPA over its timeliness in issuing CCR regulations, but they requested that the EPA take a Subtitle D approach that would allow for continued recycling of CCRs. The coalition filed its lawsuit in April 2012 and litigation is continuing.

A final rulemaking is currently expected before the end of 2015. However, the timing of the final regulations could be accelerated by the outcome of the above litigation, which could require the EPA to issue its regulations sooner.

PPL, PPL Energy Supply, LKE, LG&E and KU cannot predict at this time the final requirements of the EPA's CCR regulations or potential changes to the RCRA and what impact they would have on their facilities, but the financial impact could be material if regulated as a hazardous waste under Subtitle C and significant if regulated under Subtitle D.

Martins Creek Fly Ash Release (PPL and PPL Energy Supply)

In 2005, approximately 100 million gallons of water containing fly ash was released from a disposal basin at the Martins Creek plant used in connection with the operation of the plant's two 150 MW coal-fired generating units. This resulted in ash being deposited onto adjacent roadways and fields, and into a nearby creek and the Delaware River. PPL determined that the release was caused by a failure in the disposal basin's discharge structure. PPL conducted extensive clean-up and completed studies, in conjunction with a group of natural resource trustees and the Delaware River Basin Commission, evaluating the effects of the release on the river's sediment, water quality and ecosystem.

The PADEP filed a complaint in Pennsylvania Commonwealth Court against PPL Martins Creek and PPL Generation, alleging violations of various state laws and regulations and seeking penalties and injunctive relief. PPL and the PADEP have settled this matter. The settlement also required PPL to submit a report on the completed studies of possible natural resource damages. PPL subsequently submitted the assessment report to the Pennsylvania and New Jersey regulatory agencies and has continued discussing potential natural resource damages and mitigation options with the agencies. Subsequently, in August 2011 the PADEP submitted its National Resource Damage Assessment report to the court and to the interveners. In December 2011, the interveners commented on the PADEP report and in February 2012 the PADEP and PPL filed separate responses with the court. In March 2012, the court dismissed the interveners' case, but the interveners have appealed the dismissal to the Pennsylvania Supreme Court and a decision by the court is still pending.

Through December 31, 2012, PPL Energy Supply has spent $28 million for remediation and related costs and an insignificant remediation liability remains on the balance sheet. PPL and PPL Energy Supply cannot be certain of the outcome of the natural resource damage assessment or the associated costs, the outcome of any lawsuit that may be brought by citizens or businesses or the nature of any other regulatory or legal actions that may be initiated against PPL, PPL Energy Supply or their subsidiaries as a result of the disposal basin release. However, PPL and PPL Energy Supply currently do not expect such outcomes to result in significant losses above the amounts currently recorded.

Seepages and Groundwater Infiltration - Pennsylvania, Montana and Kentucky

(PPL, PPL Energy Supply, LKE, LG&E and KU)

Seepages or groundwater infiltration have been detected at active and retired wastewater basins and landfills at various PPL, PPL Energy Supply, LKE, LG&E and KU plants. PPL, PPL Energy Supply, LKE, LG&E and KU have completed or are completing assessments of seepages or groundwater infiltration at various facilities and have completed or are working with agencies to implement abatement measures, where required. A range of reasonably possible losses cannot currently be estimated.

(PPL and PPL Energy Supply)

In 2007, six plaintiffs filed a lawsuit in the Montana Sixteenth Judicial District Court against the Colstrip plant owners asserting property damage due to seepage from plant wastewater ponds. A settlement agreement was reached in July 2010 which would have resulted in a payment by PPL Montana, but certain of the plaintiffs later argued the settlement was not final. The Colstrip plant owners filed a motion to enforce the settlement and in October 2011 the court granted the motion and ordered the settlement to be completed in 60 days. The plaintiffs appealed the October 2011 order to the Montana Supreme Court, which affirmed the district court's order enforcing the settlement on December 31, 2012 and denied plaintiff's motion for rehearing on February 5, 2013. The parties have 60 days after the February 5, 2013 decision to complete the settlement. PPL Montana's share of the settlement is not expected to be significant.

In August 2012, PPL Montana entered into an Administrative Order on Consent (AOC) with the MDEQ which establishes a comprehensive process to investigate and remediate groundwater seepage impacts related to the wastewater facilities at the Colstrip power plant. The AOC requires that within five years, PPL Montana provide financial assurance to the MDEQ for the costs associated with closure and future monitoring of the waste-water treatment facilities. PPL Montana cannot predict at this time if the actions required under the AOC will create the need to adjust the existing ARO related to these facilities.

In September 2012, Earthjustice filed an affidavit pursuant to Montana's Major Facility Siting Act (MFSA) that sought review of the AOC by Montana's Board of Environmental Review (BER), on behalf of the Sierra Club, the MEIC, and the National Wildlife Federation (NWF). In September 2012, PPL Montana filed an election with the BER to have this proceeding conducted in Montana state district court as contemplated by the MFSA. In October 2012, Earthjustice filed a petition for review of the AOC in the Montana state district court in Rosebud County.

In late October 2012, Earthjustice filed a second complaint against the MDEQ and PPL Montana in state district court in Lewis and Clark County on behalf of the Sierra Club, the MEIC and the NWF. This complaint alleges that the defendants have failed to take action under the MFSA and the Montana Water Quality Act to effectively monitor and correct issues of coal ash disposal and wastewater ponds at the Colstrip plant. The complaint seeks a declaration that the operations of the impoundments violate the statutes addressed above, requests a writ of mandamus directing the MDEQ to enforce the same, and seeks recovery of attorneys' fees and costs. PPL is vigorously defending these allegations, and PPL and PPL Energy Supply cannot predict the outcome of this matter.

Clean Water Act 316(b) (PPL, PPL Energy Supply, LKE, LG&E and KU)

The EPA finalized requirements in 2004 for new or modified cooling water intake structures. These requirements affect where generating plants are built, establish intake design standards and could lead to requirements for cooling towers at new and modified power plants. In 2009, however, the U.S. Supreme Court ruled that the EPA has discretion to use cost-benefit analysis in determining the best technology available for minimizing adverse environmental impact to aquatic organisms. The EPA published the proposed rule on new or modified cooling water intake structures in April 2011. The industry and PPL reviewed the proposed rule and submitted comments. The EPA has been evaluating comments and meeting with industry groups to discuss options. Two NODAs have been issued on the rule that indicate the EPA may be willing to amend the rule based on certain industry group comments, and the EPA's comment period on the NODAs has ended. The final rule is expected to be issued in 2013. The proposed rule contains two requirements to reduce impact to aquatic organisms. The first requires all existing facilities to meet standards for the reduction of mortality of aquatic organisms that become trapped against water intake screens regardless of the levels of mortality actually occurring or the cost of achieving the requirements. The second requirement is to determine and install the best technology available to reduce mortality of aquatic organisms that are pulled through the plant's cooling water system. A form of cost-benefit analysis is allowed for this second requirement. This process involves a site-specific evaluation based on nine factors, including impacts to energy delivery reliability and the remaining useful life of the plant. PPL, PPL Energy Supply, LKE, LG&E and KU cannot reasonably estimate a range of reasonably possible costs, if any, until a final rule is issued, the required studies have been completed, and each state in which they operate has decided how to implement the rule.

Effluent Limitations Guidelines and Standards (PPL, PPL Energy Supply, LKE, LG&E and KU)

In October 2009, the EPA released its Final Detailed Study of the Steam Electric Power Generating effluent limitations guidelines and standards. The EPA is expected to issue the final regulations in 2014. PPL, PPL Energy Supply, LKE, LG&E and KU expect the revised guidelines and standards to be more stringent than the current standards especially for sulfur dioxide scrubber wastewater. The guidelines are also expected to require dry ash handling, which could result in additional costs for technology retrofits for closure of wet basins. In the interim, states may impose more stringent limits on a case-by-case basis under existing authority as permits are renewed. Under the Clean Water Act, permits are subject to renewal every five years. PPL, PPL Energy Supply, LKE, LG&E and KU are unable to predict the outcome of this matter or estimate a range of reasonably possible costs, but the costs could be significant.

Other Issues (PPL, PPL Energy Supply, LKE, LG&E and KU)

In 2006, the EPA significantly decreased to 10 parts per billion (ppb) the drinking water standards for arsenic. In Pennsylvania, Montana and Kentucky, this arsenic standard has been incorporated into the states' water quality standards and could result in more stringent limits in NPDES permits for PPL's Pennsylvania, Montana and Kentucky plants. Subsequently, the EPA developed a draft risk assessment for arsenic that increases the cancer risk exposure by more than 20, which would lower the current standard from 10 ppb to 0.1 ppb. If the lower standard becomes effective, costly treatment would be required to attempt to meet the standard and, at this time, there is no assurance that it could be achieved. PPL, PPL Energy Supply, LKE, LG&E and KU cannot predict the outcome of the draft risk assessment and what impact, if any, it would have on their plants, but the costs could be significant.

The EPA is reassessing its polychlorinated biphenyls (PCB) regulations under the Toxics Substance Control Act, which currently allow certain PCB articles to remain in use. In April 2010, the EPA issued an Advanced Notice of Proposed Rulemaking for changes to these regulations. This rulemaking could lead to a phase-out of all PCB-containing equipment. The EPA is planning to propose the revised regulations in late 2013. PCBs are found, in varying degrees, in all of the Registrants' operations. The Registrants cannot predict at this time the outcome of these proposed EPA regulations and what impact, if any, they would have on their facilities, but the costs could be significant.

A PPL Energy Supply subsidiary signed a Consent Order and Agreement (COA) with the PADEP in July 2008 under which it agreed, under certain conditions, to take further actions to minimize the possibility of fish kills at its Brunner Island plant. Fish are attracted to warm water in the power plant discharge channel, especially during cold weather. Debris at intake pumps can result in a unit trip or reduction in load, causing a sudden change in water temperature and fish mortality. A barrier has been constructed to prevent debris from entering the river water intake area at a cost that was not significant.

PPL Energy Supply's subsidiary has also investigated alternatives to exclude fish from the discharge channel, but the subsidiary and the PADEP have concluded that a barrier method to exclude fish is not workable. In June 2012, a new COA was signed that allows the subsidiary to study a change in a cooling tower operational method that may keep fish from entering the channel. Should this approach fail, the new COA requires a retrofit of impingement control technology at the intakes to the cooling towers, the cost of which could be significant.

In May 2010, the subsidiary received a draft NPDES permit (renewed) for the Brunner Island plant from the PADEP. This permit includes new water quality-based limits for the scrubber wastewater plant. Some of these limits may not be achievable with the existing treatment system. Several agencies and environmental groups commented on the draft permit, raising issues that must be resolved to obtain a final permit for the plant. PPL Energy Supply cannot predict the outcome of the final resolution of the permit issues at this time, or what impact, if any, they would have on this facility, but the costs could be significant.

In May 2010, the Kentucky Waterways Alliance and other environmental groups filed a petition with the Kentucky Energy and Environment Cabinet 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 Cabinet issued a final order upholding the permit. In December 2010, the environmental groups appealed the order to the Trimble Circuit Court, but the case was subsequently transferred to the Franklin Circuit Court. PPL, LKE, LG&E and KU are unable to predict the outcome of this matter or estimate a range of reasonably possible losses, if any.

The EPA and the Army Corps of Engineers are working on a guidance document that will expand the federal government's interpretation of what constitutes "waters of the United States" subject to regulation under the Clean Water Act. This change has the potential to affect generation and delivery operations, with the most significant effect being the potential elimination of the existing regulatory exemption for plant waste water treatment systems. The costs that may be imposed on the

Registrants as a result of any eventual expansion of this interpretation cannot reliably be estimated at this time but could be significant.

Superfund and Other Remediation *(PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU)*

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 Ward Transformer 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. However, should the EPA require different or additional measures in the future, or should PPL Electric's share of costs at multi-party sites increase substantially more than currently expected, the costs could be significant.

PPL Electric, LG&E and KU are 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. There are additional sites, formerly owned or operated by PPL Electric, LG&E and KU predecessors or affiliates, for which PPL Electric, LG&E and KU lack information on current site conditions and are therefore unable to predict what, if any, potential liability they may have.

Depending on the outcome of investigations at sites where investigations have not begun or been completed or developments at sites for which PPL Electric, LG&E and KU currently lack information, the costs of remediation and other liabilities could be material. PPL, PPL Electric, LKE, LG&E and KU cannot estimate a range of reasonably possible losses, if any, related to these matters.

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.

Under the Pennsylvania Clean Streams Law, subsidiaries of PPL Generation are obligated to remediate acid mine drainage at former mine sites and may be required to take additional steps to prevent potential acid mine drainage at previously capped refuse piles. One PPL Generation subsidiary is pumping mine water at two mine sites and treating water at one of these sites. Another PPL Generation subsidiary has installed a passive wetlands treatment system at a third site. At December 31, 2012, PPL Energy Supply had accrued a discounted liability of $26 million to cover the costs of pumping and treating groundwater at the two mine sites for 50 years and for operating and maintaining passive wetlands treatment at the third site. PPL Energy Supply discounted this liability based on risk-free rates at the time of the mine closures. The weighted-average rate used was 8.19%. Expected undiscounted payments are estimated at $3 million for 2013, $1 million for each of the years from 2014 through 2017, and $139 million for work after 2017.

From time to time, PPL Energy Supply, PPL Electric, LG&E and KU undertake remedial action in response to spills or other releases at various on-site and off-site locations, negotiate with the EPA and state and local agencies regarding actions necessary 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 which 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 their operations.

Future cleanup or remediation work at sites currently under review, or at sites not currently identified, may result in significant additional costs for the Registrants.

Environmental Matters - WPD *(PPL)*

WPD's distribution businesses are subject to environmental regulatory and statutory requirements. PPL believes that WPD has taken and continues to take measures to comply with the applicable laws and governmental regulations for the protection of the environment.

The U.K. Government has requested that utilities undertake projects to alleviate the impact of flooding on the U.K. utility infrastructure, including major electricity substations. WPD has agreed with the Ofgem to spend $45 million on flood prevention, which will be recovered through rates during the ten-year period commencing April 2010. WPD is currently liaising on site-specific proposals with local offices of a U.K. Government agency.

There are no other material legal or administrative proceedings pending against or related to WPD with respect to environmental matters.

Other

Nuclear Insurance *(PPL and PPL Energy Supply)*

PPL Susquehanna is a member of certain insurance programs that provide coverage for property damage to members' nuclear generating plants. Facilities at the Susquehanna plant are insured against property damage losses up to $2.75 billion under these programs. PPL Susquehanna is also a member of an insurance program that provides insurance coverage for the cost of replacement power during prolonged outages of nuclear units caused by certain specified conditions.

Under the property and replacement power insurance programs, PPL Susquehanna could be assessed retroactive premiums in the event of the insurers' adverse loss experience. At December 31, 2012, this maximum assessment was $48 million.

In the event of a nuclear incident at the Susquehanna plant, PPL Susquehanna's public liability for claims resulting from such incident would be limited to $12.6 billion under provisions of The Price-Anderson Act as amended. PPL Susquehanna is protected against this liability by a combination of commercial insurance and an industry assessment program.

In the event of a nuclear incident at any of the reactors covered by The Price-Anderson Act as amended, PPL Susquehanna could be assessed up to $235 million per incident, payable at $35 million per year.

Guarantees and Other Assurances

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

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.

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

The table below details guarantees provided as of December 31, 2012. The total recorded liability at December 31, 2012 and 2011 was $24 million and $14 million for PPL and $20 million and $11 million for LKE. 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." For reporting purposes, on a consolidated basis, all guarantees of PPL Energy Supply (other than the letters of credit), PPL Electric, LKE, LG&E and KU also apply to PPL, and all guarantees of LG&E and KU also apply to LKE.

	Exposure at December 31, 2012 (a)	Expiration Date
PPL		
Indemnifications related to the WPD Midlands acquisition	(b)	
WPD indemnifications for entities in liquidation and sales of assets	$ 11 (c)	2015
WPD guarantee of pension and other obligations of unconsolidated entities	91 (d)	2015
PPL Energy Supply		
Letters of credit issued on behalf of affiliates	23 (e)	2013 - 2014
Retrospective premiums under nuclear insurance programs	48 (f)	
Nuclear claims assessment under The Price-Anderson Act Amendments under The Energy Policy Act of 2005	235 (g)	
Indemnifications for sales of assets	250 (h)	2025
Indemnification to operators of jointly owned facilities	6 (i)	
Guarantee of a portion of a divested unconsolidated entity's debt	22 (j)	2018

	Exposure at December 31, 2012 (a)	Expiration Date
PPL Electric		
Guarantee of inventory value	21 (k)	2016
LKE		
Indemnification of lease termination and other divestitures	301 (l)	2021 - 2023
LG&E and KU		
LG&E and KU guarantee of shortfall related to OVEC	(m)	

(a) Represents the estimated maximum potential amount of future payments that could be required to be made under the guarantee.

(b) Prior to PPL's acquisition, WPD Midlands Holdings Limited had agreed to indemnify certain former directors of a Turkish entity in which WPD Midlands Holdings Limited previously owned an interest, for any liabilities that may arise as a result of an investigation by Turkish tax authorities, and PPL WEM has received a cross-indemnity from E.ON AG with respect to these indemnification obligations. Additionally, PPL subsidiaries agreed to provide indemnifications to subsidiaries of E.ON AG for certain liabilities relating to properties and assets owned by affiliates of E.ON AG that were transferred to WPD Midlands in connection with the acquisition. 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.

(c) In connection with the liquidation of wholly owned subsidiaries that have been deconsolidated upon turning the entities over to the liquidators, certain affiliates of PPL Global have agreed to indemnify the liquidators, directors and/or the entities themselves for any liabilities or expenses arising during the liquidation process, including liabilities and expenses of the entities placed into liquidation. In some cases, the indemnifications are limited to a maximum amount that is based on distributions made from the subsidiary to its parent either prior or subsequent to being placed into liquidation. In other cases, the maximum amount of the indemnifications is 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 in which the agreements provide for a specific limit on the amount of the indemnification, and the expiration date was based on an estimate of the dissolution date of the entities.

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. In addition, in connection with certain of these sales, WPD and its affiliates 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. Finally, WPD and its affiliates remain secondarily responsible for lease payments under certain leases that they have assigned to third parties.

(d) As a result of the privatization of the utility industry in the U.K., certain electric associations' roles and responsibilities were discontinued or modified. As a result, certain obligations, primarily pension-related, associated with these organizations have been guaranteed by the participating members. Costs are allocated to the members based on predetermined percentages as outlined in specific agreements. However, if a member becomes insolvent, costs can be reallocated to and are guaranteed by the remaining members. At December 31, 2012, WPD has recorded an estimated discounted liability based on its current allocated percentage of the total expected costs 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. Therefore, they have been estimated based on the types of obligations.

(e) Standby letter of credit arrangements under PPL Energy Supply's credit facilities for the purposes of protecting various third parties against nonperformance by PPL. This is not a guarantee by PPL on a consolidated basis.

(f) PPL Susquehanna is contingently obligated to pay this amount related to potential retrospective premiums that could be assessed under its nuclear insurance programs. See "Nuclear Insurance" above for additional information.

(g) This is the maximum amount PPL Susquehanna could be assessed for each incident at any of the nuclear reactors covered by this Act. See "Nuclear Insurance" above for additional information.

(h) PPL Energy Supply's maximum exposure with respect to certain indemnifications and the expiration of the indemnifications cannot be estimated because, in the case of certain indemnification provisions, the maximum potential liability is not capped by the transaction documents and the expiration date is based on the applicable statute of limitation. The exposure and expiration dates noted are only for those cases in which the agreements provide for specific limits. The indemnification provisions described below are in each case subject to certain customary limitations, including thresholds for allowable claims, caps on aggregate liability, and time limitations for claims arising out of breaches of most representations and warranties.

A subsidiary of PPL Energy Supply has agreed to provide indemnification to the purchaser of the Long Island generation business for damages arising out of any breach of the representations, warranties and covenants under the related transaction agreement and for damages arising out of certain other matters, including liabilities relating to certain renewable energy facilities which were previously owned by one of the PPL subsidiaries sold in the transaction but which were unrelated to the Long Island generation business. The indemnification provisions for most representations and warranties expired in the third quarter of 2011.

A subsidiary of PPL Energy Supply has agreed to provide indemnification to the purchasers of the Maine hydroelectric facilities for damages arising out of any breach of the representations, warranties and covenants under the respective transaction agreements and for damages arising out of certain other matters, including liabilities of the PPL Energy Supply subsidiary relating to the pre-closing ownership or operation of those hydroelectric facilities. The indemnification provisions for most representations and warranties expired in the fourth quarter of 2012.

Subsidiaries of PPL Energy Supply have agreed to provide indemnification to the purchasers of certain non-core generation facilities sold in March 2011 for damages arising out of any breach of the representations, warranties and covenants under the related transaction agreements and for damages arising out of certain other matters relating to the facilities that were the subject of the transaction, including certain reduced capacity payments (if any) at one of the facilities in the event specified PJM rule changes are proposed and become effective. The indemnification provisions for most representations and warranties expired in the first quarter of 2012.

(i) In December 2007, a subsidiary of PPL Energy Supply executed revised owners agreements for two jointly owned facilities, the Keystone and Conemaugh generating plants. The agreements require that in the event of any default by an owner, the other owners fund contributions for the operation of the generating plants, based upon their ownership percentages. The non-defaulting owners, who make up the defaulting owner's obligations, are entitled to the generation entitlement of the defaulting owner, based upon their ownership percentage. The exposure shown reflects the PPL Energy Supply subsidiary's share of the maximum obligation. The agreements do not have an expiration date.

(j) A PPL Energy Supply subsidiary owned a one-third equity interest in Safe Harbor Water Power Corporation (Safe Harbor) that was sold in March 2011. Beginning in 2008, PPL Energy Supply guaranteed one-third of any amounts payable with respect to certain senior notes issued by Safe Harbor. Under the terms of the sale agreement, PPL Energy Supply continues to guarantee the portion of Safe Harbor's debt, but received a cross-indemnity from the purchaser, secured by a lien on the purchaser's stock of Safe Harbor, in the event PPL Energy Supply is required to make a payment under the guarantee. The exposure noted reflects principal only. See Note 9 for additional information on the sale of this interest.

(k) PPL Electric entered into a contract with a third party logistics firm that provides inventory procurement and fulfillment services. Under the contract, the logistics firm has title to the inventory purchased for PPL Electric's use. Upon termination of the contract, PPL Electric has guaranteed to purchase any remaining inventory that has not been used or sold by the logistics firm at the weighted-average cost at which the logistics firm purchased the inventory, thus protecting the logistics firm from reductions in the fair value of the inventory.

(l) LKE provides certain indemnifications, the most significant of which relate to the termination of the WKE lease in July 2009. See Note 9 for additional information. These guarantees cover the due and punctual payment, performance and discharge by each party of its respective present and future obligations. The most comprehensive of these guarantees is the LKE guarantee covering operational, regulatory and environmental commitments and indemnifications made by WKE under the WKE Transaction Termination Agreement. This guarantee has a term of 12 years ending July 2021, and a cumulative maximum exposure of $200 million. Certain items such as government fines and penalties fall outside the cumulative cap. LKE has contested the applicability of the indemnification requirement relating to one matter presented by a counterparty under this guarantee. Another guarantee with a maximum exposure of $100 million covering other indemnifications expires in 2023. In May 2012, LKE's indemnitee received an arbitration panel's decision affecting this matter, which granted LKE's indemnitee certain rights of first refusal to purchase excess power at a market-based price rather than at an absolute fixed price. In January 2013, LKE's indemnitee commenced a proceeding in the Kentucky Court of Appeals appealing a December 2012 order of the Henderson Circuit Court confirming the arbitration award. LKE believes its indemnification obligations in this matter remain subject to various uncertainties, including the potential for additional legal challenges regarding the arbitration decision as well as future prices, availability and demand for the subject excess power. LKE continues to evaluate various legal and commercial options with respect to this indemnification matter. 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; however, LKE is not aware of formal claims under such indemnities made by any party at this time. LKE could be required to perform on these indemnifications in the event of covered losses or liabilities being claimed by an indemnified party. In the second quarter of 2012, LKE adjusted its estimated liability for certain of these indemnifications by $9 million ($5 million after-tax), which is reflected in "Income (Loss) from Discontinued Operations (net of income taxes)" on the Statement of Income. The adjustment was recorded in the Kentucky Regulated segment for PPL. LKE cannot predict the ultimate outcomes of such indemnification circumstances, but does not currently expect such outcomes to result in significant losses above the amounts recorded.

(m) As described in the "Energy Purchase Commitments" above, pursuant to the OVEC power purchase contract, expiring in June 2040, LG&E and KU are obligated to pay a demand charge which includes, among other charges, debt service and amortization toward principal retirement, decommissioning costs, post-retirement and post-employment benefits costs (other than pensions), and reimbursement of plant operating, maintenance and other expenses. The demand charge is expected to cover LG&E's and KU's shares of the cost of the listed items over the term of the contract. However, in the event there is a shortfall in covering these costs, LG&E and KU are obligated to pay their share of the excess debt service, post-retirement and decommissioning costs. The maximum exposure and the expiration date of these potential obligations are not presently determinable.

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 requires a maximum $4 million deductible per occurrence and provides maximum aggregate coverage of $200 million. This insurance may be applicable to obligations under certain of these contractual arrangements.

16. Related Party Transactions

(PPL Energy Supply and PPL Electric)

PLR Contracts/Purchase of Accounts Receivable

PPL Electric holds competitive solicitations for PLR generating supply. PPL EnergyPlus has been awarded a portion of the PLR generation supply through these competitive solicitations. See Note 15 for additional information on the solicitations. The sales and purchases between PPL EnergyPlus and PPL Electric are included in the Statements of Income as "Wholesale energy marketing to affiliate" by PPL Energy Supply and as "Energy purchases from affiliate" by PPL Electric.

Under the standard Supply Master Agreement for the solicitation process, PPL Electric requires all suppliers to post collateral once credit exposures exceed defined credit limits. PPL EnergyPlus is required to post collateral with PPL Electric: (a) when the market price of electricity to be delivered by PPL EnergyPlus exceeds the contract price for the forecasted quantity of electricity to be delivered and (b) this market price exposure exceeds a contractual credit limit. Based on the current credit rating of PPL Energy Supply, as guarantor, PPL EnergyPlus' credit limit was $35 million at December 31, 2012. In no instance is PPL Electric required to post collateral to suppliers under these supply contracts.

PPL Electric's customers may choose an alternative supplier for their generation supply. See Note 1 for additional information regarding PPL Electric's purchases of accounts receivable from alternative suppliers, including PPL EnergyPlus.

At December 31, 2012, PPL Energy Supply had a net credit exposure of $27 million to PPL Electric from its commitment as a PLR supplier and from the sale of its accounts receivable to PPL Electric.

Wholesale Sales and Purchases *(LG&E and KU)*

LG&E and KU jointly dispatch their generation units with the lowest cost generation used to serve their retail native load. When LG&E has excess generation capacity after serving its own retail native load and its generation cost is lower than that of KU, KU purchases electricity from LG&E. When KU has excess generation capacity after serving its own retail native load and its generation cost is lower than that of LG&E, LG&E purchases electricity from KU. These transactions are reflected in the Statements of Income as "Electric revenue from affiliate" and "Energy purchases from affiliate" and are recorded at a price equal to the seller's fuel cost. Savings realized from such intercompany transactions are shared equally between both companies. The volume of energy each company has to sell to the other is dependent on its native load needs and its available generation.

Allocations of PPL Services Costs *(PPL Energy Supply, PPL Electric and LKE)*

PPL Services provides corporate functions such as financial, legal, human resources and information technology services. PPL Services charges the respective PPL subsidiaries for the cost of such services when they can be specifically identified. The cost of the services that is not directly charged to PPL subsidiaries is allocated to applicable subsidiaries based on an average of the subsidiaries' relative invested capital, operation and maintenance expenses and number of employees. PPL Services charged the following amounts for the years ended December 31, which PPL management believes are reasonable, including amounts applied to accounts that are further distributed between capital and expense.

	2012	2011	2010
PPL Energy Supply	$ 212	$ 189	$ 232
PPL Electric	157	145	134
LKE	15	16	3 (a)

(a) Represents costs allocated during the two months ended December 31, 2010 as LKE was acquired November 1, 2010.

Intercompany Billings by LKS *(LG&E and KU)*

LKS provides LG&E and KU with a variety of centralized administrative, management and support services. The cost of these services is directly charged to the company or, for general costs that cannot be directly attributed, charged based on predetermined allocation factors, including the following measures: number of customers, total assets, revenues, number of employees and/or other statistical information. LKS charged the amounts in the table below, which LKE management believes are reasonable, including amounts that are further distributed between capital and expense.

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
LG&E	$ 186	$ 190	$ 32	$ 200
KU	161	204	34	222

In addition, LG&E and KU provide services to each other and to LKS. Billings between LG&E and KU relate to labor and overheads associated with union and hourly employees performing work for the other company, charges related to jointly-owned generating units and other miscellaneous charges. Tax settlements between LKE and LG&E and KU are reimbursed through LKS.

Intercompany Borrowings

(PPL Energy Supply)

A PPL Energy Supply subsidiary periodically holds revolving lines of credit and demand notes from certain affiliates that are reflected in "Note receivable from affiliates" on the Balance Sheet. At December 31, 2012, there were no outstanding balances. At December 31, 2011, a note with PPL Energy Funding had an outstanding balance of $198 million with an interest rate of 3.77%. Interest earned on these revolving facilities is included in "Interest Income from Affiliates" on the Statements of Income. For 2012, interest earned on borrowings was insignificant. For 2011, interest earned on borrowings, which was substantially attributable to borrowings by PPL Energy Funding as discussed above, was $8 million. For 2010, interest earned on borrowings, excluding the term notes discussed below, was $5 million with interest rates equal to one-month LIBOR plus a spread.

(PPL Energy Supply, LKE, LG&E and KU)

In November 2010, a PPL Energy Supply subsidiary held term notes with LG&E and KU. These notes were subsequently repaid and therefore no balances were outstanding at December 31, 2010. Interest on these notes was included in "Interest Income from Affiliates" for PPL Energy Supply and "Interest Expense with Affiliate" for LKE, LG&E and KU. When balances were outstanding, interest on these notes was insignificant for 2010.

(LKE)

LKE maintains a $300 million revolving line of credit with a PPL Energy Funding subsidiary whereby LKE can borrow funds on a short-term basis at market-based rates. The interest rates on borrowings are equal to one-month LIBOR plus a spread. At December 31, 2012, $25 million was outstanding and was reflected in "Notes payable with affiliates" on the Balance Sheet. The interest rate on the outstanding borrowing at December 31, 2012 was 1.71%. The line of credit was held by another PPL subsidiary in 2011. No balance was outstanding at December 31, 2011. Interest on the revolving line of credit was not significant for 2012 or 2011.

LKE maintains an agreement with a PPL affiliate that has a $300 million borrowing limit whereby LKE can loan funds on a short-term basis at market-based rates. At December 31, 2012, there was no outstanding balance. At December 31, 2011, $15 million was outstanding and was reflected in "Notes receivable from affiliates" on the Balance Sheet. The interest rates on loans are based on the PPL affiliate's credit rating and are currently equal to one-month LIBOR plus a spread. The interest rate on the outstanding borrowing at December 31, 2011 was 2.27%. Interest income on this note was not significant in 2012 or 2011.

(LG&E)

LG&E participates in an intercompany money pool agreement whereby LKE and/or KU make available to LG&E funds up to $500 million at an interest rate based on a market index of commercial paper issues. At December 31, 2012 and 2011, there was no balance outstanding. Interest expense incurred and interest income earned on the money pool agreement with LKE and/or KU was not significant for 2012, 2011 or 2010.

(KU)

KU participates in an intercompany money pool agreement whereby LKE and/or LG&E make available to KU funds up to $500 million at an interest rate based on a market index of commercial paper issues. At December 31, 2012 and 2011, there was no balance outstanding. Interest expense incurred and interest income earned on the money pool agreement with LKE and/or LG&E was not significant for 2012, 2011 or 2010.

Intercompany Derivatives *(LKE, LG&E and KU)*

In November 2012, LG&E and KU entered into forward-starting interest rate swaps with PPL for notional amounts of $150 million each. These hedging instruments have terms identical to forward-starting swaps entered into by PPL with third parties. See Note 19 for additional information on intercompany derivatives.

(PPL Energy Supply)

Trademark Royalties

A PPL subsidiary owns PPL trademarks and billed certain affiliates for their use under a licensing agreement. This agreement was terminated in December 2011. PPL Energy Supply was charged $40 million of license fees in 2011 and 2010. These charges are primarily included in "Other operation and maintenance" on the Statements of Income.

Distribution of Interest in PPL Global to Parent

In January 2011, PPL Energy Supply distributed its membership interest in PPL Global to its parent, PPL Energy Funding. See Note 9 for additional information.

Intercompany Insurance *(PPL Electric)*

PPL Power Insurance Ltd. (PPL Power Insurance) is a subsidiary of PPL that provides insurance coverage to PPL and its subsidiaries for property damage, general/public liability and workers' compensation.

Due to damages resulting from several PUC-reportable storms that occurred in 2012 and 2011, PPL Electric exceeded its deductible for both policy years. Probable recoveries on insurance claims with PPL Power Insurance of $18.25 million for 2012 and $26.5 million for 2011 were recorded in those years, of which $14 million and $16 million were included in "Other operation and maintenance" on the Statements of Income. In both years, the remainder was recorded in PP&E on the Balance Sheets. In September 2012, PPL Electric received $26.5 million from the settlement of its 2011 claims.

Effective January 1, 2013, PPL Electric no longer has storm insurance with PPL Power Insurance.

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

See Note 1 for discussions regarding the intercompany tax sharing agreement and Note 7 for a discussion regarding capital transactions by PPL Energy Supply, PPL Electric, LKE, LG&E and KU. For PPL Energy Supply, PPL Electric and LKE, refer to Note 1 for discussions regarding intercompany allocations of stock-based compensation expense. For PPL Energy Supply, PPL Electric, LG&E and KU, see Note 13 for discussions regarding intercompany allocations associated with defined benefits.

17. O ther Income (Expense) - net

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

The breakdown of "Other Income (Expense) - net" for the years ended December 31 was:

	PPL		
	2012	2011	2010
Other Income			
Earnings on securities in NDT funds	$ 22	$ 24	$ 20
Interest income	5	7	8
AFUDC - equity component	10	7	5
Net hedge gains associated with the 2011 Bridge Facility (a)		55	
Earnings (losses) from equity method investments	(8)	1	2
Gain on redemption of debt (b)		22	
Miscellaneous - Domestic	11	10	3
Miscellaneous - U.K.	2	1	1
Total Other Income	42	127	39
Other Expense			
Economic foreign currency exchange contracts (Note 19)	52	(10)	(3)
Charitable contributions	10	9	4
Cash flow hedges (c)			29
LKE acquisition-related costs (Note 10)			31
WPD Midlands acquisition-related costs (Note 10)		34	
Foreign currency loss on 2011 Bridge Facility (d)		57	
U.K. stamp duty tax (Note 10)		21	
Miscellaneous - Domestic	16	9	7
Miscellaneous - U.K.	3	3	2
Total Other Expense	81	123	70
Other Income (Expense) - net	$ (39)	$ 4	$ (31)

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
LKE				
Other Income				
Net derivative gains (losses)				$ 19
Interest income		$ 1		
Earnings (losses) from equity method investments	$ (8)	1		3
Life insurance	1			2
Miscellaneous	3	2		1
Total Other Income	(4)	4		25
Other Expense				
Charitable contributions	4	4	$ 1	5
Joint-use-asset depreciation				3
Miscellaneous	7	1	1	3
Total Other Expense	11	5	2	11
Other Income (Expense) - net	$ (15)	$ (1)	$ (2)	$ 14
LG&E				
Other Income				
Net derivative gains (losses)				$ 19
Miscellaneous	$ 1			1
Total Other Income	1			20
Other Expense				
Charitable contributions	2	$ 1		2
Miscellaneous	2	1	$ 3	1
Total Other Expense	4	2	3	3
Other Income (Expense) - net	$ (3)	$ (2)	$ (3)	$ 17
KU				
Other Income				
Earnings (losses) from equity method investments	$ (8)	$ 1		$ 3
Life insurance	1			2
Miscellaneous	1			1
Total Other Income	(6)	1		6
Other Expense				
Charitable contributions	1	1		1
Joint-use-asset depreciation				3
Miscellaneous	1	1		1
Total Other Expense	2	2		5
Other Income (Expense) - net	$ (8)	$ (1)		$ 1

(a) Represents a gain on foreign currency contracts that hedged the repayment of the 2011 Bridge Facility borrowing.
(b) In July 2011, as a result of PPL Electric's redemption of 7.125% Senior Secured Bonds due 2013, PPL recorded a gain on the accelerated amortization of the fair value adjustment to the debt recorded in connection with previously settled fair value hedges.
(c) Represents losses reclassified from AOCI into earnings associated with discontinued hedges at PPL for debt that had been planned to be issued by PPL Energy Supply. As a result of the expected net proceeds from the sale of certain non-core generation facilities, coupled with the monetization of full-requirement sales contracts, the debt issuance was no longer needed.
(d) Represents a foreign currency loss related to the repayment of the 2011 Bridge Facility borrowing.

"Other Income (Expense) - net" for the years ended December 31, 2012, 2011 and 2010 is primarily earnings on securities in NDT funds for PPL Energy Supply and the equity component of AFUDC for PPL Electric.

18. Fair Value Measurements and Credit Concentration

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

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 2012, there were no transfers between Level 1 and Level 2.

Recurring Fair Value Measurements

The assets and liabilities measured at fair value were:

	December 31, 2012				December 31, 2011			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL								
Assets								
Cash and cash equivalents	$ 901	$ 901			$ 1,202	$ 1,202		
Restricted cash and cash equivalents (a)	135	135			209	209		
Price risk management assets:								
Energy commodities	2,068	2	$ 2,037	$ 29	3,423	3	$ 3,390	$ 30
Interest rate swaps	15		15		3		3	
Foreign currency contracts					18		18	
Cross-currency swaps	14		13	1	24		20	4
Total price risk management assets	2,097	2	2,065	30	3,468	3	3,431	34
NDT funds:								
Cash and cash equivalents	11	11			12	12		
Equity securities								
U.S. large-cap	412	308	104		357	267	90	
U.S. mid/small-cap	60	25	35		52	22	30	
Debt securities								
U.S. Treasury	95	95			86	86		
U.S. government sponsored agency	9		9		10		10	
Municipality	82		82		83		83	
Investment-grade corporate	40		40		38		38	
Other	3		3		2		2	
Receivables (payables), net		(2)	2			(3)	3	
Total NDT funds	712	437	275		640	384	256	
Auction rate securities (b)	19		3	16	24			24
Total assets	$ 3,864	$ 1,475	$ 2,343	$ 46	$ 5,543	$ 1,798	$ 3,687	$ 58
Liabilities								
Price risk management liabilities:								
Energy commodities	$ 1,566	$ 2	$ 1,557	$ 7	$ 2,345	1	$ 2,327	$ 17
Interest rate swaps	80		80		63		63	
Foreign currency contracts	44		44					
Cross-currency swaps	4		4		2		2	
Total price risk management liabilities	$ 1,694	$ 2	$ 1,685	$ 7	$ 2,410	1	$ 2,392	$ 17
PPL Energy Supply								
Assets								
Cash and cash equivalents	$ 413	$ 413			$ 379	$ 379		
Restricted cash and cash equivalents (a)	63	63			145	145		
Price risk management assets:								
Energy commodities	2,068	2	$ 2,037	$ 29	3,423	3	$ 3,390	$ 30
Total price risk management assets	2,068	2	2,037	29	3,423	3	3,390	30
NDT funds:								
Cash and cash equivalents	11	11			12	12		
Equity securities								
U.S. large-cap	412	308	104		357	267	90	
U.S. mid/small-cap	60	25	35		52	22	30	
Debt securities								
U.S. Treasury	95	95			86	86		
U.S. government sponsored agency	9		9		10		10	
Municipality	82		82		83		83	
Investment-grade corporate	40		40		38		38	
Other	3		3		2		2	
Receivables (payables), net		(2)	2			(3)	3	
Total NDT funds	712	437	275		640	384	256	
Auction rate securities (b)	16		3	13	19			19
Total assets	$ 3,272	$ 915	$ 2,315	$ 42	$ 4,606	$ 911	$ 3,646	$ 49
Liabilities								
Price risk management liabilities:								
Energy commodities	$ 1,566	$ 2	$ 1,557	$ 7	$ 2,345	$ 1	$ 2,327	$ 17
Total price risk management liabilities	$ 1,566	$ 2	$ 1,557	$ 7	$ 2,345	$ 1	$ 2,327	$ 17

	December 31, 2012				December 31, 2011			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL Electric								
Assets								
Cash and cash equivalents	$ 140	$ 140			$ 320	$ 320		
Restricted cash and cash equivalents (c)	13	13			13	13		
Total assets	$ 153	$ 153			$ 333	$ 333		
LKE								
Assets								
Cash and cash equivalents	$ 43	$ 43			$ 59	$ 59		
Restricted cash and cash equivalents (d)	32	32			29	29		
Price risk management assets:								
Interest rate swaps	14		$ 14					
Total price risk management assets	14		14					
Total assets	$ 89	$ 75	$ 14		$ 88	$ 88		
Liabilities								
Price risk management liabilities:								
Interest rate swaps (e)	$ 58		$ 58		$ 60		$ 60	
Total price risk management liabilities	$ 58		$ 58		$ 60		$ 60	
LG&E								
Assets								
Cash and cash equivalents	$ 22	$ 22			$ 25	$ 25		
Restricted cash and cash equivalents (d)	32	32			29	29		
Price risk management assets:								
Interest rate swaps	7		$ 7					
Total price risk management assets	7		7					
Total assets	$ 61	$ 54	$ 7		$ 54	$ 54		
Liabilities								
Price risk management liabilities:								
Interest rate swaps (e)	$ 58		$ 58		$ 60		$ 60	
Total price risk management liabilities	$ 58		$ 58		$ 60		$ 60	
KU								
Assets								
Cash and cash equivalents	$ 21	$ 21			$ 31	$ 31		
Price risk management assets:								
Interest rate swaps	7		$ 7					
Total price risk management assets	7		7					
Total assets	$ 28	$ 21	$ 7		$ 31	$ 31		

(a) Current portion is included in "Restricted cash and cash equivalents" and long-term portion is included in "Other noncurrent assets" on the Balance Sheets.
(b) Included in "Other investments" on the Balance Sheets.
(c) Current portion is included in "Other current assets" and the long-term portion is included in "Other noncurrent assets" on the Balance Sheets.
(d) Included in "Other noncurrent assets" on the Balance Sheets.
(e) Current portion is included in "Other current liabilities" on the Balance Sheets. The long-term portion is included in "Price risk management liabilities" on the Balance Sheets.

A reconciliation of net assets and liabilities classified as Level 3 for the years ended is as follows:

	PPL			
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Energy Commodities, net	Auction Rate Securities	Cross-Currency Swaps	Total
December 31, 2012				
Balance at beginning of period	$ 13	$ 24	$ 4	$ 41
Total realized/unrealized gains (losses)				
Included in earnings	2		(1)	1
Included in OCI (a)	1		1	2
Sales		(5)		(5)
Settlements	(13)			(13)
Transfers into Level 3	8			8
Transfers out of Level 3	11	(3)	(3)	5
Balance at end of period	$ 22	$ 16	$ 1	$ 39

	PPL			
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Energy Commodities, net	Auction Rate Securities	Cross-Currency Swaps	Total
December 31, 2011				
Balance at beginning of period	$ (3)	$ 25		$ 22
Total realized/unrealized gains (losses)				
Included in earnings	(65)			(65)
Included in OCI (a)	(1)	(1)	$ (10)	(12)
Purchases	1			1
Sales	(3)			(3)
Settlements	20			20
Transfers into Level 3	(10)		14	4
Transfers out of Level 3	74			74
Balance at end of period	$ 13	$ 24	$ 4	$ 41

(a) "Energy Commodities" and "Cross-Currency Swaps" are included in "Qualifying derivatives" and "Auction Rate Securities" are included in "Available-for-sale securities" on the Statements of Comprehensive Income.

A reconciliation of net assets and liabilities classified as Level 3 for the years ended is as follows:

	PPL Energy Supply		
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Energy Commodities, net	Auction Rate Securities	Total
December 31, 2012			
Balance at beginning of period	$ 13	$ 19	$ 32
Total realized/unrealized gains (losses)			
Included in earnings	2		2
Included in OCI (a)	1		1
Sales		(3)	(3)
Settlements	(13)		(13)
Transfers into Level 3	8		8
Transfers out of Level 3	11	(3)	8
Balance at end of period	$ 22	$ 13	$ 35
December 31, 2011			
Balance at beginning of period	$ (3)	$ 20	$ 17
Total realized/unrealized gains (losses)			
Included in earnings	(65)		(65)
Included in OCI (a)	(1)	(1)	(2)
Purchases	1		1
Sales	(3)		(3)
Settlements	20		20
Transfers into Level 3	(10)		(10)
Transfers out of Level 3	74		74
Balance at end of period	$ 13	$ 19	$ 32

(a) "Energy Commodities" are included in "Qualifying derivatives" and "Auction Rate Securities" are included in "Available-for-sale securities" on the Statements of Comprehensive Income.

The significant unobservable inputs used in the fair value measurement of assets and liabilities classified as Level 3 at December 31, 2012 are as follows:

	Quantitative Information about Level 3 Fair Value Measurements			
	Fair Value, net Asset (Liability)	Valuation Technique	Unobservable Input(s)	Range (Weighted Average) (a)
PPL				
Energy commodities				
Retail natural gas sales contracts (b)	24	Discounted cash flow	Observable wholesale prices used as proxy for retail delivery points	21% - 100% (75%)
Power sales contracts (c)	(4)	Discounted cash flow	Proprietary model used to calculate forward basis prices	24% (24%)
FTR purchase contracts (d)	2	Discounted cash flow	Historical settled prices used to model forward prices	100% (100%)
Auction rate securities (e)	16	Discounted cash flow	Modeled from SIFMA Index	54% - 74% (64%)
Cross-currency swaps (f)	1	Discounted cash flow	Credit valuation adjustment	22% (22%)
PPL Energy Supply				
Energy commodities				
Retail natural gas sales contracts (b)	24	Discounted cash flow	Observable wholesale prices used as proxy for retail delivery points	21% - 100% (75%)
Power sales contracts (c)	(4)	Discounted cash flow	Proprietary model used to calculate forward basis prices	24% (24%)
FTR purchase contracts (d)	2	Discounted cash flow	Historical settled prices used to model forward prices	100% (100%)
Auction rate securities (e)	13	Discounted cash flow	Modeled from SIFMA Index	57% - 74% (65%)

(a) For energy commodities and auction rate securities, the range and weighted average represent the percentage of fair value derived from the unobservable inputs. For cross-currency swaps, the range and weighted average represent the percentage decrease in fair value due to the unobservable inputs used in the model to calculate the credit valuation adjustment.
(b) Retail natural gas sales contracts extend into 2017. $11 million of the fair value is scheduled to deliver within the next 12 months. As the forward price of natural gas increases/(decreases), the fair value of the contracts (decreases)/increases.
(c) Power sales contracts extend into 2014. $(4) million of the fair value is scheduled to deliver within the next 12 months. As the forward price of basis increases/(decreases), the fair value of the contracts (decreases)/increases.
(d) FTR purchase contracts extend into 2015. $2 million of the fair value is scheduled to deliver within the next 12 months. As the forward implied spread increases/(decreases), the fair value of the contracts increases/(decreases).
(e) Auction rate securities have a weighted average contractual maturity of 23 years. The model used to calculate fair value incorporates an assumption that the auctions will continue to fail. As the modeled forward rates of the SIFMA Index increase/(decrease), the fair value of the securities increases/(decreases).
(f) Cross-currency swaps extend into 2017. The credit valuation adjustment incorporates projected probabilities of default and estimated recovery rates. As the credit valuation adjustment increases/(decreases), the fair value of the swaps (decreases)/increases.

Net gains and losses on assets and liabilities classified as Level 3 and included in earnings for the years ended December 31 were reported in the Statements of Income as follows:

	Energy Commodities, net								Cross-Currency Swaps	
	Unregulated Retail Electric and Gas		Wholesale Energy Marketing		Net Energy Trading Margins		Energy Purchases		Interest Expense	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
PPL										
Total gains (losses) included in earnings	$ 26	$ 32	$ (7)		$ (12)	$ (1)	$ (5)	$ (96)	$ (1)	
Change in unrealized gains (losses) relating to positions still held at the reporting date	29	23	(4)	$ 5	1	1	1	(2)		
PPL Energy Supply										
Total gains (losses) included in earnings	26	32	(7)		(12)	(1)	(5)	(96)		
Change in unrealized gains (losses) relating to positions still held at the reporting date	29	23	(4)	5	1	1	1	(2)		

Price Risk Management Assets/Liabilities - Energy Commodities *(PPL and PPL Energy Supply)*

Energy commodity contracts are generally valued using the income approach, except for exchange-traded derivative gas and oil contracts, which are valued using the market approach and are classified as Level 1. When the lowest level inputs that are significant to the fair value measurement of a contract are observable, the contract is classified as Level 2. Level 2 contracts are valued using inputs which may include quotes obtained from an exchange (where there is insufficient market liquidity to warrant inclusion in Level 1), binding and non-binding broker quotes, prices posted by ISOs or published tariff rates. Furthermore, independent quotes are obtained from the market to validate the forward price curves. These contracts include forwards, swaps, options and structured transactions for electricity, gas, oil and/or emission allowances and may be offset with similar positions in exchange-traded markets. To the extent possible, fair value measurements utilize various inputs that include quoted prices for similar contracts or market-corroborated inputs. In certain instances, these contracts may be valued using models, including standard option valuation models and standard industry models. For example, the fair value of a full-requirement sales contract that delivers power to an illiquid delivery point may be measured by valuing the nearest liquid trading point plus the value of the basis between the two points. The basis input may be from market quotes or historical prices.

When unobservable inputs are significant to the fair value measurement, a contract is classified as Level 3. The fair value of contracts classified as Level 3 has been calculated using PPL proprietary models which include significant unobservable inputs such as delivery at a location where pricing is unobservable, assumptions for customer migration or delivery dates that are beyond the dates for which independent quotes are available. Forward transactions, including forward transactions classified as Level 3, are analyzed by PPL's Risk Management department, which reports to the Chief Financial Officer (CFO). Accounting personnel, who also report to the CFO, interpret the analysis quarterly to appropriately classify the forward transactions in the fair value hierarchy. Valuation techniques are evaluated periodically. Additionally, Level 2 and Level 3 fair value measurements include adjustments for credit risk based on PPL's own creditworthiness (for net liabilities) and its counterparties' creditworthiness (for net assets). PPL's credit department assesses all reasonably available market information which is used by accounting personnel to calculate the credit valuation adjustment.

In certain instances, energy commodity contracts are transferred between Level 2 and Level 3. The primary reasons for the transfers during 2012 and 2011 were changes in the availability of market information and changes in the significance of the unobservable inputs utilized in the valuation of the contract. As the delivery period of a contract becomes closer, market information may become available. When this occurs, the model's unobservable inputs are replaced with observable market information.

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

To manage interest rate risk, PPL, LKE, LG&E and KU use interest rate contracts such as forward-starting swaps, floating-to-fixed swaps and fixed-to-floating swaps. To manage foreign currency exchange risk, PPL uses foreign currency contracts such as forwards, options, and cross-currency swaps that contain characteristics of both interest rate and foreign currency contracts. An income approach is used to measure the fair value of these contracts, utilizing readily observable inputs, such as forward interest rates (e.g., LIBOR and government security rates) and forward foreign currency exchange rates (e.g., GBP and Euro), 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. The primary reason for the transfers during 2012 and 2011 was the change in the significance of the credit valuation adjustment. Cross-currency swaps classified as Level 3 are valued by PPL's Corporate Finance department, which reports to the CFO. Accounting personnel, who also report to the CFO, interpret analysis quarterly to appropriately classify the contracts in the fair value hierarchy. Valuation techniques are evaluated periodically.

(PPL and PPL Energy Supply)

NDT Funds

The market approach is used to measure the fair value of equity securities held in the NDT funds.

- The fair value measurements of equity securities classified as Level 1 are based on quoted prices in active markets and are comprised of securities that are representative of the Wilshire 5000 Total Market Index.

- Investments in commingled equity funds are classified as Level 2 and represent securities that track the S&P 500 Index, Dow Jones U.S. Total Stock Market Index and the Dow Jones U.S. Completion Total Stock Market Index. These fair value measurements are based on firm quotes of net asset values per share, which are not obtained from a quoted price in an active market.

Debt securities are generally measured using a market approach, including the use of matrix pricing. Common inputs include reported trades, broker/dealer bid/ask prices, benchmark securities and credit valuation adjustments. When necessary, the fair value of debt securities is measured using the income approach, which incorporates similar observable inputs as well as benchmark yields, credit valuation adjustments, reference data from market research publications, monthly payment data, collateral performance and new issue data.

The debt securities held by the NDT funds at December 31, 2012 have a weighted-average coupon of 4.11% and a weighted-average maturity of 8.26 years.

Auction Rate Securities

Auction rate securities include Federal Family Education Loan Program guaranteed student loan revenue bonds, as well as various municipal bond issues. The exposure to realize losses on these securities is not significant.

The fair value of auction rate securities is estimated using an income approach that includes readily observable inputs, such as principal payments and discount curves for bonds with credit ratings and maturities similar to the securities, and unobservable inputs, such as future interest rates that are estimated based on the SIFMA Index, creditworthiness, and liquidity assumptions driven by the impact of auction failures. When the present value of future interest payments is significant to the overall valuation, the auction rate securities are classified as Level 3. The primary reason for the transfer out of Level 3 in 2012 was the change in the significance of the present value of future interest payments as maturity dates approach.

Auction rate securities are valued by PPL's Treasury department, which reports to the CFO. Accounting personnel, who also report to the CFO, interpret the analysis quarterly to appropriately classify the contracts in the fair value hierarchy. Valuation techniques are evaluated periodically.

Nonrecurring Fair Value Measurements *(PPL, PPL Energy Supply, LKE and KU)*

The following nonrecurring fair value measurements occurred during the reporting periods, resulting in asset impairments.

	Carrying Amount (a)	Fair Value Measurements Using		Loss (b)
		Level 2	Level 3	
PPL, LKE and KU				
Equity investment in EEI:				
December 31, 2012	$ 25			$ 25
PPL and PPL Energy Supply				
Sulfur dioxide emission allowances (c):				
December 31, 2010	2		$ 1	1
September 30, 2010	6		2	4
June 30, 2010	11		3	8
March 31, 2010	13		10	3
RECs (c):				
September 30, 2011	1			1
June 30, 2011	2	$ 1		1
March 31, 2011	3			3
Certain non-core generation facilities:				
September 30, 2010	473	381		96

(a) Represents carrying value before fair value measurement.
(b) The loss on the EEI investment was recorded in the Kentucky Regulated segment and included in "Other-Than-Temporary Impairments" on the Statement of Income. Losses on sulfur dioxide emission allowances and RECs were recorded in the Supply segment and included in "Other operation and maintenance" on the Statements of Income. Losses on certain non-core generation facilities were recorded in the Supply segment and included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the Statement of Income.
(c) Current and long-term sulfur dioxide emission allowances and RECs are included in "Other current assets" and "Other intangibles" in their respective areas on the Balance Sheets.

The significant unobservable inputs used in the nonrecurring fair value measurement of assets and liabilities classified as Level 3 at December 31, 2012 are as follows:

	Quantitative Information about Level 3 Fair Value Measurements			
	Fair Value, net Asset (Liability)	Valuation Technique	Unobservable Input(s)	Range (Weighted Average)
PPL, LKE, and KU				
Equity investment in EEI	$	Discounted cash flow	Long-term forward price curves and capital expenditure projections	100% (100%)

Equity Investment in EEI *(PPL, LKE and KU)*

During the fourth quarter 2012, KU recorded an other-than-temporary decline in the value of its equity investment in EEI. KU performed an internal analysis using an income approach based on discounted cash flows to assess the current fair value of its investment based on several factors. KU considered the following factors: long-dated forward power and fuel price curves, the cost of compliance with environmental standards, and the majority owner and operator's announcement in the fourth quarter 2012 to exit from the merchant generation business. Assumptions used in the fair value assessment were forward energy price curves, expectations for capacity (demand) for energy in EEI's market, and expected capital expenditures used in the calculation that were comparable to assumptions used by KU for internal budgeting and forecasting purposes. Through this analysis, KU determined the fair value to be zero.

(PPL and PPL Energy Supply)

Sulfur Dioxide Emission Allowances

Due to declines in market prices, PPL Energy Supply assessed the recoverability of sulfur dioxide emission allowances not expected to be consumed. When available, observable market prices were used to value the sulfur dioxide emission allowances. When observable market prices were not available, fair value was modeled using prices from observable transactions and appropriate discount rates. The modeled values were significant to the overall fair value measurement, resulting in the Level 3 classification.

RECs

Due to declines in forecasted full-requirement obligations in certain markets as well as declines in market prices, PPL Energy Supply assessed the recoverability of certain RECs not expected to be used. Observable market prices (Level 2) were used to value the RECs.

Certain Non-Core Generation Facilities

Certain non-core generation facilities met the held for sale criteria at September 30, 2010. As a result, net assets held for sale were written down to their estimated fair value less cost to sell. The fair value in the table above excludes $4 million of estimated costs to sell and was based on the negotiated sales price (achieved through an active auction process). See Note 9 for additional information on the completed sale.

Financial Instruments Not Recorded at Fair Value *(PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU)*

The carrying amounts of contract adjustment payments related to the Purchase Contract component of the Equity Units and long-term debt on the Balance Sheets and their estimated fair values are set forth below. The fair values of these instruments 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. These instruments are classified as Level 2. The effect of third-party credit enhancements is not included in the fair value measurement.

	December 31, 2012		December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
PPL				
Contract adjustment payments (a)	$ 105	$ 106	$ 198	$ 198
Long-term debt	19,476	21,671	17,993	19,392
PPL Energy Supply				
Long-term debt	3,272	3,556	3,024	3,397
PPL Electric				
Long-term debt	1,967	2,333	1,718	2,012
LKE				
Long-term debt	4,075	4,423	4,073	4,306
LG&E				
Long-term debt	1,112	1,178	1,112	1,164
KU				
Long-term debt	1,842	2,056	1,842	2,000

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

The carrying value of short-term debt (including notes between affiliates), when outstanding, represents or approximates fair value due to the variable interest rates associated with the financial instruments and is classified as Level 2. The carrying value of held-to-maturity, short-term investments at December 31, 2011 approximated fair value due to the liquid nature and short-term duration of these instruments.

Credit Concentration Associated with Financial Instruments

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

Contracts are entered into with many entities for the purchase and sale of energy. Many of these contracts qualify for NPNS and, as such, the fair value of these contracts is not reflected in the financial statements. However, the fair value of these contracts is considered when committing to new business from a credit perspective. See Note 19 for information on credit policies used to manage credit risk, including master netting arrangements and collateral requirements.

(PPL)

At December 31, 2012, PPL had credit exposure of $1.8 billion from energy trading partners, excluding the effects of netting arrangements and collateral. As a result of netting arrangements and collateral, PPL's credit exposure was reduced to $688 million. The top ten counterparties accounted for $367 million, or 53%, of the net exposure and all had investment grade credit ratings from S&P or Moody's.

(PPL Energy Supply)

At December 31, 2012, PPL Energy Supply had credit exposure of $1.8 billion from energy trading partners, excluding exposure from related parties and the effects of netting arrangements and collateral. As a result of netting arrangements and collateral, this credit exposure was reduced to $688 million. The top ten counterparties accounted for $367 million, or 53%, of the net exposure and all had investment grade credit ratings from S&P or Moody's. See Note 16 for information regarding the related party credit exposure.

(PPL Electric)

At December 31, 2012, PPL Electric had no credit exposure under energy supply contracts (including its supply contracts with PPL EnergyPlus).

(LKE, LG&E and KU)

At December 31, 2012, LKE's, LG&E's and KU's credit exposure was not significant.

19. Derivative Instruments and Hedging Activities

Risk Management Objectives

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

PPL has a risk management policy approved by the Board of Directors to manage market risk (including price, liquidity and volumetric risk) and credit risk (including non-performance risk and payment default risk). The RMC, comprised of senior management and chaired by the Chief Risk Officer, 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 and market prices, verification of risk and transaction limits, VaR analyses, portfolio stress tests, gross margin at risk analyses, sensitivity analyses and daily portfolio reporting, including open positions, determinations of fair value and other risk management metrics.

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 liquidity and volumetric risks. Forward contracts, futures contracts, options, swaps and structured transactions, such as tolling agreements, are utilized as part of risk management strategies to minimize unanticipated fluctuations in earnings caused by changes in commodity prices, volumes of full-requirement sales contracts, basis exposure, interest rates and/or 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 they qualify for NPNS.

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

	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
Commodity price risk (including basis and volumetric risk)	X	X	M	M	M	M
Interest rate risk:						
Debt issuances	X	X	M	M	M	M
Defined benefit plans	X	X	M	M	M	M
NDT securities	X	X				
Equity securities price risk:						
Defined benefit plans	X	X	M	M	M	M
NDT securities	X	X				
Future stock transactions	X					
Foreign currency risk - WPD investment	X					

X = PPL and PPL Energy Supply actively mitigate market risks through their risk management programs described above.
M = The regulatory environments for PPL's regulated entities, by definition, significantly mitigate market risk.

Commodity price and volumetric risks

- PPL Energy Supply is exposed to commodity price, basis and volumetric risks for energy and energy-related products associated with the sale of electricity from its generating assets and other electricity and gas marketing activities (including full-requirement sales contracts) and the purchase of fuel and fuel-related commodities for generating assets, as well as for proprietary trading activities;
- PPL Electric is exposed to commodity price and volumetric risks from its obligation as PLR; however, its PUC-approved cost recovery mechanism substantially eliminates its exposure to market risk. PPL Electric also mitigates its exposure to volumetric risk by entering into full-requirement supply agreements to serve its PLR customers. These supply agreements transfer the volumetric risk associated with the PLR obligation to the energy suppliers; and
- LG&E's and KU's rates include certain mechanisms for fuel, gas supply and environmental expenses. These mechanisms generally provide for timely recovery of market price and volumetric fluctuations associated with these expenses.

Interest rate risk

- PPL and its subsidiaries are exposed to interest rate risk associated with forecasted fixed-rate and existing floating-rate debt issuances. WPD holds over-the-counter cross currency swaps to limit exposure to market fluctuations on interest and principal payments from foreign currency exchange rates. LG&E utilizes over-the-counter interest rate swaps to limit exposure to market fluctuations on floating-rate debt and LG&E and KU utilize forward starting interest rate swaps to hedge changes in benchmark interest rates.

- PPL and its subsidiaries are exposed to interest rate risk associated with debt securities held by defined benefit plans. Additionally, PPL Energy Supply is exposed to interest rate risk associated with debt securities held by the NDT.

Equity securities price risk

- PPL and its subsidiaries are exposed to equity securities price risk associated with equity securities held by defined benefit plans. Additionally, PPL Energy Supply is exposed to equity securities price risk in the NDT funds.

- PPL is exposed to equity securities price risk from future stock sales and/or purchases.

Foreign currency risk

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

Credit Risk

Credit risk is the potential loss that may be incurred due to a counterparty's non-performance, including defaults on payments and energy commodity deliveries.

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.

PPL Energy Supply is exposed to credit risk from "in-the-money" commodity derivatives with its energy trading partners, which include other energy companies, fuel suppliers and financial institutions.

LKE, LG&E and KU are exposed to credit risk from "in-the-money" interest rate derivatives with financial institutions.

The majority of credit risk stems from commodity derivatives for multi-year contracts for energy sales and purchases. If PPL Energy Supply's counterparties fail to perform their obligations under such contracts and PPL Energy Supply could not replace the sales or purchases at the same or better prices as those under the defaulted contracts, PPL Energy Supply would incur financial losses. Those losses would be recognized immediately or through lower revenues or higher costs in future years, depending on the accounting treatment for the defaulted contracts. 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, incremental costs incurred by these entities would be recoverable from customers in future rates, thus mitigating the 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. 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 or their exposures exceed an established credit limit. See Note 18 for credit concentration associated with energy trading partners.

Master Netting Arrangements

Net derivative positions 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's and PPL Energy Supply's obligation to return counterparty cash collateral under master netting arrangements was $112 million and $147 million at December 31, 2012 and December 31, 2011.

PPL Electric, LKE, and LG&E had no obligation to return cash collateral under master netting arrangements at December 31, 2012 and December 31, 2011.

PPL, LKE and LG&E had posted cash collateral under master netting arrangements of $32 million at December 31, 2012 and $29 million at December 31, 2011.

PPL Energy Supply and PPL Electric had not posted any cash collateral under master netting arrangements at December 31, 2012 and December 31, 2011.

(PPL and PPL Energy Supply)

Commodity Price Risk (Non-trading)

Commodity price risk, including basis and volumetric risk, is among PPL's and PPL Energy Supply's most significant risks due to the level of investment that PPL and PPL Energy Supply maintain in their competitive generation assets, as well as the extent of their marketing activities. Several factors influence price levels and volatilities. These factors include, but are not limited to, seasonal changes in demand, weather conditions, available generating assets within regions, transportation/transmission availability and reliability within and between regions, market liquidity, and the nature and extent of current and potential federal and state regulations.

PPL Energy Supply maximizes the value of its wholesale and retail energy portfolios through the use of non-trading strategies that include sales of competitive baseload generation, optimization of competitive intermediate and peaking generation and marketing activities.

PPL Energy Supply has a formal hedging program to economically hedge the forecasted purchase and sale of electricity and related fuels for its competitive baseload generation fleet, which includes 7,275 MW (summer rating) of nuclear, coal and hydroelectric generating capacity. PPL Energy Supply attempts to optimize the overall value of its competitive intermediate and peaking fleet, which includes 3,316 MW (summer rating) of natural gas and oil-fired generation. PPL Energy Supply's marketing portfolio is comprised of full-requirement sales contracts and related supply contracts, retail natural gas and electricity sales contracts and other marketing activities. The strategies that PPL Energy Supply uses to hedge its full-requirement sales contracts include purchasing energy (at a liquid trading hub or directly at the load delivery zone), capacity and RECs in the market and/or supplying the energy, capacity and RECs from its generation assets.

PPL and PPL Energy Supply enter into financial and physical derivative contracts, including forwards, futures, swaps and options, to hedge the price risk associated with electricity, natural gas, oil and other commodities. Certain contracts qualify for NPNS or are non-derivatives and are therefore not reflected in the financial statements until delivery. PPL and PPL Energy Supply segregate their non-trading activities into two categories: cash flow hedges and economic activity. In addition, the monetization of certain full-requirement sales contracts in 2010 impacted both the cash flow hedge and economic activity, as discussed below.

Monetization of Certain Full-Requirement Sales Contracts

In July 2010, in order to raise additional cash for the LKE acquisition, PPL Energy Supply monetized certain full-requirement sales contracts that resulted in cash proceeds of $249 million and triggered certain accounting:

- A portion of these sales contracts had previously been accounted for as NPNS and received accrual accounting treatment. PPL Energy Supply could no longer assert that it was probable that any contracts with these counterparties would result in physical delivery. Therefore, the fair value of the NPNS contracts of $160 million was recorded on the Balance Sheet in "Price risk management assets," with a corresponding gain of $144 million recorded to "Wholesale energy marketing - Realized" on the Statement of Income, and $16 million recorded to "Wholesale energy marketing - Unrealized economic activity," related to full-requirement sales contracts that had not been monetized.

- The related purchases to supply these sales contracts were accounted for as cash flow hedges, with the effective portion of the change in fair value being recorded in AOCI and the ineffective portion recorded in "Energy purchases - Unrealized economic activity." The corresponding cash flow hedges were dedesignated and all amounts previously recorded in AOCI were reclassified to earnings. This resulted in a pre-tax reclassification of $(173) million of losses from AOCI into "Energy purchases - Unrealized economic activity" on the Statement of Income. An additional charge of $(39) million was also recorded in "Wholesale energy marketing - Unrealized economic activity" on the Statement of Income to reflect the fair value of the sales contracts previously accounted for as economic activity.

- The net result of these transactions, excluding the full-requirement sales contracts that have not been monetized, was a loss of $(68) million, or $(40) million, after tax.

The proceeds of $249 million from these monetizations are reflected in the Statement of Cash Flows as a component of "Net cash provided by operating activities."

Cash Flow Hedges

Certain derivative contracts have qualified for hedge accounting so that the effective portion of a derivative's gain or loss is deferred in AOCI and reclassified into earnings when the forecasted transaction occurs. The cash flow hedges that existed at December 31, 2012 range in maturity through 2016. At December 31, 2012, the accumulated net unrecognized after-tax gains (losses) that are expected to be reclassified into earnings during the next 12 months were $124 million for PPL and PPL Energy Supply. 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 periods and any amounts previously recorded in AOCI are reclassified into earnings once it is determined that the hedge transaction is probable of not occurring. For 2012 and 2011 such reclassifications were insignificant. For 2010, such reclassifications were after-tax gains (losses) of $(89) million. The amounts recorded in 2010 were primarily due to the monetization of certain full-requirement sales contracts, for which the associated hedges are no longer required, as discussed above.

Hedge ineffectiveness associated with energy derivatives was insignificant in 2012. For 2011 and 2010, after-tax gains (losses) from hedge ineffectiveness were $(22) million and $(30) million.

Prior to the adoption of new accounting guidance, in 2010, after-tax gains of $82 million, which had been recognized in a previous period due to ineffectiveness on cash flow hedges, were reversed from earnings based on prospective regression analysis demonstrating that these hedges were expected to be highly effective over their term.

Economic Activity

Many derivative contracts economically hedge the commodity price risk associated with electricity, natural gas, oil and other commodities but do not receive hedge accounting treatment because they were not eligible for hedge accounting or for which hedge accounting was not elected. These derivatives hedge a portion of the economic value of PPL Energy Supply's competitive generation assets and unregulated full-requirement and retail contracts, which are subject to changes in fair value due to market price volatility and volume expectations. Additionally, economic activity includes the ineffective portion of qualifying cash flow hedges (see "Cash Flow Hedges" above). The derivative contracts in this category that existed at December 31, 2012 range in maturity through 2019.

Examples of economic activity include hedges on sales of baseload generation, certain purchase contracts used to supply full-requirement sales contracts, FTRs or basis swaps used to hedge basis risk associated with the sale of competitive generation or supplying unregulated full-requirement sales contracts, Spark Spread hedging contracts, retail electric and natural gas activities, and fuel oil swaps used to hedge price escalation clauses in coal transportation and other fuel-related contracts. PPL Energy Supply also uses options, which include the sale of call options and the purchase of put options tied to a particular generating unit. Since the physical generating capacity is owned, price exposure is generally limited to the cost of the generating unit and does not expose PPL Energy Supply to uncovered market price risk.

Unrealized activity associated with monetizing certain full-requirement sales contracts was also included in economic activity during 2012, 2011 and 2010.

The net fair value of economic positions at December 31, 2012 and December 31, 2011 was a net asset (liability) of $346 million and $(63) million for PPL and PPL Energy Supply. The unrealized gains (losses) for economic activity were as follows.

	2012	2011	2010
Operating Revenues			
Unregulated retail electric and gas	$ (17)	$ 31	$ 1
Wholesale energy marketing	(311)	1,407	(805)
Operating Expenses			
Fuel	(14)	6	29
Energy purchases	442	(1,123)	286

The net gains (losses) recorded in "Wholesale energy marketing" resulted primarily from hedges of baseload generation, from certain full-requirement sales contracts, from hedge ineffectiveness, as discussed in "Cash Flow Hedges" above, and from the monetization of certain full-requirement sales contracts in 2010, also discussed above. The net gains (losses) recorded in "Energy purchases" resulted primarily from certain purchase contracts to supply the full-requirement sales contracts noted above, from hedge ineffectiveness, and from purchase contracts that no longer hedge the full-requirement sales contracts that were monetized in 2010.

(PPL and PPL Energy Supply)

Commodity Price Risk (Trading)

PPL Energy Supply also has a proprietary trading strategy which is utilized to take advantage of market opportunities. As a result, PPL Energy Supply may at times create a net open position in its portfolio that could result in significant losses if prices do not move in the manner or direction anticipated. The proprietary trading portfolio is not a significant part of PPL Energy Supply's business and is shown in "Net energy trading margins" on the Statements of Income.

Commodity Volumetric Activity

As of December 31, 2012, the net notional volumes of derivative (sales)/purchase contracts used in support of the various strategies discussed above were as follows.

		Volume			
Commodity	Unit of Measure	2013	2014	2015	Thereafter
Power	MWh	(38,791,951)	(16,720,361)	1,636,197	3,871,199
Capacity	MW-Month	(8,248,465)	(135,110)	(37,208)	525
Gas	MMBtu	18,419,599	(21,663,269)	(10,386,745)	(5,027,288)
Coal	Tons	(240,000)			
FTRs	MW-Month	28,690	6,389	1,465	
Oil	Barrels	(4,022,000)	240,000	300,000	180,000

Interest Rate Risk

(PPL, LKE, LG&E and KU)

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 subsidiaries' debt portfolio due to changes in benchmark interest rates.

<u>Cash Flow Hedges</u>

(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. Outstanding interest rate swap contracts ranged in maturity through 2024 for WPD and through 2043 for PPL's domestic interest rate swaps. These swaps had an aggregate notional value of $1.2 billion at December 31, 2012, of which £290 million (approximately $465 million based on spot rates) was related to WPD. Included in this total are forward-starting interest rate swaps entered into by PPL on behalf of LG&E and KU. LG&E and KU believe that realized gains and losses from the swaps are probable of recovery through regulated rates; as such, the fair value of these derivatives have been reclassified from AOCI to regulatory assets or liabilities. The gains and losses will be recognized in "Interest Expense" on the Statements of Income over the life of the underlying debt when the hedged transaction occurs.

PPL holds a notional position in cross-currency interest rate swaps totaling $1.3 billion that mature through 2028 to hedge the interest payments and principal of WPD's U.S. dollar-denominated senior notes.

For 2012, hedge ineffectiveness associated with interest rate derivatives was insignificant. For 2011, hedge ineffectiveness associated with these derivatives resulted in a net after-tax gain (loss) of $(9) million, which included a gain (loss) of $(4) million attributable to certain interest rate swaps that failed hedge effectiveness testing during the second quarter of 2011. For 2010, hedge ineffectiveness associated with these derivatives resulted in a net after-tax gain (loss) of $(9) million.

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 periods and any amounts previously recorded in AOCI are reclassified into earnings once it is determined that the hedged transaction is probable of not occurring. PPL had no such reclassifications for 2012 and 2011. As a result of the expected net proceeds from the anticipated sale of certain non-core generation facilities, coupled with the monetization of certain full-requirement sales contracts, debt that had been planned to be issued by PPL Energy Supply in 2010 was no longer needed. As a result, hedge accounting associated with interest rate swaps entered into by PPL in anticipation of a debt issuance by PPL Energy Supply was discontinued. PPL reclassified into earnings a net after-tax gain (loss) of $(19) million in 2010.

At December 31, 2012, 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 $(13) million. Amounts are reclassified as the hedged interest payments are made.

(LKE, LG&E and KU)

In November 2012, LG&E and KU entered into forward-starting interest rate swaps with PPL that hedge the interest payments on new debt that is expected to be issued in 2013. These hedging instruments have terms identical to forward-starting swaps entered into by PPL with third parties. LG&E and KU believe that realized gains and losses from the swaps are probable of recovery through regulated rates; as such, the fair value of these derivatives have been reclassified from AOCI to regulatory assets or liabilities. The gains and losses will be recognized in "Interest Expense" on the Statements of Income over the life of the underlying debt when the hedged transaction occurs. At December 31, 2012, LG&E and KU each held contracts with aggregate notional amounts of $150 million that range in maturity through 2043.

(PPL Energy Supply)

In January 2011, PPL Energy Supply distributed its membership interest in PPL Global to PPL Energy Supply's parent, PPL Energy Funding. Therefore, effective January 2011, PPL Energy Supply is no longer subject to interest rate risk associated with investments in U.K. affiliates. For 2010, hedge ineffectiveness associated with these derivatives was insignificant for interest rate cross-currency swaps contracts. For 2010, PPL Energy Supply had no reclassifications for cash flows hedges that were discontinued when it was no longer probable that the original forecasted transaction would occur by the end of the originally specified period.

Fair Value Hedges

(PPL)

PPL is exposed to changes in the fair value of its debt portfolio. To manage this risk, financial contracts may be entered into to hedge fluctuations in the fair value of existing debt issuances due to changes in benchmark interest rates. In July 2012, contracts held by PPL that ranged in maturity through 2047 and had a notional value of $99 million were canceled without penalties by the counterparties. PPL did not hold any such contracts at December 31, 2012. PPL did not recognize gains or losses resulting from the ineffective portion of fair value hedges or from a portion of the hedging instrument being excluded from the assessment of hedge effectiveness or from hedges of debt issuances that no longer qualified as fair value hedges for 2012, 2011 and 2010.

In 2011, PPL Electric redeemed $400 million of 7.125% Senior Secured Bonds due 2013. As a result of this redemption, PPL recorded a gain (loss) of $22 million, or $14 million after tax, for 2011 in "Other Income (Expense) - net" on the Statement of Income as a result of accelerated amortization of the fair value adjustments to the debt in connection with previously settled fair value hedges.

(PPL Energy Supply)

In January 2011, PPL Energy Supply distributed its membership interest in PPL Global to PPL Energy Supply's parent, PPL Energy Funding. Therefore, effective January 2011, PPL Energy Supply is no longer subject to interest rate risk associated with investments in U.K. affiliates. PPL Energy Supply did not recognize gains or losses resulting from the ineffective portion of fair value hedges or from a portion of the hedging instrument being excluded from the assessment of hedge effectiveness or resulting from hedges of debt issuances that no longer qualified as fair value hedges for 2010.

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 when the hedged transaction occurs. At December 31, 2012, LG&E held contracts with aggregate notional amounts of $179 million that range in maturity through 2033. The fair value of these contracts were recorded as liabilities of $58 million and $60 million at December 31, 2012 and 2011, with equal offsetting amounts recorded as regulatory assets.

Foreign Currency Risk

(PPL)

PPL is exposed to foreign currency risk, primarily through investments in 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 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. The contracts outstanding at December 31, 2012 had an aggregate notional amount of £162 million (approximately $261 million based on contracted rates). The settlement dates of these contracts range from May 2013 through December 2013. At December 31, 2012 and 2011, the fair value of these positions was a net asset (liability) of $(2) million and $7 million.

Additionally, in 2012, a PPL Global subsidiary that has a U.S. dollar functional currency entered into a GBP intercompany loan payable with a PPL WEM subsidiary that has a GBP functional currency. The loan qualifies as a net investment hedge for the PPL Global subsidiary. As such, the foreign currency gains and losses on the intercompany loan for the PPL Global subsidiary are recorded to the foreign currency translation adjustment component of AOCI. At December 31, 2012, the intercompany loan outstanding was £47 million (approximately $76 million based on spot rates).

For 2012, PPL recognized after-tax net investment hedge gains (losses) of $(5) million in the foreign currency translation adjustment component of AOCI. For 2011 and 2010, PPL recognized after-tax net investment hedge gains (losses) of $4 million in the foreign currency translation adjustment component of AOCI. At December 31, 2012 and 2011, PPL had $14 million and $19 million of accumulated net investment hedge after-tax gains (losses) that were included in the foreign currency translation adjustment component of AOCI.

(PPL Energy Supply)

In January 2011, PPL Energy Supply distributed its membership interest in PPL Global to PPL Energy Supply's parent, PPL Energy Funding. Therefore, effective January 2011, PPL Energy Supply is no longer subject to foreign currency exchange risk associated with investments in U.K. affiliates. For 2010, PPL Energy Supply recognized insignificant amounts in the foreign currency translation adjustment component of AOCI.

Cash Flow Hedges

(PPL)

PPL may enter into foreign currency derivatives associated with foreign currency-denominated debt and the exchange rate associated with firm commitments (including those for the purchase of equipment) denominated in foreign currencies; however, at December 31, 2012, there were no existing contracts of this nature. Amounts previously settled and recorded in AOCI are reclassified as the hedged interest payments are made and as the related equipment is depreciated. Insignificant amounts are expected to be reclassified into earnings during the next 12 months.

During 2012, 2011 and 2010, no cash flow hedges were discontinued because it was probable that the original forecasted transaction would not occur by the end of the originally specified time periods.

Fair Value Hedges

PPL enters into foreign currency forward contracts to hedge the exchange rate risk associated with firm commitments denominated in foreign currencies; however, at December 31, 2012, there were no existing contracts of this nature and no gains or losses recorded for 2012, 2011 and 2010 related to hedge ineffectiveness, or from a portion of the hedging instrument being excluded from the assessment of hedge effectiveness, or from hedges of firm commitments that no longer qualified as fair value hedges.

Economic Activity

PPL enters into foreign currency contracts on behalf of a subsidiary to economically hedge GBP-denominated anticipated earnings. At December 31, 2012, the total exposure hedged by PPL was approximately £1.3 billion (approximately $2.0 billion based on contracted rates) and the net fair value of these positions was an asset (liability) of $(42) million. These contracts had termination dates ranging from January 2013 through February 2015. Realized and unrealized gains (losses) on these contracts are included in "Other Income (Expense) - net" on the Statements of Income and were $(52) million for 2012. At December 31, 2011, the total exposure hedged by PPL was £288 million and the net fair value of these positions was an asset (liability) of $11 million. Realized and unrealized gains (losses) were $10 million for 2011 and insignificant for 2010.

In anticipation of the repayment of a portion of the GBP-denominated borrowings under the 2011 Bridge Facility with U.S. dollar proceeds received from PPL's issuance of common stock and 2011 Equity Units and PPL WEM's issuance of U.S. dollar-denominated senior notes, PPL entered into forward contracts to purchase GBP in order to economically hedge the foreign currency exchange rate risk related to the repayment. When these trades were settled in April 2011, PPL recorded $55 million of pre-tax, net gains (losses) in "Other Income (Expense) - net" on the Statements of Income.

(PPL Energy Supply)

In January 2011, PPL Energy Supply distributed its membership interest in PPL Global to PPL Energy Supply's parent, PPL Energy Funding. Therefore, effective January 2011, PPL Energy Supply is no longer subject to earnings denominated in British pounds sterling. PPL Energy Supply recorded gains (losses) on these contracts, both realized and unrealized, in "Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income. For 2010, PPL Energy Supply recorded insignificant gains (losses).

Accounting and Reporting

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

All derivative instruments are recorded at fair value on the Balance Sheet as an asset or liability unless they qualify for NPNS. NPNS contracts for PPL and PPL Energy Supply include full-requirement sales contracts, other physical purchases and sales contracts and certain retail energy and physical capacity contracts, and for PPL Electric include full-requirement purchase contracts and other physical purchase contracts. Changes in the fair value of derivatives not designated as NPNS are recognized currently in earnings unless specific hedge accounting criteria are met, except for the changes in fair value of LG&E's and KU's interest rate swaps, which beginning in the third quarter of 2010, are recognized as regulatory assets or liabilities. See Note 6 for amounts recorded in regulatory assets at December 31, 2012 and 2011.

See Note 1 for additional information on accounting policies related to derivative instruments.

(PPL)

The following tables present the fair value and location of derivative instruments recorded on the Balance Sheets.

	December 31, 2012				December 31, 2011			
	Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments (a)		Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments (a)	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Current:								
Price Risk Management Assets/Liabilities (b):								
Interest rate swaps	$ 14	$ 22		$ 5	$ 3	$ 3		$ 5
Cross-currency swaps		3				2		
Foreign currency contracts		2		23	7		$ 11	
Commodity contracts	59		$ 1,452	1,010	872	3	1,655	1,557
Total current	73	27	1,452	1,038	882	8	1,666	1,562
Noncurrent:								
Price Risk Management Assets/Liabilities (b):								
Interest rate swaps	1			53				55
Cross-currency swaps	14	1			24			
Foreign currency contracts				19				
Commodity contracts	27		530	556	42	2	854	783
Total noncurrent	42	1	530	628	66	2	854	838
Total derivatives	$ 115	$ 28	$ 1,982	$ 1,666	$ 948	$ 10	$ 2,520	$ 2,400

(a) $300 million and $237 million of net gains associated with derivatives that were no longer designated as hedging instruments are recorded in AOCI at December 31, 2012 and 2011.
(b) Represents the location on the Balance Sheet.

The after-tax balances of accumulated net gains (losses) (excluding net investment hedges) in AOCI were $132 million, $527 million and $695 million at December 31, 2012, 2011 and 2010.

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI or regulatory assets and regulatory liabilities.

Derivatives in Fair Value Hedging Relationships	Hedged Items in Fair Value Hedging Relationships	Location of Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Income on Derivative	Gain (Loss) Recognized in Income on Related Item
2012				
Interest rate swaps	Fixed rate debt	Interest Expense		$ 3
2011				
Interest rate swaps	Fixed rate debt	Interest Expense	$ 2	$ 25
		Other Income (Expense) - net		22
2010				
Interest rate swaps	Fixed rate debt	Interest Expense	$ 48	$ (6)

Derivative Relationships	Derivative Gain (Loss) Recognized in OCI (Effective Portion)	Location of Gain (Loss) Recognized in Income	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
2012				
Cash Flow Hedges:				
Interest rate swaps	$ (28)	Interest Expense	$ (18)	
		Other Income (Expense) - net	1	
Cross-currency swaps	(15)	Interest Expense	(2)	
		Other Income (Expense) - net	(23)	
Commodity contracts	114	Wholesale energy marketing	891	$ (1)
		Depreciation	2	
		Energy purchases	(139)	(2)
Total	$ 71		$ 712	$ (3)
Net Investment Hedges:				
Foreign currency contracts	$ (7)			
2011				
Cash Flow Hedges:				
Interest rate swaps	$ (55)	Interest Expense	$ (13)	$ (13)
Cross-currency swaps	(35)	Interest Expense	5	
		Other Income (Expense) - net	29	
Commodity contracts	431	Wholesale energy marketing	835	(39)
		Fuel	1	
		Depreciation	2	
		Energy purchases	(243)	1
Total	$ 341		$ 616	$ (51)
Net Investment Hedges:				
Foreign currency contracts	$ 6			
2010				
Cash Flow Hedges:				
Interest rate swaps	$ (145)	Interest Expense	$ (4)	$ (17)
		Other Income (Expense) - net	(30)	
Cross-currency swaps	25	Interest Expense	2	
		Other Income (Expense) - net	16	
Commodity contracts	487	Wholesale energy marketing	680	(201)
		Fuel	2	
		Depreciation	2	
		Energy purchases	(458)	3
Total	$ 367		$ 210	$ (215)
Net Investment Hedges:				
Foreign currency contracts	$ 5			

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	2012	2011	2010
Foreign currency contracts	Other Income (Expense) - net	$ (52)	$ 65	$ 3
Interest rate swaps	Interest Expense	(8)	(8)	
Commodity contracts	Utility		(1)	(2)
	Unregulated retail electric and gas	30	39	11
	Wholesale energy marketing	1,191	1,606	(70)
	Net energy trading margins (a)	8	(6)	1
	Fuel		(1)	12
	Energy purchases	(965)	(1,493)	(405)
	Total	$ 204	$ 201	$ (450)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	2012	2011
Interest rate swaps	Regulatory assets - noncurrent	$ 1	$ (26)

Derivatives Designated as Cash Flow Hedges	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	2012	2011
Interest rate swaps	Regulatory liabilities - noncurrent	$ 14	

(a) Differs from the Statement of Income due to intra-month transactions that PPL defines as spot activity, which is not accounted for as a derivative.

(PPL Energy Supply)

The following tables present the fair value and location of derivative instruments recorded on the Balance Sheets.

	December 31, 2012								December 31, 2011							
	Derivatives designated as hedging instruments				Derivatives not designated as hedging instruments (a)				Derivatives designated as hedging instruments				Derivatives not designated as hedging instruments (a)			
	Assets		Liabilities		Assets		Liabilities		Assets		Liabilities		Assets		Liabilities	
Current:																
Price Risk Management Assets/Liabilities (b):																
Commodity contracts	$	59			$	1,452	$	1,010	$	872	$	3	$	1,655	$	1,557
Total current		59				1,452		1,010		872		3		1,655		1,557
Noncurrent:																
Price Risk Management Assets/Liabilities (b):																
Commodity contracts		27				530		556		42		2		854		783
Total noncurrent		27				530		556		42		2		854		783
Total derivatives	$	86			$	1,982	$	1,566	$	914	$	5	$	2,509	$	2,340

(a) $300 million and $237 million of net gains associated with derivatives that were no longer designated as hedging instruments are recorded in AOCI at December 31, 2012 and 2011.
(b) Represents the location on the Balance Sheet.

The after-tax balances of accumulated net gains (losses) (excluding net investment hedges) in AOCI were $210 million, $605 million and $733 million at December 31, 2012, 2011 and 2010. The December 31, 2011 AOCI balance reflects the effect of PPL Energy Supply's distribution of its membership interest in PPL Global to its parent, PPL Energy Funding. See Note 9 for additional information.

The following tables present the pre-tax effect of derivative instruments recognized in income or OCI. There were no gains (losses) on interest rate swaps for 2012.

Derivatives in Fair Value Hedging Relationships	Hedged Items in Fair Value Hedging Relationships	Location of Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Income on Derivative	Gain (Loss) Recognized in Income on Related Item	
2011					
Interest rate swaps	Fixed rate debt	Interest Expense		$	2
2010					
Interest rate swaps	Fixed rate debt	Interest Expense		$	2

Derivative Relationships	Derivative Gain (Loss) Recognized in OCI (Effective Portion)		Location of Gain (Loss) Recognized in Income	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)		Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
2012							
Cash Flow Hedges:							
Commodity contracts	$	114	Wholesale energy marketing	$	891	$	(1)
			Depreciation		2		
			Energy purchases		(139)		(2)
Total	$	114		$	754	$	(3)
2011							
Cash Flow Hedges:							
Commodity contracts	$	431	Wholesale energy marketing	$	835	$	(39)
			Fuel		1		
			Depreciation		2		
			Energy purchases		(243)		1
Total	$	431		$	595	$	(38)
2010							
Cash Flow Hedges:							
Interest rate swaps			Discontinued Operations (net of income taxes)			$	(3)
Cross-currency swaps	$	25	Discontinued Operations (net of income taxes)	$	18		
Commodity contracts		487	Wholesale energy marketing		680		(201)
			Fuel		2		
			Depreciation		2		
			Energy purchases		(458)		3
Total	$	512		$	244	$	(201)
Net Investment Hedges:							
Foreign currency contracts	$	5					

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	2012	2011	2010
Foreign currency contracts	Discontinued Operations (net of income taxes)			$ 3
Commodity contracts	Unregulated retail electric and gas	$ 30	$ 39	11
	Wholesale energy marketing	1,191	1,606	(70)
	Net energy trading margins (a)	8	(6)	1
	Fuel		(1)	12
	Energy purchases	(965)	(1,493)	(405)
	Total	$ 264	$ 145	$ (448)

(a) Differs from the Statement of Income due to intra-month transactions that PPL Energy Supply defines as spot activity, which is not accounted for as a derivative.

(LKE)

The following table presents the fair value and location of derivative instruments recorded on the Balance Sheets:

	December 31, 2012				December 31, 2011			
	Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments		Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments	
Current:	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Other Current Assets/Liabilities (a):								
Interest rate swaps	$ 14			$ 5				$ 5
Total current	14			5				5
Noncurrent:								
Price Risk Management Assets/Liabilities (a):								
Interest rate swaps				53				55
Total noncurrent				53				55
Total derivatives	$ 14			$ 58				$ 60

(a) Represents the location on the Balance Sheet.

The following tables present the pre-tax effect of derivative instruments recognized in income or regulatory assets and regulatory liabilities for the periods ended December 31, 2012, 2011 and 2010, for the Successor and Predecessor.

		Successor			Predecessor
Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	December 31, 2012	December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Interest rate swaps	Interest Expense	$ (8)	$ (8)	$ (1)	$ (7)
Commodity contracts	Operating Revenues		(1)	(2)	3
	Total	$ (8)	$ (9)	$ (3)	$ (4)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	December 31, 2012	December 31, 2011
Interest rate swaps	Regulatory assets - noncurrent	$ 1	$ (26)

Derivatives Designated as Cash Flow Hedges	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	December 31, 2012	December 31, 2011
Interest rate swaps	Regulatory liabilities - noncurrent	$ 14	

(LG&E)

The following table presents the fair value and location of derivative instruments recorded on the Balance Sheets:

	December 31, 2012				December 31, 2011			
	Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments		Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments	
Current:	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Other Current Assets/Liabilities (a):								
Interest rate swaps	$ 7			$ 5				$ 5
Total current	7			5				5
Noncurrent:								
Price Risk Management Assets/Liabilities (a):								
Interest rate swaps				53				55
Total noncurrent				53				55
Total derivatives	$ 7			$ 58				$ 60

(a) Represents the location on the balance sheet.

The following tables present the pre-tax effect of derivative instruments recognized in income or regulatory assets and regulatory liabilities for the periods ended December 31, 2012, 2011 and 2010, for the Successor and Predecessor.

		Successor			Predecessor
Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Interest rate swaps	Interest Expense	$ (8)	$ (8)	$ (1)	$ (7)
Commodity contracts	Operating Revenues		(1)	(2)	3
	Total	$ (8)	$ (9)	$ (3)	$ (4)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	December 31, 2012	December 31, 2011
Interest rate swaps	Regulatory assets - noncurrent	$ 1	$ (26)

Derivatives Designated as Cash Flow Hedges	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	December 31, 2012	December 31, 2011
Interest rate swaps	Regulatory liabilities - noncurrent	$ 7	

(KU)

At December 31, 2012, KU had interest rate swaps, which were designated as hedging instruments, of $7 million recorded in "Other current assets" on the Balance Sheet. KU recognized a $7 million, pre-tax gain on the derivative instruments in "Noncurrent regulatory liabilities" at December 31, 2012.

Credit Risk-Related Contingent Features *(PPL, PPL Energy Supply, LKE, LG&E and KU)*

Certain derivative contracts contain credit risk-related contingent features which, when in a net liability position, would permit the counterparties to require the transfer of additional collateral upon a decrease in the credit ratings of PPL, PPL Energy Supply, LKE, LG&E, KU or certain of their subsidiaries. Most of these provisions 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 provisions also would allow the counterparty to require additional collateral upon each decrease in the credit rating at levels that remain above investment grade. In either case, if the applicable credit rating were to fall below investment grade (i.e., below BBB- for S&P and Fitch, or Baa3 for Moody's), and assuming no assignment to an investment grade affiliate were allowed, most of these credit contingent provisions 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 provisions that require adequate assurance of performance be provided if the other party has reasonable concerns regarding the performance of PPL's obligation under the contract. 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" provisions.

At December 31, 2012, the effect of a decrease in credit ratings below investment grade on derivative contracts that contain credit risk-related contingent features and were in a net liability position is summarized as follows:

	PPL	PPL Energy Supply	LKE	LG&E
Aggregate fair value of derivative instruments in a net liability position with credit risk-related contingent provisions	$ 219	$ 142	$ 39	$ 39
Aggregate fair value of collateral posted on these derivative instruments	39	7	32	32
Aggregate fair value of additional collateral requirements in the event of a credit downgrade below investment grade (a)	202	155	9	9

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

20. Goodwill and Other Intangible Assets

Goodwill

(PPL and PPL Energy Supply)

The changes in the carrying amount of goodwill by segment were:

	Kentucky Regulated		U.K. Regulated		Supply		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
PPL								
Balance at beginning of period (a)	$ 662	$ 662	$ 3,032	$ 679	$ 420	$ 420	$ 4,114	$ 1,761
Goodwill recognized during the period (b)			(14)	2,391			(14)	2,391
Effect of foreign currency exchange rates			58	(38)			58	(38)
Balance at end of period (a)	$ 662	$ 662	$ 3,076	$ 3,032	$ 420	$ 420	$ 4,158	$ 4,114
PPL Energy Supply								
Balance at beginning of period (a)				$ 679	$ 86	$ 86	$ 86	$ 765
Derecognition (c)				(679)				(679)
Balance at end of period (a)				$	$ 86	$ 86	$ 86	$ 86

(a) There were no accumulated impairment losses related to goodwill.
(b) Represents goodwill recognized as a result of the acquisition of WPD Midlands. See Note 10 for additional information.
(c) Represents the amount of goodwill derecognized as a result of PPL Energy Supply's distribution of its membership interest in PPL Global to PPL Energy Supply's parent, PPL Energy Funding. See Note 9 for additional information on the distribution. Subsequent to the distribution, PPL Energy Supply operates in a single reportable segment and reporting unit.

Other Intangibles

(PPL)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2012		December 31, 2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Contracts (a) (b) (c)	$ 408	$ 150	$ 611	$ 155
Land and transmission rights	284	113	263	110
Emission allowances/RECs (d) (e) (f)	17		20	
Licenses and other (g)	287	39	265	35
Total subject to amortization	996	302	1,159	300
Not subject to amortization due to indefinite life:				
Land and transmission rights	18		16	
Easements (h)	220		199	
Total not subject to amortization due to indefinite life	238		215	
Total	$ 1,234	$ 302	$ 1,374	$ 300

(a) In 2012, intangible assets related to a tolling agreement were eliminated in consolidation as a result of the Ironwood Acquisition. See Note 10 for additional information.
(b) Gross carrying amount for 2011 includes $10 million, which represents the fair value of customer contracts with terms favorable to market recognized as a result of the 2011 acquisition of WPD Midlands. The weighted-average amortization period of these contracts was ten years at the acquisition date. See Note 10 for additional information.
(c) The gross carrying amount includes $269 million of coal contracts related to LKE, which represents the fair value of contracts with terms that are favorable to market recognized as a result of the 2010 acquisition of LKE by PPL. An offsetting regulatory liability was recorded related to these contracts, which is being amortized over the same period as the intangible assets, eliminating any income statement impact. See Note 6 for additional information.
(d) PPL Energy Supply emission allowances/RECs are expensed when consumed or sold. Consumption expense was $12 million, $16 million, and $45 million in 2012, 2011 and 2010. Consumption expense is expected to be insignificant in future periods.
(e) Includes emission allowances of LKE. An offsetting regulatory liability is recorded related to these emission allowances, which is being amortized as the emission allowances are consumed, eliminating any income statement impact. The carrying amounts of these emission allowances were insignificant at December 31, 2012 and 2011. Consumption related to these emission allowances was insignificant in 2012 and $11 million in 2011.
(f) During 2011, PPL recorded $7 million of impairment charges. See Note 18 for additional information.
(g) "Other" includes costs for the development of licenses, the most significant of which is the COLA. Amortization of these costs begins when the related asset is placed in service. See Note 8 for additional information on the COLA.
(h) Gross carrying amount for 2011 includes $88 million, which represents the fair value of easements recognized as a result of the 2011 acquisition of WPD Midlands. See Note 10 for additional information.

Current intangible assets are included in "Other current assets" and long-term intangible assets are included in "Other intangibles" in their respective areas on the Balance Sheets.

Amortization expense, excluding consumption of emission allowances/RECs, was as follows:

	2012	2011	2010
Intangible assets with no regulatory offset	$ 14	$ 25	$ 24
Intangible assets with regulatory offset	47	87	11
Total	$ 61	$ 112	$ 35

Amortization expense for each of the next five years, excluding consumption of emission allowances/RECs, is estimated to be:

	2013	2014	2015	2016	2017
Intangible assets with no regulatory offset	$ 10	$ 10	$ 10	$ 8	$ 8
Intangible assets with a regulatory offset	52	46	51	27	9
Total	$ 62	$ 56	$ 61	$ 35	$ 17

(PPL Energy Supply)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2012		December 31, 2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Contracts (a)			$ 203	$ 53
Land and transmission rights	$ 17	$ 13	17	13
Emission allowances/RECs (b) (c)	13		15	
Licenses and other (d)	277	35	255	30
Total subject to amortization	$ 307	$ 48	$ 490	$ 96

(a) In 2012, intangible assets related to a tolling agreement were eliminated in consolidation as a result of the Ironwood acquisition. See Note 10 for additional information.
(b) These emission allowances/RECs are expensed when consumed or sold. Consumption expense was $12 million, $16 million, and $46 million in 2012, 2011, and 2010. Consumption expense is expected to be insignificant in future periods.
(c) During 2011, PPL Energy Supply recorded $7 million of impairment charges. See Note 18 for additional information.
(d) "Other" includes costs for the development of licenses, the most significant of which is the COLA. Amortization of these costs begins when the related asset is placed in service. See Note 8 for additional information on the COLA.

Current intangible assets are included in "Other current assets" and long-term intangible assets are presented as "Other intangibles" in their respective areas on the Balance Sheets.

Amortization expense, excluding consumption of emission allowances/RECs, was as follows:

	2012	2011	2010
Amortization expense	$ 9	$ 20	$ 20

Amortization expense for each of the next five years, excluding consumption of emission allowances/RECs, is estimated to be:

	2013	2014	2015	2016	2017
Estimated amortization expense	$ 5	$ 5	$ 5	$ 3	$ 3

(PPL Electric)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2012		December 31, 2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Land and transmission rights	$ 249	$ 99	$ 232	$ 96
Licenses and other	4	1	4	1
Total subject to amortization	253	100	236	97
Not subject to amortization due to indefinite life:				
Land and transmission rights	18		16	
Total	$ 271	$ 100	$ 252	$ 97

Intangible assets are shown as "Intangibles" on the Balance Sheets.

Amortization expense was insignificant in 2012, 2011 and 2010, and is expected to be insignificant in future years.

(LKE)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2012		December 31, 2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Coal contracts (a)	$ 269	$ 128	$ 269	$ 89
Land and transmission rights (b)	18	1	14	1
Emission allowances (c)	4		5	
OVEC power purchase agreement (d)	126	17	126	9
Total subject to amortization	$ 417	$ 146	$ 414	$ 99

(a) Gross carrying amount represents the fair value of coal contracts with terms favorable to market recognized as a result of the 2010 acquisition by PPL. An offsetting regulatory liability was recorded related to these contracts, which is being amortized over the same period as the intangible assets, eliminating any income statement impact. See Note 6 for additional information.

(b) Gross carrying amount includes $14 million, which represents the fair value of land and transmission rights recognized as an intangible asset as a result of adopting PPL's accounting policies in the Successor period. Amortization expense is recovered through base rates and is expected to be insignificant for future periods.

(c) Represents the fair value of emission allowances recognized as a result of the 2010 acquisition by PPL. An offsetting regulatory liability is recorded related to these emission allowances, which is being amortized as the emission allowances are consumed, eliminating any income statement impact. Consumption related to these emission allowances was insignificant in 2012 and $11 million in 2011.

(d) Gross carrying amount represents the fair value of the OVEC power purchase contract recognized as a result of the 2010 acquisition by PPL. See Note 6 for additional information.

Current intangible assets are included in "Other current assets" on the Balance Sheets. Long-term intangible assets are presented as "Other intangibles" on the Balance Sheets.

Amortization expense for the Successor, excluding consumption of emission allowances, was as follows:

	2012	2011	2010
Intangible assets with no regulatory offset		$ 1	
Intangible assets with regulatory offset	$ 47	87	$ 11
Total	$ 47	$ 88	$ 11

Amortization expense for each of the next five years, excluding consumption of emission allowances, is estimated to be:

	2013	2014	2015	2016	2017
Intangibles with regulatory offset	$ 52	$ 46	$ 51	$ 27	$ 9

(LG&E)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2012		December 31, 2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Coal contracts (a)	$ 124	$ 62	$ 124	$ 46
Land and transmission rights (b)	8	1	6	1
Emission allowances (c)	1		2	
OVEC power purchase agreement (d)	87	13	87	6
Total subject to amortization	$ 220	$ 76	$ 219	$ 53

(a) Gross carrying amount represents the fair value of coal contracts with terms favorable to market recognized as a result of the 2010 acquisition by PPL. An offsetting regulatory liability was recorded related to these contracts, which is being amortized over the same period as the intangible assets, eliminating any income statement impact. See Note 6 for additional information.

(b) Gross carrying amount includes $6 million, which represents the fair value of land and transmission rights recognized as an intangible asset as a result of adopting PPL's accounting policies in the Successor period. Amortization expense is recovered through base rates and is expected to be insignificant for future periods.

(c) Represents the fair value of emission allowances recognized as a result of the 2010 acquisition by PPL. An offsetting regulatory liability is recorded related to these emission allowances, which is being amortized as the emission allowances are consumed, eliminating any income statement impact. Consumption related to these emission allowances was insignificant in 2012 and $5 million in 2011.

(d) Gross carrying amount represents the fair value of the OVEC power purchase contract recognized as a result of the 2010 acquisition by PPL. See Note 6 for additional information.

Current intangible assets are included in "Other current assets" on the Balance Sheets. Long-term intangible assets are presented as "Other intangibles" on the Balance Sheets.

Amortization expense for the Successor, excluding consumption of emission allowances, was as follows:

	2012	2011	2010
Intangible assets with no regulatory offset		$ 1	
Intangible assets with regulatory offset	$ 23	45	$ 7
Total	$ 23	$ 46	$ 7

Amortization expense for each of the next five years, excluding consumption of emission allowances, is estimated to be:

	2013	2014	2015	2016	2017
Intangibles with regulatory offset	$ 25	$ 23	$ 24	$ 14	$ 6

(KU)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2012		December 31, 2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Coal contracts (a)	$ 145	$ 66	$ 145	$ 43
Land and transmission rights (b)	10		8	
Emission allowances (c)	3		3	
OVEC power purchase agreement (d)	39	4	39	3
Total subject to amortization	$ 197	$ 70	$ 195	$ 46

(a) Gross carrying amount represents the fair value of coal contracts with terms favorable to market recognized as a result of the 2010 acquisition by PPL. An offsetting regulatory liability was recorded related to these contracts, which is being amortized over the same period as the intangible assets, eliminating any income statement impact. See Note 6 for additional information.
(b) Gross carrying amount includes $8 million, which represents the fair value of land and transmission rights recognized as an intangible asset as a result of adopting PPL's accounting policies in the Successor period. Amortization expense is recovered through base rates and is expected to be insignificant for future periods.
(c) Represents the fair value of emission allowances recognized as a result of the 2010 acquisition by PPL. An offsetting regulatory liability is recorded related to these emission allowances, which is being amortized as the emission allowances are consumed, eliminating any income statement impact. Consumption related to these emission allowances was $6 million for 2011. KU had no consumption related to these emission allowances in 2012.
(d) Gross carrying amount represents the fair value of the OVEC power purchase contract recognized as a result of the 2010 acquisition by PPL. See Note 6 for additional information.

Current intangible assets are included in "Other current assets" on the Balance Sheets. Long-term intangible assets are presented as "Other intangibles" on the Balance Sheets.

Amortization expense for the Successor, excluding consumption of emission allowances, was as follows:

	2012	2011	2010
Intangible assets with regulatory offset	$ 24	$ 42	$ 4

Amortization expense for each of the next five years, excluding consumption of emission allowances, is estimated to be:

	2013	2014	2015	2016	2017
Intangibles with regulatory offset	$ 27	$ 23	$ 27	$ 13	$ 3

21. Asset Retirement Obligations

(PPL)

WPD has recorded conditional AROs required by U.K. law related to treated wood poles, gas-filled switchgear and fluid-filled cables.

(PPL and PPL Energy Supply)

PPL Energy Supply has recorded liabilities in the financial statements to reflect various legal obligations associated with the retirement of long-lived assets, the most significant of which relates to the decommissioning of the Susquehanna nuclear plant. The accrued nuclear decommissioning obligation was $316 million and $292 million at December 31, 2012 and 2011. The fair value of investments that are legally restricted for the decommissioning of the Susquehanna nuclear plant was $712 million and $640 million at December 31, 2012 and 2011, and is included in "Nuclear plant decommissioning trust funds" on the Balance Sheets. See Notes 18 and 23 for additional information on the nuclear decommissioning trust funds. Other AROs recorded relate to various environmental requirements for coal piles, ash basins and other waste basin retirements.

PPL Energy Supply has recorded several conditional AROs, the most significant of which related to the removal and disposal of asbestos-containing material. In addition to the AROs that were recorded for asbestos-containing material, PPL Energy Supply identified other asbestos-related obligations, but was unable to reasonably estimate their fair values. PPL Energy Supply management was unable to reasonably estimate a settlement date or range of settlement dates for the remediation of all of the asbestos-containing material at certain of the generation plants. If economic events or other circumstances change that enable PPL Energy Supply to reasonably estimate the fair value of these retirement obligations, they will be recorded at that time.

PPL Energy Supply also identified legal retirement obligations associated with the retirement of a reservoir that could not be reasonably estimated due to an indeterminable settlement date.

(PPL and PPL Electric)

PPL Electric has identified legal retirement obligations for the retirement of certain transmission assets that could not be reasonably estimated due to indeterminable settlement dates. These assets are located on rights-of-way that allow the grantor to require PPL Electric to relocate or remove the assets. Since this option is at the discretion of the grantor of the right-of-way, PPL Electric is unable to determine when these events may occur.

(PPL, LKE, LG&E and KU)

LG&E's and KU's AROs are primarily related to the final retirement of assets associated with generating units. LG&E also has AROs related to natural gas mains and wells. LG&E's and KU's transmission and distribution lines largely operate under perpetual property easement agreements which do not generally require restoration upon removal of the property. Therefore, no material AROs are recorded for transmission and distribution assets. As described in Notes 1 and 6, the accretion and depreciation expense recorded by LG&E and KU is offset with a regulatory credit on the income statement, such that there is no earnings impact.

(PPL, PPL Energy Supply, LKE, LG&E and KU)

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

	PPL		PPL Energy Supply	
	2012	2011	2012	2011
ARO at beginning of period	$ 497	$ 448	$ 359	$ 345
Accretion expense	36	33	28	26
Obligations assumed in acquisition of WPD Midlands (a)		15		
Derecognition (b)				(5)
Obligations incurred	9	14	3	11
Changes in estimated cash flow or settlement date	31	5	(7)	(1)
Effect of foreign currency exchange rates	1			
Obligations settled	(22)	(18)	(8)	(17)
ARO at end of period	$ 552	$ 497	$ 375	$ 359

	LKE		LG&E		KU	
	2012	2011	2012	2011	2012	2011
ARO at beginning of period	$ 118	$ 103	$ 57	$ 49	$ 61	$ 54
Accretion expense	6	6	3	3	3	3
Obligations incurred	6	3		2	6	1
Changes in estimated cash flow or settlement date	15	7	5	4	10	3
Obligations settled	(14)	(1)	(3)	(1)	(11)	
ARO at end of period	$ 131	$ 118	$ 62	$ 57	$ 69	$ 61

(a) Obligations required under U.K. law related to treated wood poles, gas-filled switchgear and fluid-filled cables. See Note 10 for additional information on the acquisition.
(b) Represents AROs derecognized as a result of PPL Energy Supply's distribution of its membership interest in PPL Global to PPL Energy Supply's parent, PPL Energy Funding. See Note 9 for additional information on the distribution.

Substantially all of the ARO balances are classified as noncurrent at December 31, 2012 and 2011.

22. Variable Interest Entities

(PPL and PPL Energy Supply)

In December 2001, a subsidiary of PPL Energy Supply entered into a $455 million operating lease arrangement, as lessee, for the development, construction and operation of a gas-fired combined-cycle generation facility located in Lower Mt. Bethel Township, Northampton County, Pennsylvania. The owner/lessor of this generation facility, LMB Funding, LP, was created to own/lease the facility and incur the related financing costs. The initial lease term commenced on the date of commercial operation, which occurred in May 2004, and ends in December 2013. Under a residual value guarantee, if the generation facility is sold at the end of the lease term and the cash proceeds from the sale are less than the original acquisition cost, the subsidiary of PPL Energy Supply is obligated to pay up to 70.52% of the original acquisition cost. This residual value guarantee protects the other variable interest holders from losses related to their investments. LMB Funding, LP cannot extend or cancel the lease or sell the facility without the prior consent of the PPL Energy Supply subsidiary. As a result, LMB Funding, LP was determined to be a VIE and the subsidiary of PPL Energy Supply was considered the primary beneficiary that consolidates this VIE.

The lease financing, which includes $437 million of debt and $18 million of "Noncontrolling interests" at December 31, 2012 and December 31, 2011, is secured by, among other things, the generation facility, the carrying amount of which is disclosed on the Balance Sheets. The debt matures in December 2013, the end of the initial lease term, and therefore has been classified in "Long-term debt due within one year" at December 31, 2012. As a result of the consolidation, PPL Energy Supply has recorded interest expense in lieu of rent expense. For 2012, 2011 and 2010, additional depreciation on the generation facility of $16 million was recorded each year.

23. Available-for-Sale Securities

(PPL, PPL Energy Supply, LKE and LG&E)

Certain short-term investments, securities held by the NDT funds and auction rate securities are classified as available-for-sale.

The following table shows the amortized cost, the gross unrealized gains and losses recorded in AOCI and the fair value of available-for-sale securities.

	December 31, 2012				December 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
PPL								
NDT funds:								
Cash and cash equivalents	$ 11			$ 11	$ 12			$ 12
Equity securities:								
U.S. large-cap	222	$ 190		412	211	$ 146		357
U.S. mid/small-cap	30	30		60	29	23		52
Debt securities:								
U.S. Treasury	86	9		95	76	10		86
U.S. government sponsored agency	8	1		9	9	1		10
Municipality	78	5	$ 1	82	80	4	$ 1	83
Investment-grade corporate	36	4		40	35	3		38
Other	3			3	2			2
Total NDT funds	474	239	1	712	454	187	1	640
Auction rate securities	20		1	19	25		1	24
Total	$ 494	$ 239	$ 2	$ 731	$ 479	$ 187	$ 2	$ 664
PPL Energy Supply								
NDT funds:								
Cash and cash equivalents	$ 11			$ 11	$ 12			$ 12
Equity securities:								
U.S. large-cap	222	$ 190		412	211	$ 146		357
U.S. mid/small-cap	30	30		60	29	23		52
Debt securities:								
U.S. Treasury	86	9		95	76	10		86
U.S. government sponsored agency	8	1		9	9	1		10
Municipality	78	5	$ 1	82	80	4	$ 1	83
Investment-grade corporate	36	4		40	35	3		38
Other	3			3	2			2
Total NDT funds	474	239	1	712	454	187	1	640
Auction rate securities	17		1	16	20		1	19
Total	$ 491	$ 239	$ 2	$ 728	$ 474	$ 187	$ 2	$ 659

There were no securities with credit losses at December 31, 2012 and 2011.

The following table shows the scheduled maturity dates of debt securities held at December 31, 2012.

	Maturity Less Than 1 Year	Maturity 1-5 Years	Maturity 6-10 Years	Maturity in Excess of 10 Years	Total
PPL					
Amortized cost	$ 12	$ 79	$ 62	$ 78	$ 231
Fair value	12	83	68	85	248
PPL Energy Supply					
Amortized cost	$ 12	$ 79	$ 62	$ 75	$ 228
Fair value	12	83	68	82	245

The following table shows proceeds from and realized gains and losses on sales of available-for-sale securities.

	2012	2011	2010
PPL			
Proceeds from sales of NDT securities (a)	$ 139	$ 156	$ 114
Other proceeds from sales	5	163	
Gross realized gains (b)	29	28	13
Gross realized losses (b)	21	16	5
PPL Energy Supply			
Proceeds from sales of NDT securities (a)	$ 139	$ 156	$ 114
Other proceeds from sales	3		
Gross realized gains (b)	29	28	13
Gross realized losses (b)	21	16	5

(a) These proceeds are used to pay income taxes and fees related to managing the trust. Remaining proceeds are reinvested in the trust.
(b) Excludes the impact of other-than-temporary impairment charges recognized on the Statements of Income.

Short-term Investments *(PPL, LKE and LG&E)*

At December 31, 2010, LG&E held $163 million aggregate principal amount of tax-exempt revenue bonds issued by Louisville/Jefferson County, Kentucky on behalf of LG&E that were purchased from the remarketing agent in 2008. In 2011, LG&E received $163 million for its investments in these bonds when they were remarketed to unaffiliated investors. No realized or unrealized gains (losses) were recorded on these securities, as the difference between carrying value and fair value was not significant.

NDT Funds *(PPL and PPL Energy Supply)*

Amounts previously collected from PPL Electric's customers for decommissioning the Susquehanna nuclear plant, less applicable taxes, were deposited in external trust funds for investment and can only be used for future decommissioning costs. To the extent that the actual costs for decommissioning exceed the amounts in the nuclear decommissioning trust funds, PPL Susquehanna would be obligated to fund 90% of the shortfall.

When the fair value of a security is less than amortized cost, PPL and PPL Energy Supply must make certain assertions to avoid recording an other-than-temporary impairment that requires a current period charge to earnings. The NRC requires that nuclear decommissioning trusts be managed by independent investment managers, with discretion to buy and sell securities in the trusts. As a result, PPL and PPL Energy Supply have been unable to demonstrate the ability to hold an impaired security until it recovers its value; therefore, unrealized losses on equity securities for all periods presented, represented other-than-temporary impairments that required a current period charge to earnings. PPL and PPL Energy Supply recorded impairments for certain securities invested in the NDT funds of $1 million, $6 million and $3 million for 2012, 2011 and 2010. These impairments are reflected on the Statements of Income in "Other-Than-Temporary Impairments."

24. New Accounting Guidance Pending Adoption

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

Improving Disclosures about Offsetting Balance Sheet Items

Effective January 1, 2013, the Registrants will retrospectively adopt accounting guidance issued to enhance disclosures about derivative instruments that either (1) offset on the balance sheet or (2) are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset on the balance sheet.

Upon adoption, the enhanced disclosure requirements are not expected to have a significant impact on the Registrants.

Testing Indefinite-Lived Intangible Assets for Impairment

Effective January 1, 2013, the Registrants will prospectively adopt accounting guidance that allows an entity to elect the option to first make a qualitative evaluation about the likelihood of an impairment of an indefinite-lived intangible asset. If, based on this assessment, the entity determines that it is more likely than not that the fair value of the indefinite-lived intangible asset exceeds the carrying amount, the fair value of that asset does not need to be calculated. If the entity concludes otherwise, a quantitative impairment test must be performed by determining the fair value of the asset and comparing it with the carrying value. The entity would record an impairment charge, if necessary.

Upon adoption, the guidance is not expected to have a significant impact on the Registrants.

Reporting Amounts Reclassified Out of AOCI

Effective January 1, 2013, the Registrants will prospectively adopt accounting guidance issued to improve the reporting of reclassifications out of AOCI. The Registrants will be required to provide information about the effects on net income of significant amounts reclassified out of AOCI by their respective statement of income line item, if the item is required to be reclassified to net income in its entirety. For items not reclassified to net income in their entirety, the Registrants will be required to reference other disclosures that provide details on these amounts.

Upon adoption, the enhanced disclosure requirements are not expected to have a significant impact on the Registrants.

SCHEDULE I - LG&E and KU Energy LLC
CONDENSED UNCONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Millions of Dollars)

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Operating Revenues				
Operating Expenses				
Other operation and maintenance	$ 3			$ (3)
Total Operating Expenses	3			(3)
Operating Income (Loss)	(3)			3
Equity in Earnings of Subsidiaries	234	$ 267	$ 48	204
Other Income (Expense) - net				(1)
Interest Income with Affiliate	10	29	5	29
Interest Expense	39	31	4	
Interest Expense with Affiliate	2	2	1	47
Income (Loss) Before Income Taxes	200	263	48	188
Income Tax Expense (Benefit)	(19)	(2)	1	(2)
Net Income (Loss) Attributable to Member	$ 219	$ 265	$ 47	$ 190
Comprehensive Income (Loss) Attributable to Member	$ 200	$ 263	$ 53	$ 180

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

SCHEDULE I - LG&E and KU Energy LLC
CONDENSED UNCONSOLIDATED STATEMENTS OF CASH FLOWS
(Millions of Dollars)

	Successor			Predecessor
	Year Ended December 31, 2012	Year Ended December 31, 2011	Two Months Ended December 31, 2010	Ten Months Ended October 31, 2010
Cash Flows from Operating Activities				
Net cash provided by (used in) operating activities	$ 364	$ 346	$ 53	$ 156
Cash Flows from Investing Activities				
Capital contributions to affiliated subsidiaries			(3)	(525)
Net decrease (increase) in notes receivable from affiliates	(15)	(63)	313	234
Net cash provided by (used in) investing activities	(15)	(63)	310	(291)
Cash Flows from Financing Activities				
Net increase (decrease) in debt with affiliates			(208)	243
Net (decrease) increase in notes payable with affiliates	(196)			
Repayment of short-term borrowings			(2,103)	
Retirement of long-term debt			(400)	
Issuance of long-term debt		250	870	
Debt-issuance costs			(6)	
Contribution from member			1,565	
Distribution to member	(155)	(533)	(100)	
Payment of common stock dividends				(87)
Net cash provided by (used in) financing activities	(351)	(283)	(382)	156
Net Increase (Decrease) in Cash and Cash Equivalents	(2)		(19)	21
Cash and Cash Equivalents at Beginning of Period	2	2	21	
Cash and Cash Equivalents at End of Period	$	$ 2	$ 2	$ 21
Supplemental disclosures of cash flow information:				
Cash Dividends Received from Affiliated Subsidiaries	$ 175	$ 207	$	$ 105

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

SCHEDULE I - LG&E and KU Energy LLC
CONDENSED UNCONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
(Millions of Dollars)

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents		$ 2
Accounts receivable from affiliates	$ 4	11
Notes receivable from affiliates	1,560	1,520
Other current assets	1	4
Total Current Assets	1,565	1,537
Investments		
Affiliated companies at equity	4,096	4,056
Other Noncurrent Assets		
Deferred income taxes	184	163
Other noncurrent assets	7	8
Total Other Noncurrent Assets	191	171
Total Assets	$ 5,852	$ 5,764
Liabilities and Equity		
Current Liabilities		
Notes payable to affiliates	$ 25	
Accounts payable to affiliates	906	$ 701
Taxes	8	
Other current liabilities	6	6
Total Current Liabilities	945	707
Long-term Debt		
Long-term debt	1,121	1,120
Notes payable to affiliates		196
Total Long-term Debt	1,121	1,316
Equity	3,786	3,741
Total Liabilities and Equity	$ 5,852	$ 5,764

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

1. Basis of Presentation

LG&E and KU Energy LLC (LKE) is a holding company and conducts substantially all of its business operations through its subsidiaries. Substantially all of its consolidated assets are held by such subsidiaries. Accordingly, its cash flow and its ability to meet its obligations are largely dependent upon the earnings of these subsidiaries and the distribution or other payment of such earnings to it in the form of dividends or repayment of loans and advances from the subsidiaries. These condensed financial statements and related footnotes have been prepared in accordance with Reg. §210.12-04 of Regulation S-X. These statements should be read in conjunction with the consolidated financial statements and notes thereto of LKE.

LKE indirectly or directly owns all of the ownership interests of its significant subsidiaries. LKE relies primarily on dividends from its subsidiaries to fund LKE's dividends to its member and to meet its other cash requirements.

2. Commitments and Contingencies

See Note 15 to LKE's consolidated financial statements for commitments and contingencies of its subsidiaries.

Guarantees

LKE provides certain indemnifications, the most significant of which relate to the termination of the WKE lease in July 2009. See Note 9 to LKE's consolidated financial statements for additional information. These guarantees cover the due and punctual payment, performance and discharge by each party of its respective present and future obligations. The most comprehensive of these guarantees is the LKE guarantee covering operational, regulatory and environmental commitments and indemnifications made by WKE under the WKE Transaction Termination Agreement. This guarantee has a term of 12 years ending July 2021, and a cumulative maximum exposure of $200 million. Certain items such as government fines and penalties fall outside the cumulative cap. LKE has contested the applicability of the indemnification requirement relating to one matter presented by a counterparty under this guarantee. Another guarantee with a maximum exposure of $100 million covering other indemnifications expires in 2023. In May 2012, LKE's indemnitee received an arbitration panel's decision affecting this matter, which granted LKE's indemnitee certain rights of first refusal to purchase excess power at a market-based price rather than at an absolute fixed price. In January 2013, LKE's indemnitee commenced a proceeding in the Kentucky Court of Appeals appealing a December 2012 order of the Henderson Circuit Court confirming the arbitration award. LKE believes its indemnification obligations in this matter remain subject to various uncertainties, including the potential for additional legal challenges regarding the arbitration decision as well as future prices, availability and demand for the subject excess power. LKE continues to evaluate various legal and commercial options with respect to this indemnification matter. 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; however, LKE is not aware of formal claims under such indemnities made by any party at this time. LKE could be required to perform on these indemnifications in the event of covered losses or liabilities being claimed by an indemnified party. In the second quarter of 2012, LKE adjusted its investments in subsidiaries for certain of these indemnifications by $9 million ($5 million after-tax), which is reflected in "Equity in Earnings of Subsidiaries" on the Statement of Income. LKE cannot predict the ultimate outcomes of such indemnification circumstances, but does not currently expect such outcomes to result in significant losses above the amounts recorded.

QUARTERLY FINANCIAL, COMMON STOCK PRICE AND DIVIDEND DATA (Unaudited)
PPL Corporation and Subsidiaries
(Millions of Dollars, except per share data)

	For the Quarters Ended (a)			
	March 31	**June 30**	**Sept. 30**	**Dec. 31**
2012				
Operating revenues	**$ 4,112**	**$ 2,549**	**$ 2,403**	**$ 3,222**
Operating income	**1,051**	**572**	**664**	**822**
Income from continuing operations after income taxes	**545**	**277**	**355**	**360**
Income (loss) from discontinued operations		**(6)**		
Net income	**545**	**271**	**355**	**360**
Net income attributable to PPL	**541**	**271**	**355**	**359**
Income from continuing operations after income taxes available to PPL common shareowners: (b)				
Basic EPS	**0.93**	**0.47**	**0.61**	**0.61**
Diluted EPS	**0.93**	**0.47**	**0.61**	**0.60**
Net income available to PPL common shareowners: (b)				
Basic EPS	**0.93**	**0.46**	**0.61**	**0.61**
Diluted EPS	**0.93**	**0.46**	**0.61**	**0.60**
Dividends declared per share of common stock (c)	**0.360**	**0.360**	**0.360**	**0.360**
Price per common share:				
High	**$ 29.85**	**$ 28.44**	**$ 29.98**	**$ 30.18**
Low	**27.29**	**26.68**	**27.72**	**27.74**
2011				
Operating revenues	$ 2,910	$ 2,489	$ 3,120	$ 4,218
Operating income	805	595	767	934
Income from continuing operations after income taxes	402	201	449	458
Income (loss) from discontinued operations	3	(1)		
Net income	405	200	449	458
Net income attributable to PPL	401	196	444	454
Income from continuing operations after income taxes available to PPL common shareowners: (b)				
Basic EPS	0.82	0.35	0.76	0.78
Diluted EPS	0.82	0.35	0.76	0.78
Net income available to PPL common shareowners: (b)				
Basic EPS	0.82	0.35	0.76	0.78
Diluted EPS	0.82	0.35	0.76	0.78
Dividends declared per share of common stock (c)	0.350	0.350	0.350	0.350
Price per common share:				
High	$ 26.98	$ 28.38	$ 29.61	$ 30.27
Low	24.10	25.23	25.00	27.00

(a) Quarterly results can vary depending on, among other things, weather and the forward pricing of power. Accordingly, comparisons among quarters of a year may not be indicative of overall trends and changes in operations.
(b) The sum of the quarterly amounts may not equal annual earnings per share due to changes in the number of common shares outstanding during the year or rounding.
(c) PPL has paid quarterly cash dividends on its common stock in every year since 1946. Future dividends, declared at the discretion of the Board of Directors, will be dependent upon future earnings, cash flows, financial requirements and other factors.

QUARTERLY FINANCIAL DATA (Unaudited)
PPL Electric Utilities Corporation and Subsidiaries
(Millions of Dollars)

	For the Quarters Ended (a)			
	March 31	**June 30**	**Sept. 30**	**Dec. 31**
2012				
Operating revenues	**$ 458**	**$ 404**	**$ 444**	**$ 457**
Operating income	**79**	**63**	**71**	**81**
Net income	**37**	**29**	**33**	**37**
Net income available to PPL	**33**	**29**	**33**	**37**
2011				
Operating revenues	$ 558	$ 440	$ 455	$ 439
Operating income	103	82	69	94
Net income	56	40	32	61
Net income available to PPL	52	36	28	57

(a) PPL Electric's business is seasonal in nature, with peak sales periods generally occurring in the winter and summer months. Accordingly, comparisons among quarters of a year may not be indicative of overall trends and changes in operations.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

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

The registrants' principal executive officers and principal financial officers, based on their evaluation of the registrants' disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934) have concluded that, as of December 31, 2012, the registrants' disclosure controls and procedures are effective to ensure that material information relating to the registrants and their consolidated subsidiaries is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, particularly during the period for which this annual report has been prepared. The aforementioned principal officers have concluded that the disclosure controls and procedures are also effective to ensure that information required to be disclosed in reports filed under the Exchange Act is accumulated and communicated to management, including the principal executive and principal financial officers, to allow for timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting.

PPL Corporation

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

As reported in the 2011 Form 10-K, PPL's principal executive officer and principal financial officer concluded that a systems migration related to the WPD Midlands acquisition created a material change to its internal control over financial reporting in 2012. In December 2011, the use of legacy information technology systems at WPD Midlands was discontinued and the related data, processes and internal controls were migrated to the systems, processes and controls currently in place at PPL WW.

Risks related to the systems migration were partially mitigated by PPL's expanded internal control over financial reporting that were implemented subsequent to the acquisition and PPL's existing policy of consolidating foreign subsidiaries on a one-month lag, which provided management additional time for review and analysis of WPD Midlands' results and their incorporation into PPL's consolidated financial statements.

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

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

Management's Report on Internal Control over Financial Reporting

PPL Corporation

PPL's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f) or 15d-15(f). PPL's internal control over financial reporting is a process designed to provide reasonable assurance to PPL's management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in "Internal Control - Integrated Framework," our management concluded that our internal control over financial reporting was effective as of December 31, 2012. The effectiveness of our internal control over financial reporting has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report contained on page 197.

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

Management of PPL's non-accelerated filer companies, PPL Energy Supply, PPL Electric, LKE, LG&E and KU, are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f) or 15d-15(f). Each of the aforementioned companies' internal control over financial reporting is a process designed to provide reasonable assurance to management and Board of Directors of these companies regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Under the supervision and with the participation of our management, including the principal executive officers and principal financial officers of the companies listed above, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in "Internal Control - Integrated Framework," management of these companies concluded that our internal control over financial reporting was effective as of December 31, 2012. This annual report does not include an attestation report of Ernst & Young LLP, the companies' independent registered public accounting firm regarding internal control over financial reporting for these non-accelerated filer companies. The effectiveness of internal control over financial reporting for the aforementioned companies was not subject to attestation by the companies' registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit these companies to provide only management's report in this annual report.

ITEM 9B. OTHER INFORMATION

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

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

PPL Corporation

Additional information for this item will be set forth in the sections entitled "Nominees for Directors," "Board Committees - Audit Committee" and "Section 16(a) Beneficial Ownership Reporting Compliance" in PPL's 2013 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2012, and which information is incorporated herein by reference. There have been no changes to the procedures by which shareowners may recommend nominees to PPL's board of directors since the filing with the SEC of PPL's 2012 Notice of Annual Meeting and Proxy Statement. Information required by this item concerning the executive officers of PPL is set forth at the end of Part I of this report.

PPL has adopted a code of ethics entitled "Standards of Integrity" that applies to all directors, managers, trustees, officers (including the principal executive officers, principal financial officers and principal accounting officers (each, a "principal officer")), employees and agents of PPL and PPL's subsidiaries for which it has operating control (including PPL Energy Supply, PPL Electric, LKE, LG&E and KU). The "Standards of Integrity" are posted on PPL's Internet website: www.pplweb.com/about-us/corporate-governance . A description of any amendment to the "Standards of Integrity" (other than a technical, administrative or other non-substantive amendment) will be posted on PPL's Internet website within four business days following the date of the amendment. In addition, if a waiver constituting a material departure from a provision of the "Standards of Integrity" is granted to one of the principal officers, a description of the nature of the waiver, the name of the person to whom the waiver was granted and the date of the waiver will be posted on PPL's Internet website within four business days following the date of the waiver.

PPL also has adopted its "Guidelines for Corporate Governance," which address, among other things, director qualification standards and director and board committee responsibilities. These guidelines, and the charters of each of the committees of PPL's board of directors, are posted on PPL's Internet website: www.pplweb.com/about-us/corporate-governance .

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

Item 10 is omitted as PPL Energy Supply, PPL Electric, LKE, LG&E and KU meet the conditions set forth in General Instruction (I)(1)(a) and (b) of Form 10-K

EXECUTIVE OFFICERS OF THE REGISTRANTS

Officers of the Registrants are elected annually by their Boards of Directors (or Board of Managers for PPL Energy Supply) to serve at the pleasure of the respective Boards. There are no family relationships among any of the executive officers, nor is there any arrangement or understanding between any executive officer and any other person pursuant to which the officer was selected.

There have been no events under any bankruptcy act, no criminal proceedings and no judgments or injunctions material to the evaluation of the ability and integrity of any executive officer during the past five years.

Listed below are the executive officers at December 31, 2012.

PPL Corporation

Name	Age	Positions Held During the Past Five Years	Dates
William H. Spence (a)	55	Chairman, President and Chief Executive Officer	April 2012 - present
		President and Chief Executive Officer	November 2011 - March 2012
		President and Chief Operating Officer	July 2011 - November 2011
		Executive Vice President and Chief Operating Officer	June 2006 - July 2011
Paul A. Farr	45	Executive Vice President and Chief Financial Officer	April 2007 - present
		Senior Vice President-Financial	January 2006 - March 2007
Robert J. Grey (b)	62	Executive Vice President, General Counsel and Secretary	November 2012 - present
		Senior Vice President, General Counsel and Secretary	March 1996 - November 2012
David G. DeCampli (c) (f)	55	President-PPL Energy Supply	March 2012 - present
		President-PPL Electric	April 2007 - March 2012
Gregory N. Dudkin (d) (f)	55	President-PPL Electric	March 2012 - present
		Senior Vice President-Operations-PPL Electric	June 2009 - March 2012
		Independent Consultant	February 2009 - June 2009
		Senior Vice-President of Technical Operations and Fulfillment-Comcast Corporation	June 2006 - January 2009
Robert D. Gabbard (f)	53	President-PPL EnergyPlus	June 2008 - present
		Senior Vice President-Trading-PPL EnergyPlus	June 2008 - June 2008
		Senior Vice President Merchant Trading Operations-Conectiv Energy	June 2005 - May 2008
Rick L. Klingensmith (f)	52	President-PPL Global	August 2004 - present
Victor A. Staffieri (f)	57	Chairman of the Board, President and Chief Executive Officer-LKE	May 2001 - present
Mark F. Wilten (e)	45	Vice President-Finance and Treasurer	June 2012 - present
		Treasurer-Nissan North America and Nissan Motor Acceptance Corporation	August 2010 - May 2012
		Assistant Treasurer-Nissan Motor Acceptance Corporation	August 2008 - August 2010
		Group Treasurer-Kensington Group plc	October 2004 - January 2008
Vincent Sorgi	41	Vice President and Controller	March 2010 - present
		Controller-Supply Accounting	June 2008 - March 2010
		Controller-PPL EnergyPlus	April 2007 - June 2008

(a) On April 1, 2012, William H. Spence was elected Chairman, President and Chief Executive Officer.
(b) On November 1, 2012, Robert J. Grey was elected Executive Vice President, General Counsel and Secretary.
(c) On March 4, 2012, David G. DeCampli resigned as President of PPL Electric. On March 5, 2012, Mr. DeCampli was elected as President of PPL Energy Supply.
(d) On March 4, 2012, Gregory N. Dudkin resigned as Senior Vice President-Operations of PPL Electric. On March 5, 2012, Mr. Dudkin was elected as President of PPL Electric.
(e) On June 4, 2012, Mark F. Wilten was elected Vice President-Finance and Treasurer.
(f) Designated an executive officer of PPL by virtue of their respective positions at a PPL subsidiary.

ITEM 11. EXECUTIVE COMPENSATION

PPL Corporation

Information for this item will be set forth in the sections entitled "Compensation of Directors," "Compensation Committee Interlocks and Insider Participation" and "Executive Compensation" in PPL's 2013 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2012, and which information is incorporated herein by reference.

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

Item 11 is omitted as PPL Energy Supply, PPL Electric, LKE, LG&E and KU meet the conditions set forth in General Instructions (I)(1)(a) and (b) of Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

PPL Corporation

Information for this item will be set forth in the section entitled "Stock Ownership" in PPL's 2013 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2012, and which information is incorporated herein by reference. In addition, provided below in tabular format is information as of December 31, 2012, with respect to compensation plans (including individual compensation arrangements) under which equity securities of PPL are authorized for issuance.

Equity Compensation Plan Information

	Number of securities to be issued upon exercise of outstanding options, warrants and rights **(3)**	Weighted-average exercise price of outstanding options, warrants and rights **(3)**	Number of securities remaining available for future issuance under equity compensation plans **(4)**
Equity compensation plans approved by security holders (1)	4,968,849 - ICP 413,210 - SIP 3,752,486 - ICPKE 9,134,545 - Total	\$ 30.72- ICP \$ 28.19- SIP \$ 30.12- ICPKE \$ 30.36- Combined	334,877 - ICP 5,688,059 - ICPKE 9,541,170 - SIP 1,948,928 - DDCP 17,513,034 - Total
Equity compensation plans not approved by security holders (2)			

(1) Includes (a) the Amended and Restated Incentive Compensation Plan (ICP), under which stock options, restricted stock, restricted stock units, performance units, dividend equivalents and other stock-based awards may be awarded to executive officers of PPL; (b) the Amended and Restated Incentive Compensation Plan for Key Employees (ICPKE), under which stock options, restricted stock, restricted stock units, performance units, dividend equivalents and other stock-based awards may be awarded to non-executive key employees of PPL and its subsidiaries; (c) the PPL 2012 SIP approved by shareowners in 2012 under which stock options, restricted stock, restricted stock units, performance units, dividend equivalents and other stock-based awards may be awarded to executive officers of PPL and its subsidiaries; and (d) the Directors Deferred Compensation Plan (DDCP), under which stock units may be awarded to directors of PPL. See Note 12 to the Financial Statements for additional information.

(2) All of PPL's current compensation plans under which equity securities of PPL are authorized for issuance have been approved by PPL's shareowners.

(3) Relates to common stock issuable upon the exercise of stock options awarded under the ICP, SIP and ICPKE as of December 31, 2012. In addition, as of December 31, 2012, the following other securities had been awarded and are outstanding under the ICP, SIP, ICPKE and DDCP: 30,400 shares of restricted stock, 400,660 restricted stock units and 324,387 performance units under the ICP; 40,000 shares of restricted stock, 1,856 restricted stock units and 3,927 performance units under the SIP; 24,600 shares of restricted stock, 2,006,254 restricted stock units and 265,889 performance units under the ICPKE; and 467,741 stock units under the DDCP.

(4) Based upon the following aggregate award limitations under the ICP, SIP, ICPKE and DDCP: (a) under the ICP, 15,769,431 awards (i.e., 5% of the total PPL common stock outstanding as of April 23, 1999) granted after April 23, 1999; (b) under the SIP, 10,000,000 awards; (c) under the ICPKE, 16,573,608 awards (i.e., 5% of the total PPL common stock outstanding as of January 1, 2003) granted after April 25, 2003, reduced by outstanding awards for which common stock was not yet issued as of such date of 2,373,812 resulting in a limit of 14,199,796; and (d) under the DDCP, the number of shares available for issuance was reduced to 2,000,000 shares in March 2012. In addition, each of the ICP and ICPKE includes an annual award limitation of 2% of total PPL common stock outstanding as of January 1 of each year.

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

Item 12 is omitted as PPL Energy Supply, PPL Electric, LKE, LG&E and KU meet the conditions set forth in General Instructions (I)(1)(a) and (b) of Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

PPL Corporation

Information for this item will be set forth in the sections entitled "Transactions with Related Persons" and "Independence of Directors" in PPL's 2013 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2012, and is incorporated herein by reference.

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

Item 13 is omitted as PPL Energy Supply, PPL Electric, LKE, LG&E and KU meet the conditions set forth in General Instructions (I)(1)(a) and (b) of Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

PPL Corporation

Information for this item will be set forth in the section entitled "Fees to Independent Auditor for 2012 and 2011" in PPL's 2013 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2012, and which information is incorporated herein by reference.

PPL Energy Supply, LLC

The following table presents an allocation of fees billed, including expenses, by Ernst & Young LLP (EY) to PPL for the fiscal years ended December 31, 2012 and 2011, for professional services rendered for the audit of PPL Energy Supply's annual financial statements and for fees billed for other services rendered by EY.

	2012	2011
	(in thousands)	
Audit fees (a)	$ 2,132	$ 1,701
Audit-related fees (b)	54	9
Tax fees (c)	163	518

(a) Includes estimated fees for audit of annual financial statements and review of financial statements included in PPL Energy Supply's Quarterly Reports on Form 10-Q and for services in connection with statutory and regulatory filings or engagements, including comfort letters and consents for financings and filings made with the SEC.

(b) Fees for performance of specific agreed-upon procedures.

(c) Includes fees for tax advice in connection with a tax basis and earnings and profit study, a private letter ruling related to the sale of Safe Harbor, Ironwood purchase accounting, and review, consultation and analysis related to investment tax credits and related capital expenditures on certain hydro-electric plant upgrades.

PPL Electric Utilities Corporation

The following table presents an allocation of fees billed, including expenses, by EY to PPL for the fiscal years ended December 31, 2012 and 2011, for professional services rendered for the audit of PPL Electric's annual financial statements and for fees billed for other services rendered by EY.

	2012	2011
	(in thousands)	
Audit fees (a)	$ 1,319	$ 1,193
Audit-related fees (b)	10	45
Tax fees (c)	207	19

(a) Includes estimated fees for audit of annual financial statements and review of financial statements included in PPL Electric's Quarterly Reports on Form 10-Q and for services in connection with statutory and regulatory filings or engagements, including comfort letters and consents for financings and filings made with the SEC.

(b) Fees for consultation on a transmission and distribution study and performance of specific agreed-upon procedures.

(c) Includes fees for tax advice in connection with non-income tax processes, sales and use tax matters and analysis related to the deductibility of certain transmission and distribution costs.

LG&E and KU Energy LLC

The following table presents an allocation of fees billed, including expenses, by EY to LKE for the fiscal years ended December 31, 2012 and 2011, for professional services rendered for the audits of LKE's annual financial statements and for fees billed for other services rendered by EY.

	2012	2011
	(in thousands)	
Audit fees (a)	$ 1,715	$ 1,528

(a) Includes estimated fees for audit of annual financial statements and review of financial statements included in LKE's Quarterly Reports on Form 10-Q and for services in connection with statutory and regulatory filings or engagements, including comfort letters and consents for financings and filings made with the SEC.

Louisville Gas and Electric Company

The following table presents an allocation of fees billed, including expenses, by EY to LG&E for the fiscal years ended December 31, 2012 and 2011, for professional services rendered for the audits of LG&E's annual financial statements and for fees billed for other services rendered by EY.

	2012	2011
	(in thousands)	
Audit fees (a)	$ 731	$ 552

(a) Includes estimated fees for audit of annual financial statements and review of financial statements included in LG&E's Quarterly Reports on Form 10-Q and for services in connection with statutory and regulatory filings or engagements, including comfort letters and consents for financings and filings made with the SEC.

Kentucky Utilities Company

The following table presents an allocation of fees billed, including expenses, by EY to KU for the fiscal years ended December 31, 2012 and 2011, for professional services rendered for the audits of KU's annual financial statements and for fees billed for other services rendered by EY.

	2012	2011
	(in thousands)	
Audit fees (a)	$ 626	$ 552

(a) Includes estimated fees for audit of annual financial statements and review of financial statements included in KU's Quarterly Reports on Form 10-Q and for services in connection with statutory and regulatory filings or engagements, including comfort letters and consents for financings and filings made with the SEC.

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

Approval of Fees The Audit Committee of PPL has procedures for pre-approving audit and non-audit services to be provided by the independent auditor. These procedures are designed to ensure the continued independence of the independent auditor. More specifically, the use of the independent auditor to perform either audit or non-audit services is prohibited unless specifically approved in advance by the Audit Committee of PPL. As a result of this approval process, the Audit Committee of PPL has pre-approved specific categories of services and authorization levels. All services outside of the specified categories and all amounts exceeding the authorization levels are approved by the Chair of the Audit Committee of PPL, who serves as the Committee designee to review and approve audit and non-audit related services during the year. A listing of the approved audit and non-audit services is reviewed with the full Audit Committee of PPL no later than its next meeting.

The Audit Committee of PPL approved 100% of the 2012 and 2011 services provided by EY.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

(a) The following documents are filed as part of this report:

1. Financial Statements - Refer to the "Table of Contents" for an index of the financial statements included in this report.

2. Supplementary Data and Supplemental Financial Statement Schedule - included in response to Item 8.

   Schedule I - LG&E and KU Energy LLC Condensed Unconsolidated Financial Statements.

   All other schedules are omitted because of the absence of the conditions under which they are required or because the required information is included in the financial statements or notes thereto.

3. Exhibits

   See Exhibit Index immediately following the signature pages.

SHAREOWNER AND INVESTOR INFORMATION

Annual Meetings : The 2013 annual meeting of shareowners of PPL will be held on Wednesday, May 15, 2013, at the Zoellner Arts Center, on the campus of Lehigh University in Bethlehem, Pennsylvania, in Northampton County.

Proxy and Information Statement Material : A proxy statement and notice of PPL's annual meeting is mailed to all shareowners of record as of February 28, 2013.

PPL Annual Report : The report is published and mailed in the beginning of April to all shareowners of record. The latest annual report can be accessed at www.pplweb.com. If you have more than one account, or if there is more than one investor in your household, you may call the PPL Shareowner Information Line to request that only one annual report be delivered to your address. Please provide account numbers for all duplicate mailings.

Dividends : Subject to the declaration of dividends on PPL common stock by the PPL Board of Directors or its Executive Committee and PPL Electric preference stock by the PPL Electric Board of Directors, dividends are paid on the first business day of April, July, October and January. The 2013 record dates for dividends are expected to be March 8, June 10, September 10 and December 10.

PPL Shareowner Information Line (1-800-345-3085): Shareowners can obtain corporate and financial information 24 hours a day using the PPL Shareowner Information Line. Earnings, dividends and other company news releases are available by fax or mail. Other PPL publications, such as the annual and quarterly reports to the Securities and Exchange Commission (Forms 10-K and 10-Q), will be mailed upon request, or write to:

Manager - PPL Investor Services
Two North Ninth Street (GENTW13)
Allentown, PA 18101

FAX: 610-774-5106
Via email: invserv@pplweb.com

PPL's Website (www.pplweb.com): Shareowners can access PPL Securities and Exchange Commission filings, corporate governance materials, news releases, stock quotes and historical performance. Visitors to our website can provide their email address and indicate their desire to receive future earnings or news releases automatically.

Shareowner Inquiries :

PPL Shareowner Services
Wells Fargo Bank, N.A.
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120

Toll Free: 1-800-345-3085
Outside U.S.: 651-453-2129
FAX: 651-450-4085
shareowneronline.com

Online Account Access : Registered shareowners can activate their account for online access by visiting shareowneronline.com.

Dividend Reinvestment and Direct Stock Purchase Plan (Plan): PPL offers investors the opportunity to acquire shares of PPL common stock through its Plan. Through the Plan, participants are eligible to invest up to $25,000 per calendar month in PPL common stock. Shareowners may choose to have dividends on their PPL common stock fully or partially reinvested in PPL common stock or can receive full payment of cash dividends by check or EFT. Participants in the Plan may choose to have their common stock certificates deposited into their Plan account.

Direct Registration System: PPL participates in the Direct Registration System (DRS). Shareowners may choose to have their common stock certificates converted to book entry form within the DRS by submitting their certificates to PPL's transfer agent.

Listed Securities:

New York Stock Exchange

PPL Corporation:
Common Stock (Code: PPL)

Corporate Units issued 2010 (Code: PPLPRU)

Corporate Units issued 2011 (Code: PPLPRW)

PPL Capital Funding, Inc.:
2007 Series A Junior Subordinated Notes due 2067 (Code: PPL/67)

Fiscal Agents:

Stock Transfer Agent and Registrar; Dividend Reinvestment Plan Agent
Wells Fargo Bank, N.A.
Shareowner Services
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120

Toll Free: 1-800-345-3085
Outside U.S.: 651-453-2129

Dividend Disbursing Office
PPL Investor Services
Two North Ninth Street (GENTW13)
Allentown, PA 18101

FAX: 610-774-5106
Via email: invserv@pplweb.com

Or call the PPL Shareowner Information Line
Toll Free: 1-800-345-3085

1945 Mortgage Bond Trustee, Transfer and Bond Interest Paying Agent
Deutsche Bank Trust Company Americas
5022 Gate Parkway (Suite 200)
Jacksonville, FL 32256

Toll Free: 1-800-735-7777
FAX: 615-866-3887

Indenture Trustee
The Bank of New York Mellon
101 Barclay Street
New York, NY 10286

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PPL Corporation
(Registrant)

By /s/ William H. Spence
William H. Spence -
Chairman, President and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

By /s/ William H. Spence
William H. Spence -
Chairman, President and
Chief Executive Officer
(Principal Executive Officer)

By /s/ Paul A. Farr
Paul A. Farr -
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

By /s/ Vincent Sorgi
Vincent Sorgi -
Vice President and Controller
(Principal Accounting Officer)

Directors:

Frederick M. Bernthal
John W. Conway
Steven G. Elliott
Louise K. Goeser
Stuart E. Graham
Stuart Heydt
Venkata Rajamannar Madabhushi
Craig A. Rogerson
William H. Spence
Natica von Althann
Keith H. Williamson

By /s/ William H. Spence
William H. Spence, Attorney-in-fact

Date: February 28, 2013

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PPL Energy Supply, LLC
(Registrant)

By /s/ David G. DeCampli
David G. DeCampli -
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

By /s/ David G. DeCampli
David G. DeCampli -
President
(Principal Executive Officer)

By /s/ Paul A. Farr
Paul A. Farr -
Executive Vice President
(Principal Financial Officer)

By /s/ Vincent Sorgi
Vincent Sorgi -
Vice President and Controller
(Principal Accounting Officer)

Managers:

/s/ David G. DeCampli
David G. DeCampli

/s/ Paul A. Farr
Paul A. Farr

/s/ Robert J. Grey
Robert J. Grey

/s/ William H. Spence
William H. Spence

Date: February 28, 2013

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PPL Electric Utilities Corporation
(Registrant)

By /s/ Gregory N. Dudkin
Gregory N. Dudkin -
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

By /s/ Gregory N. Dudkin
Gregory N. Dudkin -
President
(Principal Executive Officer)

By /s/ Vincent Sorgi
Vincent Sorgi -
Vice President and Chief Accounting Officer
(Principal Financial and Accounting Officer)

Directors:

/s/ William H. Spence	/s/ Gregory N. Dudkin
William H. Spence	Gregory N. Dudkin
/s/ Paul A. Farr	/s/ Dean A. Christiansen
Paul A. Farr	Dean A. Christiansen
/s/ Robert J. Grey	
Robert J. Grey	

Date: February 28, 2013

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LG&E and KU Energy LLC
(Registrant)

By /s/ Victor A. Staffieri
Victor A. Staffieri -
Chairman of the Board, Chief Executive Officer
and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

By /s/ Victor A. Staffieri
Victor A. Staffieri -
Chairman of the Board, Chief Executive Officer
and President
(Principal Executive Officer)

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

Directors:

/s/ Paul A. Farr	/s/ William H. Spence
Paul A. Farr	William H. Spence
/s/ Chris Hermann	/s/ Victor A. Staffieri
Chris Hermann	Victor A. Staffieri
/s/ S. Bradford Rives	/s/ Paul W. Thompson
S. Bradford Rives	Paul W. Thompson

Date: February 28, 2013

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Louisville Gas and Electric Company
(Registrant)

By /s/ Victor A. Staffieri
Victor A. Staffieri -
Chairman of the Board, Chief Executive Officer
and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

By /s/ Victor A. Staffieri
Victor A. Staffieri -
Chairman of the Board, Chief Executive Officer
and President
(Principal Executive Officer)

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

Directors:

/s/ Paul A. Farr	/s/ William H. Spence
Paul A. Farr	William H. Spence
/s/ Chris Hermann	/s/ Victor A. Staffieri
Chris Hermann	Victor A. Staffieri
/s/ S. Bradford Rives	/s/ Paul W. Thompson
S. Bradford Rives	Paul W. Thompson

Date: February 28, 2013

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Kentucky Utilities Company
(Registrant)

By /s/ Victor A. Staffieri
Victor A. Staffieri -
Chairman of the Board, Chief Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

By /s/ Victor A. Staffieri
Victor A. Staffieri -
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)

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

Directors:

/s/ Paul A. Farr Paul A. Farr	/s/ William H. Spence William H. Spence
/s/ Chris Hermann Chris Hermann	/s/ Victor A. Staffieri Victor A. Staffieri
/s/ S. Bradford Rives S. Bradford Rives	/s/ Paul W. Thompson Paul W. Thompson

Date: February 28, 2013

EXHIBIT INDEX

The following Exhibits indicated by an asterisk preceding the Exhibit number are filed herewith. The balance of the Exhibits have 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 21, 2008 (Exhibit 3(i) to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 21, 2008)
3(b)	-	Amended and Restated Articles of Incorporation of PPL Electric Utilities Corporation, effective as of May 2, 2006 (Exhibit 3(a) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended March 31, 2006)
3(c)-1	-	Certificate of Formation of PPL Energy Supply, LLC, effective as of November 14, 2000 (Exhibit 3.1 to PPL Energy Supply, LLC Form S-4 (Registration Statement No. 333-74794))
3(c)-2	-	Certificate of Amendment of PPL Energy Supply, LLC, effective as of November 12, 2002 (Exhibit 3(c)-2 to PPL Energy Supply, LLC Form 10-K Report (File No. 1-32944) for the year ended December 31, 2011)
3(d)	-	Amended and Restated Bylaws of PPL Corporation, effective as of May 19, 2010 (Exhibit 99.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 24, 2010)
3(e)	-	Amended and Restated Bylaws of PPL Electric Utilities Corporation, effective as of March 30, 2006 (Exhibit 3.2 to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated March 30, 2006)
3(f)	-	Limited Liability Company Agreement of PPL Energy Supply, LLC, effective as of March 20, 2001 (Exhibit 3.2 to PPL Energy Supply, LLC Form S-4 (Registration Statement No. 333-74794))
3(g)	-	Articles of Organization of LG&E and KU Energy LLC, effective as of December 29, 2003 (Exhibit 3(a) to Registration Statement filed on Form S-4 (File No. 333-173665))
3(h)	-	Amended and Restated Operating Agreement of LG&E and KU Energy LLC, effective as of November 1, 2010 (Exhibit 3(b) to Registration Statement filed on Form S-4 (File No. 333-173665))
3(i)-1	-	Amended and Restated Articles of Incorporation of Louisville Gas and Electric Company, effective as of November 6, 1996 (Exhibit 3(a) to Registration Statement filed on Form S-4 (File No. 333-173676))
3(i)-2	-	Articles of Amendment to Articles of Incorporation of Louisville Gas and Electric Company, effective as of April 6, 2004 (Exhibit 3(b) to Registration Statement filed on Form S-4 (File No. 333-173676))
3(j)	-	Bylaws of Louisville Gas and Electric Company, effective as of December 16, 2003 (Exhibit 3(c) to Registration Statement filed on Form S-4 (File No. 333-173676))
3(k)-1	-	Amended and Restated Articles of Incorporation of Kentucky Utilities Company, effective as of December 14, 1993 (Exhibit 3(a) to Registration Statement filed on Form S-4 (File No. 333-173675))
3(k)-2	-	Articles of Amendment to Articles of Incorporation of Kentucky Utilities Company, effective as of April 8, 2004 (Exhibit 3(b) to Registration Statement filed on Form S-4 (File No. 333-173675))
3(l)	-	Bylaws of Kentucky Utilities Company, effective as of December 16, 2003 (Exhibit 3(c) to Registration Statement filed on Form S-4 (File No. 333-173675))
4(a)	-	Pollution Control Facilities Loan Agreement, dated as of May 1, 1973, between PPL Electric Utilities Corporation and the Lehigh County Industrial Development Authority (Exhibit 5(z) to Registration Statement No. 2-60834)
4(b)-1	-	Amended and Restated Employee Stock Ownership Plan, dated January 12, 2007 (Exhibit 4(a) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)

4(b)-2	-	Amendment No. 1 to said Employee Stock Ownership Plan, dated July 2, 2007 (Exhibit 4(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2007)
4(b)-3	-	Amendment No. 2 to said Employee Stock Ownership Plan, dated December 13, 2007 (Exhibit 4(a)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2007)
4(b)-4	-	Amendment No. 3 to said Employee Stock Ownership Plan, dated August 19, 2009 (Exhibit 4(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2009)
4(b)-5	-	Amendment No. 4 to said Employee Stock Ownership Plan, dated December 2, 2009 (Exhibit 4(a)-5 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2009)
4(b)-6	-	Amendment No. 5 to said Employee Stock Ownership Plan, dated November 17, 2010 (Exhibit 4(b)-6 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(b)-7	-	Amendment No. 6 to said Employee Stock Ownership Plan, dated January 18, 2012 (Exhibit 4(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2012)
4(b)-8	-	Amendment No. 7 to said Employee Stock Ownership Plan, dated May 30, 2012 (Exhibit 4(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2012)
4(b)-9	-	Amendment No. 8 to said Employee Stock Ownership Plan, dated July 17, 2012 (Exhibit 4(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2012)
*4(b)-10	-	Amendment No. 9 to said Employee Stock Ownership Plan, dated December 21, 2012
4(c)	-	Trust Deed constituting £150 million 9 ¼ percent Bonds due 2020, dated November 9, 1995, between South Wales Electric plc and Bankers Trustee Company Limited (Exhibit 4(k) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2004)
4(d)-1	-	Indenture, dated as of November 1, 1997, among PPL Corporation, PPL Capital Funding, Inc. and JPMorgan Chase Bank (formerly The Chase Manhattan Bank), as Trustee (Exhibit 4.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated November 12, 1997)
4(d)-2	-	Supplemental Indenture No. 7, dated as of July 1, 2007, to said Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated July 16, 2007)
4(d)-3	-	Supplemental Indenture No. 8, dated as of June 14, 2012, to said Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated June 14, 2012)
4(d)-4	-	Supplemental Indenture No. 9, dated as of October 15, 2012, to said Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 15, 2012)
4(e)	-	Indenture, dated as of March 16, 2001, among WPD Holdings UK, Bankers Trust Company, as Trustee, Principal Paying Agent, and Transfer Agent and Deutsche Bank Luxembourg, S.A., as Paying and Transfer Agent (Exhibit 4(g) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2009)
4(f)-1	-	Indenture, dated as of August 1, 2001, by PPL Electric Utilities Corporation and JPMorgan Chase Bank (formerly The Chase Manhattan Bank), as Trustee (Exhibit 4.1 to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated August 21, 2001)
4(f)-2	-	Supplemental Indenture No. 4, dated as of February 1, 2005, to said Indenture (Exhibit 4(g)-5 to PPL Electric Utilities Corporation Form 10-K Report (File No. 1-905) for the year ended December 31, 2004)

4(f)-3	-	Supplemental Indenture No. 5, dated as of May 1, 2005, to said Indenture (Exhibit 4(b) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended June 30, 2005)
4(f)-4	-	Supplemental Indenture No. 6, dated as of December 1, 2005, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated December 22, 2005)
4(f)-5	-	Supplemental Indenture No. 7, dated as of August 1, 2007, to said Indenture (Exhibit 4(b) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated August 14, 2007)
4(f)-6	-	Supplemental Indenture No. 9, dated as of October 1, 2008, to said Indenture (Exhibit 4(c) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated October 31, 2008)
4(f)-7	-	Supplemental Indenture No. 10, dated as of May 1, 2009, to said Indenture (Exhibit 4(b) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated May 22, 2009)
4(f)-8	-	Supplemental Indenture No. 11, dated as of July 1, 2011, to said Indenture (Exhibit 4.1 to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated July 13, 2011)
4(f)-9	-	Supplemental Indenture No. 12, dated as of July 1, 2011, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated July 18, 2011)
4(f)-10	-	Supplemental Indenture No. 13, dated as of August 1, 2011, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated August 23, 2011)
4(f)-11	-	Supplemental Indenture No. 14, dated as of August 1, 2012, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated August 24, 2012)
4(g)-1	-	Indenture, dated as of October 1, 2001, by PPL Energy Supply, LLC and JPMorgan Chase Bank (formerly The Chase Manhattan Bank), as Trustee (Exhibit 4.1 to PPL Energy Supply, LLC Form S-4 (Registration Statement No. 333-74794))
4(g)- 2	-	Supplemental Indenture No. 2, dated as of August 15, 2004, to said Indenture (Exhibit 4(h)-4 to PPL Energy Supply, LLC Form 10-K Report (File No. 333-74794) for the year ended December 31, 2004)
4(g)-3	-	Supplemental Indenture No. 3, dated as of October 15, 2005, to said Indenture (Exhibit 4(a) to PPL Energy Supply, LLC Form 8-K Report (File No. 333-74794) dated October 28, 2005)
4(g)-4	-	Form of Note for PPL Energy Supply, LLC's $300 million aggregate principal amount of 5.70% REset Put Securities due 2035 (REPS ^{SM}) (Exhibit 4(b) to PPL Energy Supply, LLC Form 8-K Report (File No. 333-74794) dated October 28, 2005)
4(g)-5	-	Supplemental Indenture No. 4, dated as of May 1, 2006, to said Indenture (Exhibit 4(a) to PPL Energy Supply, LLC Form 10-Q Report (File No. 333-74794) for the quarter ended June 30, 2006)
4(g)-6	-	Supplemental Indenture No. 6, dated as of July 1, 2006, to said Indenture (Exhibit 4(c) to PPL Energy Supply, LLC Form 10-Q Report (File No. 333-74794) for the quarter ended June 30, 2006)
4(g)-7	-	Supplemental Indenture No. 7, dated as of December 1, 2006, to said Indenture (Exhibit 4(f)-10 to PPL Energy Supply, LLC Form 10-K Report (File No. 333-74794) for the year ended December 31, 2006)
4(g)-8	-	Supplemental Indenture No. 8, dated as of December 1, 2007, to said Indenture (Exhibit 4(b) to PPL Energy Supply, LLC Form 8-K Report (File No. 333-74794) dated December 20, 2007)
4(g)-9	-	Supplemental Indenture No. 9, dated as of March 1, 2008, to said Indenture (Exhibit 4(b) to PPL Energy Supply, LLC Form 8-K Report (File No. 333-74794) dated March 14, 2008)

4(g)-10	-	Supplemental Indenture No. 10, dated as of July 1, 2008, to said Indenture (Exhibit 4(b) to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated July 21, 2008)
4(g)-11	-	Supplemental Indenture No. 11, dated as of December 1, 2011, to said Indenture (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-1149) dated December 16, 2011)
4(h)-1	-	Trust Deed constituting £200 million 5.875 percent Bonds due 2027, dated March 25, 2003, between Western Power Distribution (South West) plc and J.P. Morgan Corporate Trustee Services Limited (Exhibit 4(o)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2004)
4(h)-2	-	Supplement, dated May 27, 2003, to said Trust Deed, constituting £50 million 5.875 percent Bonds due 2027 (Exhibit 4 (o)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2004)
4(i)-1	-	Pollution Control Facilities Loan Agreement, dated as of February 1, 2005, between PPL Electric Utilities Corporation and the Lehigh County Industrial Development Authority (Exhibit 10(ff) to PPL Electric Utilities Corporation Form 10-K Report (File No. 1-905) for the year ended December 31, 2004)
4(i)-2	-	Pollution Control Facilities Loan Agreement, dated as of May 1, 2005, between PPL Electric Utilities Corporation and the Lehigh County Industrial Development Authority (Exhibit 10(a) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended June 30, 2005)
4(i)-3	-	Pollution Control Facilities Loan Agreement, dated as of October 1, 2008, between Pennsylvania Economic Development Financing Authority and PPL Electric Utilities Corporation (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated October 31, 2008)
4(j)	-	Trust Deed constituting £105 million 1.541 percent Index-Linked Notes due 2053, dated December 1, 2006, between Western Power Distribution (South West) plc and HSBC Trustee (CI) Limited (Exhibit 4(i) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
4(k)	-	Trust Deed constituting £120 million 1.541 percent Index-Linked Notes due 2056, dated December 1, 2006, between Western Power Distribution (South West) plc and HSBC Trustee (CI) Limited (Exhibit 4(j) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
4(l)	-	Trust Deed constituting £225 million 4.80436 percent Notes due 2037, dated December 21, 2006, between Western Power Distribution (South Wales) plc and HSBC Trustee (CI) Limited (Exhibit 4(k) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
4(m)-1	-	Subordinated Indenture, dated as of March 1, 2007, between PPL Capital Funding, Inc., PPL Corporation and The Bank of New York, as Trustee (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 20, 2007)
4(m)-2	-	Supplemental Indenture No. 1, dated as of March 1, 2007, to said Subordinated Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 20, 2007)
4(m)-3	-	Supplemental Indenture No. 2, dated as of June 28, 2010, to said Subordinated Indenture (Exhibit 4.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated June 30, 2010)
4(m)-4	-	Supplemental Indenture No. 3, dated as of April 15, 2011, to said Subordinated Indenture (Exhibit 4.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 19, 2011)
4(n)-1	-	Series 2009A Exempt Facilities Loan Agreement, dated as of April 1, 2009, between PPL Energy Supply, LLC and Pennsylvania Economic Development Financing Authority (Exhibit 4(a) to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated April 9, 2009)

4(n)-2	-	Series 2009B Exempt Facilities Loan Agreement, dated as of April 1, 2009, between PPL Energy Supply, LLC and Pennsylvania Economic Development Financing Authority (Exhibit 4(b) to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated April 9, 2009)
4(n)-3	-	Series 2009C Exempt Facilities Loan Agreement, dated as of April 1, 2009, between PPL Energy Supply, LLC and Pennsylvania Economic Development Financing Authority (Exhibit 4(c) to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated April 9, 2009)
4(o)	-	Trust Deed constituting £200 million 5.75 percent Notes due 2040, dated March 23, 2010, between Western Power Distribution (South Wales) plc and HSBC Corporate Trustee Company (UK) Limited (Exhibit 4(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2010)
4(p)	-	Trust Deed constituting £200 million 5.75 percent Notes due 2040, dated March 23, 2010, between Western Power Distribution (South West) plc and HSBC Corporate Trustee Company (UK) Limited (Exhibit 4(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2010)
4(q)-1	-	Indenture, dated as of October 1, 2010, between Kentucky Utilities Company and The Bank of New York Mellon, as Trustee (Exhibit 4(q)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(q)-2	-	Supplemental Indenture No. 1, dated as of October 15, 2010, to said Indenture (Exhibit 4(q)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(q)-3	-	Supplemental Indenture No. 2, dated as of November 1, 2010, to said Indenture (Exhibit 4(q)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(r)-1	-	Indenture, dated as of October 1, 2010, between Louisville Gas and Electric Company and The Bank of New York Mellon, as Trustee (Exhibit 4(r)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(r)-2	-	Supplemental Indenture No. 1, dated as of October 15, 2010, to said Indenture (Exhibit 4(r)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(r)-3	-	Supplemental Indenture No. 2, dated as of November 1, 2010, to said Indenture (Exhibit 4(r)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(s)-1	-	Indenture, dated as of November 1, 2010, between LG&E and KU Energy LLC and The Bank of New York Mellon, as Trustee (Exhibit 4(s)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(s)-2	-	Supplemental Indenture No. 1, dated as of November 1, 2010, to said Indenture (Exhibit 4(s)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(s)-3	-	Supplemental Indenture No. 2, dated as of September 1, 2011, to said Indenture (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated September 30, 2011)
4(t)-1	-	2002 Series A Carroll County Loan Agreement, dated February 1, 2002, by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(w)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(t)-2	-	Amendment No. 1 dated as of September 1, 2010 to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(w)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)

4(u)-1	-	2002 Series B Carroll County Loan Agreement, dated February 1, 2002, by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(x)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(u)-2	-	Amendment No. 1 dated as of September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(x)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(v)-1	-	2002 Series C Carroll County Loan Agreement, dated July 1, 2002, by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(y)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(v)-2	-	Amendment No. 1 dated as of September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(y)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(w)-1	-	2004 Series A Carroll County Loan Agreement, dated October 1, 2004 and amended and restated as of September 1, 2008, by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(z)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(w)-2	-	Amendment No. 1 dated as of September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(z)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(x)-1	-	2006 Series B Carroll County Loan Agreement, dated October 1, 2006 and amended and restated September 1, 2008, by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(aa)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(x)-2	-	Amendment No. 1 dated as of September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(aa)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(y)-1	-	2007 Series A Carroll County Loan Agreement, dated March 1, 2007, by and between Kentucky Utilities Company and County of Carroll, Kentucky (Exhibit 4(bb)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(y)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(bb)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(z)-1	-	2008 Series A Carroll County Loan Agreement, dated August 1, 2008 by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(cc)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(z)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(cc)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(aa)-1	-	2000 Series A Mercer County Loan Agreement, dated May 1, 2000 and amended and restated as of September 1, 2008, by and between Kentucky Utilities Company, and County of Mercer, Kentucky (Exhibit 4(dd)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(aa)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Mercer, Kentucky (Exhibit 4(dd)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)

4(bb)-1	-	2002 Series A Mercer County Loan Agreement, dated February 1, 2002, by and between Kentucky Utilities Company, and County of Mercer, Kentucky (Exhibit 4(ee)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(bb)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Mercer, Kentucky (Exhibit 4(ee)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(cc)-1	-	2002 Series A Muhlenberg County Loan Agreement, dated February 1, 2002, by and between Kentucky Utilities Company, and County of Muhlenberg, Kentucky (Exhibit 4(ff)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(cc)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Muhlenberg, Kentucky (Exhibit 4(ff)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(dd)-1	-	2007 Series A Trimble County Loan Agreement, dated March 1, 2007, by and between Kentucky Utilities Company, and County of Trimble, Kentucky (Exhibit 4(gg)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(dd)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Trimble, Kentucky (Exhibit 4(gg)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(ee)-1	-	2000 Series A Louisville/Jefferson County Metro Government Loan Agreement, dated May 1, 2000 and amended and restated as of September 1, 2008, by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(hh)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(ee)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(hh)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(ee)-3	-	Amendment No. 2 dated as of October 1, 2011, to said Loan Agreement by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(ee)-3 to Louisville Gas and Electric Company Form 10-K Report (File No. 1-2893) for the year ended December 31, 2011)
4(ff)-1	-	2001 Series A Jefferson County Loan Agreement, dated July 1, 2001, by and between Louisville Gas and Electric Company, and Jefferson County, Kentucky (Exhibit 4(ii)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(ff)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Jefferson County, Kentucky (Exhibit 4(ii)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(gg)-1	-	2001 Series A Jefferson County Loan Agreement, dated November 1, 2001, by and between Louisville Gas and Electric Company, and Jefferson County, Kentucky (Exhibit 4(jj)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(gg)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Jefferson County, Kentucky (Exhibit 4(jj)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(hh)-1	-	2001 Series B Jefferson County Loan Agreement, dated November 1, 2001, by and between Louisville Gas and Electric Company, and Jefferson County, Kentucky (Exhibit 4(kk)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)

4(hh)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Jefferson County, Kentucky (Exhibit 4(kk)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(ii)-1	-	2003 Series A Louisville/Jefferson County Metro Government Loan Agreement, dated October 1, 2003, by and between Louisville Gas and Electric Company and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(ll)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(ii)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(ll)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(jj)-1	-	2005 Series A Louisville/Jefferson County Metro Government Loan Agreement, dated February 1, 2005 and amended and restated as of September 1, 2008, by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(mm)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(jj)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(mm)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(kk)-1	-	2007 Series A Louisville/Jefferson County Metro Government Loan Agreement, dated as of March 1, 2007 and amended and restated as of September 1, 2008, by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(nn)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(kk)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(nn)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(ll)	-	2007 Series B Louisville/Jefferson County Metro Government Amended and Restated Loan Agreement, dated November 1, 2010, by and between Louisville Gas and Electric Company and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(oo) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(mm)-1	-	2000 Series A Trimble County Loan Agreement, dated August 1, 2000, by and between Louisville Gas and Electric Company, and County of Trimble, Kentucky (Exhibit 4(pp)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(mm)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and County of Trimble, Kentucky (Exhibit 4(pp)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(nn)-1	-	2001 Series A Trimble County Loan Agreement, dated November 1, 2001, by and between Louisville Gas and Electric Company, and County of Trimble, Kentucky (Exhibit 4(qq)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(nn)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and the County of Trimble, Kentucky (Exhibit 4(qq)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(oo)-1	-	2001 Series B Trimble County Loan Agreement, dated November 1, 2001, by and between Louisville Gas and Electric Company, and County of Trimble, Kentucky (Exhibit 4(rr)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)

4(oo)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and County of Trimble, Kentucky (Exhibit 4(rr)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(pp)-1	-	2002 Series A Trimble County Loan Agreement, dated July 1, 2002, by and between Louisville Gas and Electric Company, and County of Trimble, Kentucky (Exhibit 4(ss)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(pp)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and County of Trimble, Kentucky (Exhibit 4(ss)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(qq)-1	-	2007 Series A Trimble County Loan Agreement, dated March 1, 2007, by and between Louisville Gas and Electric Company, and County of Trimble, Kentucky (Exhibit 4(tt)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(qq)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and County of Trimble, Kentucky (Exhibit 4(tt)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(rr)-1	-	Indenture, dated April 21, 2011, between PPL WEM Holdings PLC, as Issuer, and The Bank of New York Mellon, as Trustee (Exhibit 10.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 21, 2011)
4(rr)-2	-	Supplemental Indenture No. 1, dated April 21, 2011, to said Indenture (Exhibit 10.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 21, 2011)
4(ss)-1	-	Trust Deed, dated April 27, 2011, by and among Western Power Distribution (East Midlands) plc and Western Power Distribution (West Midlands) plc, as Issuers, and HSBC Corporate Trustee Company (UK) Limited as Note Trustee (Exhibit 4.1 to PPL Corporation Form 8-K Report (File No.1-11459) dated May 17, 2011)
4(ss)-2	-	Final Terms of WPD West Midlands £800,000,000 5.75 per cent Notes due 2032 (Exhibit 1.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 17, 2011)
4(ss)-3	-	Final Terms of WPD East Midlands £600,000,000 5.25 per cent Notes due 2023 (Exhibit 1.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 17, 2011)
4(ss)-4	-	Final Terms of WPD East Midlands £100,000,000 Index Linked Notes due 2043 (Exhibit 1.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated June 2, 2011)
4(ss)-5	-	Final Terms of WPD East Midlands £100,000,000 5.25% Notes due 2023 (Exhibit 1.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 19, 2012)
4(tt)	-	Agency Agreement, dated April 27, 2011, by and among Western Power Distribution (East Midlands) plc and Western Power Distribution (West Midlands) plc, as Issuers, and HSBC Corporate Trustee Company (UK) Limited and HSBC Bank plc (Exhibit 4.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 17, 2011)
10(a)	-	Generation Supply Agreement, dated as of June 20, 2001, between PPL Electric Utilities Corporation and PPL EnergyPlus, LLC (Exhibit 10.5 to PPL Energy Supply, LLC Form S-4 (Registration Statement No. 333-74794))
10(b)-1	-	Master Power Purchase and Sale Agreement, dated as of October 15, 2001, between NorthWestern Energy Division (successor in interest to The Montana Power Company) and PPL Montana, LLC (Exhibit 10(g) to PPL Montana, LLC Form 10-K Report (File No. 333-50350) for the year ended December 31, 2001)

10(b)-2	-	Confirmation Letter, dated July 5, 2006, between PPL Montana, LLC and NorthWestern Corporation (PPL Corporation and PPL Energy Supply, LLC Form 8-K Reports (File Nos. 1-11459 and 333-74794) dated July 6, 2006)
10(c)	-	Guaranty, dated as of December 21, 2001, from PPL Energy Supply, LLC in favor of LMB Funding, Limited Partnership (Exhibit 10(j) to PPL Energy Supply, LLC Form 10-K Report (File No. 333-74794) for the year ended December 31, 2001)
10(d)-1	-	Agreement for Lease, dated as of December 21, 2001, between LMB Funding, Limited Partnership and Lower Mt. Bethel Energy, LLC (Exhibit 10(m) to PPL Energy Supply, LLC Form 10-K Report (File No. 333-74794) for the year ended December 31, 2003)
10(d)-2	-	Amendment No. 1 to said Agreement for Lease, dated as of September 16, 2002, between LMB Funding, Limited Partnership and Lower Mt. Bethel Energy, LLC (Exhibit 10(m)-1 to PPL Energy Supply, LLC Form 10-K Report (File No. 333-74794) for the year ended December 31, 2003)
10(e)-1	-	Lease Agreement, dated as of December 21, 2001, between LMB Funding, Limited Partnership and Lower Mt. Bethel Energy, LLC (Exhibit 10(n) to PPL Energy Supply, LLC Form 10-K Report (File No. 333-74794) for the year ended December 31, 2003)
10(e)-2	-	Amendment No. 1 to said Lease Agreement, dated as of September 16, 2002, between LMB Funding, Limited Partnership and Lower Mt. Bethel Energy, LLC (Exhibit 10(n)-1 to PPL Energy Supply, LLC Form 10-K Report (File No. 333-74794) for the year ended December 31, 2003)
10(f)	-	Facility Lease Agreement (BA 1/2) between PPL Montana, LLC and Montana OL3, LLC (Exhibit 4.7a to PPL Montana, LLC Form S-4 (Registration Statement No. 333-50350))
10(g)	-	Facility Lease Agreement (BA 3) between PPL Montana, LLC and Montana OL4, LLC (Exhibit 4.8a to PPL Montana, LLC Form S-4 (Registration Statement No. 333-50350))
10(h)	-	Services Agreement, dated as of July 1, 2000, among PPL Corporation, PPL Energy Funding Corporation and its direct and indirect subsidiaries in various tiers, PPL Capital Funding, Inc., PPL Gas Utilities Corporation, PPL Services Corporation and CEP Commerce, LLC (Exhibit 10.20 to PPL Energy Supply, LLC Form S-4 (Registration Statement No. 333-74794))
10(i)-1	-	Asset Purchase Agreement, dated as of June 1, 2004, by and between PPL Sundance Energy, LLC, as Seller, and Arizona Public Service Company, as Purchaser (Exhibit 10(a) to PPL Corporation and PPL Energy Supply, LLC Form 10-Q Reports (File Nos. 1-11459 and 333-74794) for the quarter ended June 30, 2004)
10(i)-2	-	Amendment No. 1, dated December 14, 2004, to said Asset Purchase Agreement (Exhibit 99.1 to PPL Corporation and PPL Energy Supply, LLC Form 8-K Reports (File Nos. 1-11459 and 333-74794) dated December 15, 2004)
10(j)-1	-	Receivables Sale Agreement, dated as of August 1, 2004, between PPL Electric Utilities Corporation, as Originator, and PPL Receivables Corporation, as Buyer (Exhibit 10(d) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended June 30, 2004)
10(j)-2	-	Amendment No. 1, dated as of August 5, 2008, to said Receivables Sale Agreement, between PPL Electric Utilities Corporation, as Originator, and PPL Receivables Corporation, as Buyer (Exhibit 10(b) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated August 6, 2008)
10(j)-3	-	Credit and Security Agreement, dated as of August 5, 2008, among PPL Receivables Corporation, PPL Electric Utilities Corporation, Victory Receivables Corporation, the Liquidity Banks from time to time party thereto and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch (Exhibit 10(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated August 6, 2008)

10(j)-4	-	Amendment No. 1, dated as of July 28, 2009, to said Credit and Security Agreement (Exhibit 10(a) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended September 30, 2009)
10(j)-5	-	Amendment No. 2, dated as of July 27, 2010, to said Credit and Security Agreement (Exhibit 10(g) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended June 30, 2010)
10(j)-6	-	Amendment No. 3, dated as of December 23, 2010, to said Credit and Security Agreement (Exhibit 10(j)-6 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
10(j)-7	-	Amendment No. 4, dated as of March 31, 2011, to said Credit and Security Agreement (Exhibit 10(c) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2011)
10(j)-8	-	Amendment No. 5, dated as of July 26, 2011, to said Credit and Security Agreement (Exhibit 10(c) to PPL Corporation Form 10-Q/A Report (File No. 1-11459) for the quarter ended June 30, 2011)
10(j)-9	-	Amendment No. 6, dated as of July 24, 2012, to said Credit and Security Agreement (Exhibit 10(a) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended September 30, 2012)
10(j)-10	-	Amendment No. 7, dated as of September 24, 2012, to said Credit and Security Agreement (Exhibit 10(b) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended September 30, 2012)
10(k)-1	-	Reimbursement Agreement, dated as of March 31, 2005, among PPL Energy Supply, LLC, The Bank of Nova Scotia, as Issuer and Administrative Agent, and the Lenders party thereto from time to time (Exhibit 10(a) to PPL Energy Supply, LLC Form 10-Q Report (File No. 333-74794) for the quarter ended March 31, 2005)
10(k)-2	-	First Amendment, dated as of June 16, 2005, to said Reimbursement Agreement (Exhibit 10(b) to PPL Energy Supply, LLC Form 10-Q Report (File No. 333-74794) for the quarter ended June 30, 2005)
10(k)-3	-	Second Amendment, dated as of September 1, 2005, to said Reimbursement Agreement (Exhibit 10(a) to PPL Energy Supply, LLC Form 10-Q Report (File No. 333-74794) for the quarter ended September 30, 2005)
10(k)-4	-	Third Amendment, dated as of March 30, 2006, to said Reimbursement Agreement (Exhibit 10(a) to PPL Energy Supply, LLC Form 8-K Report (File No. 333-74794) dated April 5, 2006)
10(k)-5	-	Fourth Amendment, dated as of April 12, 2006, to said Reimbursement Agreement (Exhibit 10(b) to PPL Energy Supply, LLC Form 10-Q Report (File No. 333-74794) for the quarter ended September 30, 2006)
10(k)-6	-	Fifth Amendment, dated as of November 1, 2006, to said Reimbursement Agreement (Exhibit 10(q)-6 to PPL Energy Supply, LLC Form 10-K Report (File No. 333-74794) for the year ended December 31, 2006)
10(k)-7	-	Sixth Amendment, dated as of March 29, 2007, to said Reimbursement Agreement (Exhibit 10(q)-7 to PPL Energy Supply, LLC Form 10-K Report (File No. 333-74794) for the year ended December 31, 2007)
10(k)-8	-	Seventh Amendment, dated as of March 1, 2008, to said Reimbursement Agreement (Exhibit 10(a) to PPL Energy Supply, LLC Form 10-Q Report (File No. 333-74794) for the quarter ended March 31, 2008)

10(k)-9	-	Eighth Amendment, dated as of March 30, 2009, to said Reimbursement Agreement (Exhibit 10(a) to PPL Energy Supply, LLC Form 10-Q Report (File No. 1-32944) for the quarter ended March 31, 2009)
10(k)-10	-	Ninth Amendment, dated as of March 31, 2010, to said Reimbursement Agreement (Exhibit 99.1 to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated April 6, 2010)
10(k)-11	-	Tenth Amendment, dated as of February 22, 2012, to said Reimbursement Agreement (Exhibit 10(k)-11 to PPL Energy Supply, LLC Form 10-K Report (File No. 1-32944) for the year ended December 31, 2011)
*10(k)-12	-	Eleventh Amendment, dated as of February 28, 2013, to said Reimbursement Agreement
10(l)	-	Purchase and Sale Agreement, dated as of April 28, 2010, by and between E.ON US Investments Corp., PPL Corporation and E.ON AG (Exhibit No. 99.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 30, 2010)
10(m)	-	$500 million Facility Agreement, dated as of May 14, 2010, among PPL Energy Supply, LLC, as Borrower, and Morgan Stanley Bank, as Issuer (Exhibit 10(b) to PPL Energy Supply, LLC Form 10-Q Report (File No. 1-32944) for the quarter ended June 30, 2010)
10(n)	-	Purchase and Sale Agreement, dated as of September 9, 2010, by and between PPL Holtwood, LLC and LSP Safe Harbor Holdings, LLC (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated September 13, 2010)
10(o)	-	Purchase and Sale Agreement, dated as of September 9, 2010, by and between PPL Generation, LLC and Harbor Gen Holdings, LLC (Exhibit 10.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated September 13, 2010)
10(p)	-	Open-End Mortgage, Security Agreement and Fixture Filing from PPL Montour, LLC to Wilmington Trust FSB, as Collateral Agent, dated as of October 26, 2010 (Exhibit 10(w) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
10(q)	-	Open-End Mortgage, Security Agreement and Fixture Filing from PPL Brunner Island, LLC to Wilmington Trust FSB, as Collateral Agent, dated as of October 26, 2010 (Exhibit 10(x) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
10(r)	-	Guaranty of PPL Montour, LLC and PPL Brunner Island, LLC, dated as of November 3, 2010, in favor of Wilmington Trust FSB, as Collateral Agent, for itself as Beneficiary and for the Secured Counterparties described therein (Exhibit 10 (y) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
10(s)	-	£300,000,000 Multicurrency Revolving Credit Facility Agreement, dated April 4, 2011, among Western Power Distribution (West Midlands) plc and Royal Bank of Canada as Lead Arranger, Bank of America Securities Limited as Bookrunner and Facility Agent, Bank of America, N.A. as Issuing Bank and the other banks party thereto as Mandated Lead Arrangers (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 8, 2011)
10(t)	-	£300,000,000 Multicurrency Revolving Credit Facility Agreement, dated April 4, 2011, among Western Power Distribution (East Midlands) plc and Royal Bank of Canada as Lead Arranger, Bank of America Securities Limited as Bookrunner and Facility Agent, Bank of America, N.A. as Issuing Bank and the other banks party thereto as Mandated Lead Arrangers (Exhibit 10.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 8, 2011)
10(u)	-	Amendment and Restatement Agreement, dated as of August 16, 2012, regarding $198,309,583.05 Amended and Restated Letter of Credit Agreement, dated as of August 16, 2012, among Kentucky Utilities Company, the Lenders from time to time party hereto, and Banco Bilbao Vizcaya Argentaria, S.A., New York Branch, as Administrative Agent (Exhibit 10(c) to Kentucky Utilities Company Form 10-Q Report (File No. 1-3464) for the quarter ended September 30, 2012)

10(v)	-	£245,000,000 Revolving Credit Facility Agreement, dated January 12, 2012, among Western Power Distribution (South West) plc, the lenders party thereto and Lloyds TSB Bank Plc and Mizuho Corporate Bank, Ltd. as Joint Coordinators (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated January 18, 2012)
10(w)-1	-	Confirmation of Forward Sale Transaction, dated April 9, 2012, between PPL Corporation and Morgan Stanley & Co. LLC (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 13, 2012)
10(w)-2	-	Confirmation of Forward Sale Transaction, dated April 20, 2012, between PPL Corporation and Morgan Stanley & Co. LLC (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 26, 2012)
10(x)-1	-	Confirmation of Forward Sale Transaction, dated April 9, 2012, between PPL Corporation and Merrill Lynch International (Exhibit 10.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 13, 2012)
10(x)-2	-	Confirmation of Forward Sale Transaction, dated April 20, 2012, between PPL Corporation and Merrill Lynch International (Exhibit 10.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 26, 2012)
10(y)	-	Commitment Increase Agreement, dated as of April 20, 2012, entered into by and among PPL Electric Utilities Corporation, the Lenders who are increasing their Commitments, the JLA Issuing Banks, who are consenting to the increase in Fronting Sublimit, and Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender and Issuing Lender (Exhibit 10(f) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2012)
10(z)-1	-	Uncommitted Line of Credit Letter Agreement, dated as of July 1, 2012, between PPL Energy Supply, LLC, the Borrower, and Banco Bilbao Vizcaya Argentaria, S.A., the Bank (Exhibit 10(b) to PPL Energy Supply, LLC Form 10-Q Report (File No. 1-32944) for the quarter ended June 30, 2012)
10(z)-2	-	Reimbursement Agreement, dated as of July 1, 2012, between PPL Energy Supply, LLC and Banco Bilbao Vizcaya Argentaria, S.A. (Exhibit 10(c) to PPL Energy Supply, LLC Form 10-Q Report (File No. 1-32944) for the quarter ended June 30, 2012)
10(aa)	-	Letter of Credit Issuance and Reimbursement Agreement, dated as of July 27, 2012, between PPL Energy Supply, LLC and Canadian Imperial Bank of Commerce, New York Agency (Exhibit 10(e) to PPL Energy Supply, LLC Form 10-Q Report (File No. 1-32944) for the quarter ended June 30, 2012)
*10(bb)	-	$300,000,000 Amended and Restated Revolving Credit Agreement, dated as of November 6, 2012, among PPL Electric Utilities Corporation, the Lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender
*10(cc)	-	$3,000,000,000 Amended and Restated Revolving Credit Agreement, dated as of November 6, 2012, among PPL Energy Supply, LLC, the Lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender
*10(dd)	-	$400,000,000 Amended and Restated Revolving Credit Agreement, dated as of November 6, 2012, among Kentucky Utilities Company, the Lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender and Issuing Lender
*10(ee)	-	$500,000,000 Amended and Restated Revolving Credit Agreement, dated as of November 6, 2012, among Louisville Gas and Electric Company, the Lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender and Issuing Lender

*10(ff)	-	£210,000,000 Multicurrency Revolving Facility Agreement, dated December 21, 2012, among PPL WW Holdings Ltd., as the Company, Lloyds TSB Bank plc and Mizuho Corporate Bank, Ltd., as Joint Coordinators and Bookrunners, Barclays Bank PLC, Commonwealth Bank of Australia, HSBC Bank plc, Lloyds TSB Bank plc, Mizuho Corporate Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd. and The Royal Bank of Scotland plc, as Mandated Lead Arrangers and Mizuho Corporate Bank, Ltd., as Facility Agent
[_]10(gg)-1	-	Amended and Restated Directors Deferred Compensation Plan, dated June 12, 2000 (Exhibit 10(h) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2000)
[_]10(gg)-2	-	Amendment No. 1 to said Directors Deferred Compensation Plan, dated December 18, 2002 (Exhibit 10(m)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2002)
[_]10(gg)-3	-	Amendment No. 2 to said Directors Deferred Compensation Plan, dated December 4, 2003 (Exhibit 10(q)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2003)
[_]10(gg)-4	-	Amendment No. 3 to said Directors Deferred Compensation Plan, dated as of January 1, 2005 (Exhibit 10(cc)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2005)
[_]10(gg)-5	-	Amendment No. 4 to said Directors Deferred Compensation Plan, dated as of May 1, 2008 (Exhibit 10(x)-5 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2008)
[_]10(gg)-6	-	Amendment No. 5 to said Directors Deferred Compensation Plan, dated May 28, 2010 (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2010)
*[_]10(hh)-1	-	PPL Corporation Directors Deferred Compensation Plan Trust Agreement, dated as of April 1, 2001, between PPL Corporation and Wachovia Bank, N.A. (as successor to First Union National Bank), as Trustee
*[_]10(hh)-2	-	PPL Officers Deferred Compensation Plan, PPL Supplemental Executive Retirement Plan and PPL Supplemental Compensation Pension Plan Trust Agreement, dated as of April 1, 2001, between PPL Corporation and Wachovia Bank, N.A. (as successor to First Union National Bank), as Trustee
[_]10(hh)-3	-	PPL Revocable Employee Nonqualified Plans Trust Agreement, dated as of March 20, 2007, between PPL Corporation and Wachovia Bank, N.A., as Trustee (Exhibit 10(c) to PPL Corporation Form 10-Q Report (File No. 1-1149) for the quarter ended March 31, 2007)
[_]10(hh)-4	-	PPL Employee Change in Control Agreements Trust Agreement, dated as of March 20, 2007, between PPL Corporation and Wachovia Bank, N.A., as Trustee (Exhibit 10(d) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)
[_]10(hh)-5	-	PPL Revocable Director Nonqualified Plans Trust Agreement, dated as of March 20, 2007, between PPL Corporation and Wachovia Bank, N.A., as Trustee (Exhibit 10(e) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)
[_]10(ii)-1	-	Amended and Restated Officers Deferred Compensation Plan, dated December 8, 2003 (Exhibit 10(r) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2003)
[_]10(ii)-2	-	Amendment No. 1 to said Officers Deferred Compensation Plan, dated as of January 1, 2005 (Exhibit 10(ee)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2005)

[_]10(ii)-3	-	Amendment No. 2 to said Officers Deferred Compensation Plan, dated as of January 22, 2007 (Exhibit 10(bb)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
[_]10(ii)-4	-	Amendment No. 3 to said Officers Deferred Compensation Plan, dated as of June 1, 2008 (Exhibit 10(z)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2008)
[_]10(ii)-5	-	Amendment No. 4 to said Officers Deferred Compensation Plan, dated as of February 15, 2012 (Exhibit 10(ff)-5 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2011)
[_]10(jj)-1	-	Amended and Restated Supplemental Executive Retirement Plan, dated December 8, 2003 (Exhibit 10(s) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2003)
[_]10(jj)-2	-	Amendment No. 1 to said Supplemental Executive Retirement Plan, dated December 16, 2004 (Exhibit 99.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated December 17, 2004)
[_]10(jj)-3	-	Amendment No. 2 to said Supplemental Executive Retirement Plan, dated as of January 1, 2005 (Exhibit 10(ff)-3 to PPL Corporation Form 10-K Report (File 1-11459) for the year ended December 31, 2005)
[_]10(jj)-4	-	Amendment No. 3 to said Supplemental Executive Retirement Plan, dated as of January 22, 2007 (Exhibit 10(cc)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
[_]10(jj)-5	-	Amendment No. 4 to said Supplemental Executive Retirement Plan, dated as of December 9, 2008 (Exhibit 10(aa)-5 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2008)
[_]10(jj)-6	-	Amendment No. 5 to said Supplemental Executive Retirement Plan, dated as of February 15, 2012 (Exhibit 10(gg)-6 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2011)
[_]10(kk)-1	-	Amended and Restated Incentive Compensation Plan, effective January 1, 2003 (Exhibit 10(p) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2002)
[_]10(kk)-2	-	Amendment No. 1 to said Incentive Compensation Plan, dated as of January 1, 2005 (Exhibit 10(gg)-2 to PPL Corporation Form 10-K Report (File 1-11459) for the year ended December 31, 2005)
[_]10(kk)-3	-	Amendment No. 2 to said Incentive Compensation Plan, dated as of January 26, 2007 (Exhibit 10(dd)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
[_]10(kk)-4	-	Amendment No. 3 to said Incentive Compensation Plan, dated as of March 21, 2007 (Exhibit 10(f) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)
[_]10(kk)-5	-	Amendment No. 4 to said Incentive Compensation Plan, effective December 1, 2007 (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2008)
[_]10(kk)-6	-	Amendment No. 5 to said Incentive Compensation Plan, dated as of December 16, 2008 (Exhibit 10(bb)-6 to PPL Corporation Form 10-K Report (File 1-11459) for the year ended December 31, 2008)
[_]10(kk)-7	-	Form of Stock Option Agreement for stock option awards under the Incentive Compensation Plan (Exhibit 10(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 1, 2006)
[_]10(kk)-8	-	Form of Restricted Stock Unit Agreement for restricted stock unit awards under the Incentive Compensation Plan (Exhibit 10(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 1, 2006)

[_]10(kk)-9	-	Form of Performance Unit Agreement for performance unit awards under the Incentive Compensation Plan (Exhibit 10(ss) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2007)
[_]10(ll)-1	-	Amended and Restated Incentive Compensation Plan for Key Employees, effective January 1, 2003 (Schedule B to Proxy Statement of PPL Corporation, dated March 17, 2003)
[_]10(ll)-2	-	Amendment No. 1 to said Incentive Compensation Plan for Key Employees, dated as of January 1, 2005 (Exhibit (hh)-1 to PPL Corporation Form 10-K Report (File 1-11459) for the year ended December 31, 2005)
[_]10(ll)-3	-	Amendment No. 2 to said Incentive Compensation Plan for Key Employees, dated as of January 26, 2007 (Exhibit 10(ee)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
[_]10(ll)-4	-	Amendment No. 3 to said Incentive Compensation Plan for Key Employees, dated as of March 21, 2007 (Exhibit 10(q) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)
[_]10(ll)-5	-	Amendment No. 4 to said Incentive Compensation Plan for Key Employees, dated as of December 15, 2008 (Exhibit 10(cc)-5 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2008)
[_]10(ll)-6	-	Amendment No. 5 to said Incentive Compensation Plan for Key Employees, dated as of March 24, 2011 (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2011)
[_]10(mm)	-	Short-term Incentive Plan (Schedule A to Proxy Statement of PPL Corporation, dated April 6, 2011)
[_]10(nn)	-	Agreement, dated January 15, 2003, between PPL Corporation and Mr. Miller regarding Supplemental Pension Benefits (Exhibit 10(u) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2002)
[_]10(oo)	-	Employment letter, dated May 31, 2006, between PPL Services Corporation and William H. Spence (Exhibit 10(pp) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
[_]10(pp)	-	Form of Retention Agreement entered into between PPL Corporation and Messrs. DeCampli, Dudkin, Farr and Gabbard (Exhibit 10(h) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)
[_]10(qq)-1	-	Form of Severance Agreement entered into between PPL Corporation and the Named Executive Officers (Exhibit 10(i) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)
[_]10(qq)-2	-	Amendment to said Severance Agreement (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2009)
[_]10(rr)	-	Amended and Restated Employment and Severance Agreement, dated as of October 29, 2010, between E.ON U.S. LLC and Victor A. Staffieri (Exhibit 10(ss) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
[_]10(ss)-1	-	Form of Change in Control Severance Protection Agreement as adopted March 5, 2012 (Exhibit 10(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2012)

[_]10(ss)-2	-	Form of Change in Control Severance Protection Agreement entered into between PPL Corporation and Messrs. Dudkin and Staffieri (Exhibit 10(c) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2012)
[_]10(tt)-1	-	PPL Corporation 2012 Stock Incentive Plan (Annex A to Proxy Statement of PPL Corporation, dated April 3, 2012)
*[_]10(tt)-2	-	Form of Performance Unit Agreement for performance unit awards under the Stock Incentive Plan
*[_]10(tt)-3	-	Form of Performance Contingent Restricted Stock Unit Agreement for restricted stock unit awards under the Stock Incentive Plan
*[_]10(tt)-4	-	Form of Nonqualified Stock Option Agreement for stock option awards under the Stock Incentive Plan
[_]10(uu)	-	PPL Corporation Executive Severance Plan, effective as of July 26, 2012 (Exhibit 10(d) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2012)
*12(a)	-	PPL Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
*12(b)	-	PPL Energy Supply, LLC and Subsidiaries Computation of Ratio of Earnings to Fixed Charges
*12(c)	-	PPL Electric Utilities Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
*12(d)	-	LG&E and KU Energy LLC and Subsidiaries Computation of Ratio of Earnings to Fixed Charges
*12(e)	-	Louisville Gas and Electric Company Computation of Ratio of Earnings to Fixed Charges
*12(f)	-	Kentucky Utilities Company Computation of Ratio of Earnings to Fixed Charges
*21	-	Subsidiaries of PPL Corporation
*23(a)	-	Consent of Ernst & Young LLP - PPL Corporation
*23(b)	-	Consent of Ernst & Young LLP - PPL Energy Supply, LLC
*23(c)	-	Consent of Ernst & Young LLP - PPL Electric Utilities Corporation
*23(d)	-	Consent of PricewaterhouseCoopers LLP - PPL Corporation
*23(e)	-	Consent of Ernst & Young LLP - LG&E and KU Energy LLC
*23(f)	-	Consent of Ernst & Young LLP - Louisville Gas and Electric Company
*23(g)	-	Consent of Ernst & Young LLP - Kentucky Utilities Company
*23(h)	-	Consent of PricewaterhouseCoopers LLP - LG&E and KU Energy LLC
*23(i)	-	Consent of PricewaterhouseCoopers LLP - Louisville Gas and Electric Company
*23(j)	-	Consent of PricewaterhouseCoopers LLP - Kentucky Utilities Company
*24	-	Power of Attorney

*31(a)	-	Certificate of PPL's principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(b)	-	Certificate of PPL's principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(c)	-	Certificate of PPL Energy Supply's principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(d)	-	Certificate of PPL Energy Supply's principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(e)	-	Certificate of PPL Electric's principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(f)	-	Certificate of PPL Electric's principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(g)	-	Certificate of LKE's principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(h)	-	Certificate of LKE's principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(i)	-	Certificate of LG&E's principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(j)	-	Certificate of LG&E's principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(k)	-	Certificate of KU's principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(l)	-	Certificate of KU's principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32(a)	-	Certificate of PPL's principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32(b)	-	Certificate of PPL Energy Supply's principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32(c)	-	Certificate of PPL Electric's principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32(d)	-	Certificate of LKE's principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32(e)	-	Certificate of LG&E's principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32(f)	-	Certificate of KU's principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	-	XBRL Instance Document for PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company

101.SCH	-	XBRL Taxonomy Extension Schema for PPL Corporation, PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company
101.CAL	-	XBRL Taxonomy Extension Calculation Linkbase for PPL Corporation, PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company
101.DEF	-	XBRL Taxonomy Extension Definition Linkbase for PPL Corporation, PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company
101.LAB	-	XBRL Taxonomy Extension Label Linkbase for PPL Corporation, PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company
101.PRE	-	XBRL Taxonomy Extension Presentation Linkbase for PPL Corporation, PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company

Exhibit 4(b)-10

AMENDMENT NO. 9
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 and 8; and

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

I. Effective September 17, 2012, 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
4.	PPL Generation, LLC	July 1, 2000
5.	PPL Brunner Island, LLC	July 1, 2000
6.	PPL Holtwood, LLC	July 1, 2000
7.	PPL Martins Creek, LLC	July 1, 2000
8.	PPL Montour, LLC	July 1, 2000
9.	PPL Susquehanna, LLC	July 1, 2000
10.	PPLSolutions, LLC	January 1, 2002
11.	PPL Telcom, LLC	February 5, 2001
12.	Lower Mount Bethel Energy, LLC	September 30, 2002
13.	PPL Edgewood Energy, LLC	April 1, 2003
14.	PPL Maine, LLC	April 1, 2003
15.	PPL Wallingford Energy, LLC	April 1, 2003
16.	PPL Development Company, LLC	January 1, 2006
17.	PPL Global, LLC	January 1, 2006
18.	PPL Energy Services Group, LLC	September 25, 2006
19.	PPL Interstate Energy Company	January 1, 2008
20.	PPL Strategic Development, LLC	January 1, 2012
21.	PPL EnergyPlus Retail, LLC	June 23, 2011
22.	PPL Energy Supply, LLC	September 17, 2012

II. Except as provided in this Amendment No. 9, all other provisions of the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, this Amendment No. 9 is executed this ____ day of _____________, 2012.

PPL SERVICES CORPORATION

By: ______________________________
Mark F. Wilten
Vice President-Finance & Treasurer

EXECUTION VERSION

ELEVENTH AMENDMENT TO REIMBURSEMENT AGREEMENT

THIS ELEVENTH AMENDMENT TO REIMBURSEMENT AGREEMENT, dated as of February 28, 2013 (this "Amendment"), to the Existing Reimbursement Agreement (as defined below) is made by PPL ENERGY SUPPLY, LLC, a Delaware limited liability company (the "Account Party"), and certain of the Lenders (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).

W I T N E S S E T H:

WHEREAS, the Account Party, the Lenders and The Bank of Nova Scotia, as the Issuer and as Administrative Agent, are all parties to the Reimbursement Agreement, dated as of March 31, 2005 (as amended or otherwise modified prior to the date hereof, the "Existing Reimbursement 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 "Reimbursement Agreement"); and

WHEREAS, the Account Party has requested that the Lenders amend certain provisions of the Existing Reimbursement Agreement and the Lenders are willing to modify the Existing Reimbursement 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):

"Account Party" is defined in the preamble.

"Amendment" is defined in the preamble.

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

"Reimbursement Agreement" is defined in the first recital.

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

ARTICLE II
AMENDMENTS TO THE EXISTING REIMBURSEMENT AGREEMENT

Effective as of the date hereof, but subject to the satisfaction of the conditions in Article III , the provisions referred to below of the Existing Reimbursement Agreement are hereby amended in accordance with this Article II .

SECTION 2.1. Amendment to Section 1.1 . Section 1.1 of the Existing Reimbursement Agreement is hereby amended by amending and restating the definitions of “Applicable Commitment Fee Margin,” “Applicable Letter of Credit Margin,” “Incorporated Agreement,” “Letter of Credit Commitment Amount” and “Stated Maturity Date” in their entirety as follows:

“ Applicable Commitment Fee Margin ” means:

(a) from time to time prior to April 1, 2013, the following percentages per annum, based upon the Debt Rating as set forth below:

Pricing Level	Debt Rating	Applicable Commitment Fee Margin
1	≥ A- from S&P/ A3 from Moody’s	0.125%
2	BBB+ from S&P/ Baa1 from Moody’s	0.175%
3	BBB from S&P/ Baa2 from Moody’s	0.20%
4	BBB- from S&P/Baa3 from Moody’s	0.25%
5	<BBB- from S&P/ Baa3 from Moody’s	0.35%; and

(b) from time to time on or after April 1, 2013, 0.125% per annum.

“ Applicable Letter of Credit Margin ” from time to time, the following percentages per annum, based upon the Debt Rating as set forth below:

(a) from time to time prior to April 1, 2013, the following percentages per annum, based upon the Debt Rating as set forth below:

Pricing Level	Debt Rating	Applicable Letter of Credit Margin
1	≥ A- from S&P/ A3 from Moody’s	1.10%
2	BBB+ from S&P/ Baa1 from Moody’s	1.35%
3	BBB from S&P/ Baa2 from Moody’s	1.60%
4	BBB- from S&P/Baa3 from Moody’s	1.725%
5	<BBB- from S&P/ Baa3 from Moody’s	1.975%; and

(b) from time to time on or after April 1, 2013, 0.85% per annum.

“ Incorporated Agreement ” means the $3,000,000,000 Amended and Restated Revolving Credit Agreement, dated as of November 6, 2012, among the Account Party, the lenders from time to time party thereto, Wells Fargo Bank, National Association, as administrative agent, issuing lender and swingline lender, certain financial institutions, as syndication agents, certain financial institutions, as lead arrangers, and certain financial institutions, as documentation agents, as in effect on the date hereof and without giving effect to any subsequent modification, supplement, amendment or waiver by the lenders under, or by other parties to, the Incorporated Agreement, unless the Required Lenders agree in writing that such modification, supplement, amendment or waiver shall apply to such provisions or schedules as incorporated herein.

“ Letter of Credit Commitment Amount ” means (i) on any date prior to April 1, 2013, a maximum amount of $200,000,000, and (ii) on April 1, 2013 and on any date thereafter, a maximum amount of $150,000,000.

“ Stated Maturity Date ” means March 31, 2014.

SECTION 2.1. Amendment to Section 2.1 . The definition of “Additional Account Parties” in Section 2.1 of the Existing

Reimbursement Agreement is hereby amended (a) by removing the references therein to "PPL Gas Utilities Corporation," "PPL Wallingford Energy, LLC," "PPL Sundance Energy, LLC," "Tyrone Synfuels, L.P." and "Avon Lake Synfuels" and (b) by adding references thereto to "PPL Solutions, LLC," "PPL Renewable Energy, LLC" and "Lady Jane Collieries, Inc."

SECTION 2.2. Amendment to Section 2.5 . Section 2.5 of the Existing Reimbursement Agreement is hereby amended by amending and restating it in its entirety as follows:

> "SECTION 2.5. Cash Collateral . If for any reason at any time the aggregate amount of all Letter of Credit Outstandings exceeds the Letter of Credit Commitment Amount then in effect, the Issuer shall immediately Cash Collateralize the Letter of Credit Outstandings in an aggregate amount equal to such excess."

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 Account Party 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 10.3 of the Reimbursement Agreement, if then invoiced.

SECTION 3.3. Resolutions, etc. The Administrative Agent shall have received from the Account Party (i) a copy of a good standing certificate, dated a date reasonably close to the date hereof and (ii) a certificate, dated as of the date hereof, duly executed and delivered by any vice president, the controller, the treasurer, the assistant treasurer, secretary or assistant secretary of the Account Party as to

(a) resolutions of the Account Party’s Board of Managers then in full force and effect authorizing the execution, delivery and performance of this Amendment and the transactions contemplated hereby;

(b) the incumbency and signatures of those of its officers authorized to act with respect to this Amendment; and

(c) the full force and validity of each Organic Document of the Account Party and copies thereof;

upon which certificates the Administrative Agent and all Lenders may conclusively rely until it shall have received a further certificate of any such officer of the Account Party canceling or amending such prior certificate.

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 Account Party, 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 Reimbursement Agreement . This Amendment is a Loan Document executed pursuant to the Existing Reimbursement 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 Reimbursement Agreement, as amended hereby, including Article X 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 Reimbursement 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 Reimbursement 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 Reimbursement 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 Account Party 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 statements set forth in clauses (a) and (b) of Section 5.2.1 of the Reimbursement 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 ENERGY SUPPLY, LLC

By: /s/ Russell R. Clelland
Title: Assistant Treasurer

THE BANK OF NOVA SCOTIA

By: /s/ Thane Rattew
Title: Managing Director

Exhibit 10(bb)

EXECUTION VERSION

$300,000,000

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

dated as of November 6, 2012

among

PPL ELECTRIC UTILITIES CORPORATION,

THE LENDERS FROM TIME TO TIME PARTY HERETO

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent, Issuing Lender and Swingline Lender

WELLS FARGO SECURITIES, LLC,
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, RBS SECURITIES INC.,
BARCLAYS BANK PLC,
THE BANK OF NOVA SCOTIA
and
MITSUBISHI UFJ FINANCIAL GROUP, INC.,
Joint Lead Arrangers and Joint Bookrunners

BANK OF AMERICA, N.A.
and
THE ROYAL BANK OF SCOTLAND PLC,
Syndication Agents

BARCLAYS BANK PLC,
THE BANK OF NOVA SCOTIA
and
MITSUBISHI UFJ FINANCIAL GROUP, INC.,
Documentation Agents

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AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT (this "Agreement") dated as of November 6, 2012 is entered into among PPL ELECTRIC UTILITIES CORPORATION, a Pennsylvania corporation (the "Borrower"), the LENDERS party hereto from time to time and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent. The parties hereto agree as follows:

RECITALS

WHEREAS, the Borrower is party to that certain $300,000,000 Revolving Credit Agreement dated as of December 31, 2010, among the Borrower, the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent, as amended, modified, restated and supplemented from time to time (the "Existing Credit Agreement"); and

WHEREAS, the Borrower has requested that the Administrative Agent and the Lenders amend and restate the Existing Credit Agreement to, among other things, decrease the fronting sublimit for letters of credit and extend the maturity date, and the Administrative Agent and the Lenders have agreed to such amendment and restatement on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree that the Existing Credit Agreement is hereby amended and restated in its entirety, and do further agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01. Definitions. All capitalized terms used in this Agreement or in any Appendix, Schedule or Exhibit hereto which are not otherwise defined herein or therein shall have the respective meanings set forth below.

"Additional Letter of Credit" means any standby letter of credit issued under this Agreement by an Issuing Lender on or after the Effective Date.

"Adjusted London Interbank Offered Rate" means, for any Interest Period, a rate per annum equal to the quotient obtained (rounded upward, if necessary, to the nearest 1/100th of 1%) by dividing (i) the London Interbank Offered Rate for such Interest Period by (ii) 1.00 minus the Euro-Dollar Reserve Percentage.

"Administrative Agent" means Wells Fargo Bank, in its capacity as administrative agent for the Lenders hereunder and under the other Loan Documents, and its successor or successors in such capacity.

"Administrative Questionnaire" means, with respect to each Lender, an administrative questionnaire in the form provided by the Administrative Agent and submitted to the Administrative Agent (with a copy to the Borrower) duly completed by such Lender.

"Affiliate" means, with respect to any Person, any other Person who is directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through the ownership of stock or its equivalent, by contract or otherwise.

"Agent" means the Administrative Agent, the Syndication Agents, the Joint Lead Arrangers, the Documentation Agents or each Person that shall become a joint lead arranger pursuant to the terms of the Commitment Letters and "Agents" means all of the foregoing.

"Agreement" has the meaning set forth in the introductory paragraph hereto, as this Agreement may be amended, restated, supplemented or modified from time to time.

"Amendment Fee" has the meaning set forth in Section 4.01(j).

"Applicable Lending Office" means, with respect to any Lender, (i) in the case of its Base Rate Loans, its Base Rate Lending Office and (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office.

"Applicable Percentage" means, for purposes of calculating (i) the applicable interest rate for any day for any Base Rate Loans or Euro-Dollar Loans, (ii) the applicable rate for the Commitment Fee for any day for purposes of Section 2.07(a) or (iii) the applicable rate for the Letter of Credit Fee for any day for purposes of Section 2.07(b), the appropriate applicable percentage set forth below corresponding to one rating level below the then current highest Borrower's Ratings; provided, that, in the event that the Borrower's Ratings shall fall within different levels and ratings are maintained by both Rating Agencies, the applicable rating shall be based on the higher of the two ratings unless one of the ratings is two or more levels lower than the other, in which case the applicable rating shall be determined by reference to the level one rating lower than the higher of the two ratings:

	Borrower's Ratings (S&P /Moody's)	Applicable Percentage for Commitment Fees	Applicable Percentage for Base Rate Loans	Applicable Percentage for Euro-Dollar Loans and Letter of Credit Fees

Category A	≥A from S&P / A2 from Moody's	0.100%	0.000%	1.000%
Category B	≥A- from S&P / A3 from Moody's	0.125%	0.125%	1.125%
Category C	BBB+ from S&P / Baa1 from Moody's	0.175%	0.250%	1.250%
Category D	BBB from S&P / Baa2 from Moody's	0.200%	0.500%	1.500%
Category E	BBB- from S&P / Baa3 from Moody's	0.250%	0.625%	1.625%
Category F	≤BB+ from S&P / Ba1 from Moody's	0.350%	0.875%	1.875%

" Asset Sale " shall mean any sale of any assets, including by way of the sale by the Borrower or any of its Subsidiaries of equity interests in such Subsidiaries.

" Assignee " has the meaning set forth in Section 9.06(c).

" Assignment and Assumption Agreement " means an Assignment and Assumption Agreement, substantially in the form of attached Exhibit C, under which an interest of a Lender hereunder is transferred to an Eligible Assignee pursuant to Section 9.06(c).

" Availability Period " means the period from and including the Effective Date to but excluding the Termination Date.

" Bankruptcy Code " means the Bankruptcy Reform Act of 1978, as amended, or any successor statute.

" Base Rate " means for any day a rate per annum equal to the highest of (i) the Prime Rate for such day, (ii) the sum of 1/2 of 1% plus the Federal Funds Rate for such day and (iii) except during any period of time during which a notice delivered to the Borrower under Section 2.14 or Section 2.15 shall remain in effect, the London Interbank Offered Rate plus 1%.

" Base Rate Borrowing " means a Borrowing comprised of Base Rate Loans.

" Base Rate Lending Office " means, as to each Lender, its office located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Base Rate Lending Office) or such other office as such Lender may hereafter designate as its Base Rate Lending Office by notice to the Borrower and the Administrative Agent.

" Base Rate Loan " means (a) a Loan (other than a Swingline Loan) in respect of which interest is computed on the basis of the Base Rate and (b) a Swingline Loan in respect of which interest is computed on the basis of the LIBOR Market Index Rate.

" Borrower " has the meaning set forth in the introductory paragraph hereto.

" Borrower's Rating " means the senior secured long-term debt rating of the Borrower from S&P or Moody's.

" Borrowing " means a group of Loans of a single Type made by the Lenders on a single date and, in the case of a Euro-Dollar Borrowing, having a single Interest Period.

" Business Day " means any day except a Saturday, Sunday or other day on which commercial banks in Charlotte, North Carolina or New York, New York are authorized by law to close; provided , that, when used in Article III with respect to any action taken by or with respect to any Issuing Lender, the term "Business Day" shall not include any day on which commercial banks are authorized by law to close in the jurisdiction where the office at which such Issuing Lender books any Letter of Credit is located; and provided , further , that when used with respect to any borrowing of, payment or prepayment of principal of or interest on, or the Interest Period for, a Euro-Dollar Loan, or a notice by the Borrower with respect to any such borrowing payment, prepayment or Interest Period, the term "Business Day" shall also mean that such day is a London Business Day.

" Capital Lease " means any lease of property which, in accordance with GAAP, should be capitalized on the lessee's balance sheet.

" Capital Lease Obligations " means, with respect to any Person, all obligations of such Person as lessee under Capital Leases, in each case taken at the amount thereof accounted for as liabilities in accordance with GAAP.

" Change of Control " means (i) the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended) of 25% or more of the outstanding shares of voting stock of PPL Corporation or its successors or (ii) the failure at any time of PPL Corporation or its successors to own 80% or more of the outstanding shares of the Voting Stock in the Borrower.

" Commitment " means, with respect to any Lender, the commitment of such Lender to (i) make Loans under this Agreement, (ii) refund or purchase participations in Swingline Loans pursuant to Section 2.02 and (iii) purchase participations in Letters of Credit pursuant to Article III hereof, as set forth in the Commitment Appendix and as such Commitment may be reduced from time to time pursuant to Section 2.08

or Section 9.06(c) or increased from time to time pursuant to Section 9.06(c).

“ Commitment Appendix ” means the Appendix attached under this Agreement identified as such.

“ Commitment Fee ” has the meaning set forth in Section 2.07(a).

“ Commitment Letters ” means (i) that certain commitment letter dated as of September 24, 2012 among Wells Fargo Securities, LLC, Wells Fargo Bank, National Association, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bank of America, N.A., RBS Securities Inc. and The Royal Bank of Scotland plc and (ii) that certain commitment letter dated as of October 2, 2012 among Barclays Bank PLC, The Bank of Nova Scotia and Mitsubishi UFJ Financial Group, Inc., acting through The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Union Bank, N.A., each commitment letter addressed to and acknowledged and agreed to by the Borrower.

“ Commitment Ratio ” shall mean, with respect to any Lender, the percentage equivalent of the ratio which such Lender’s Commitment bears to the aggregate amount of all Commitments.

“ Consolidated Capitalization ” shall mean the sum of, without duplication, (A) the Consolidated Debt (without giving effect to clause (b) of the definition of “Consolidated Debt”) and (B) the consolidated shareowners’ equity (determined in accordance with GAAP) of the common, preference and preferred shareowners of the Borrower and minority interests recorded on the Borrower’s consolidated financial statements (excluding from shareowner’s equity (i) the effect of all unrealized gains and losses reported under Financial Accounting Standards Board Accounting Standards Codification Topic 815 in connection with (x) forward contracts, futures contracts, options contracts or other derivatives or hedging agreements for the future delivery of electricity, capacity, fuel or other commodities and (y) Interest Rate Protection Agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangements and (ii) the balance of accumulated other comprehensive income/loss of the Borrower on any date of determination solely with respect to the effect of any pension and other post-retirement benefit liability adjustment recorded in accordance with GAAP), except that for purposes of calculating Consolidated Capitalization of the Borrower, Consolidated Debt of the Borrower shall exclude Non-Recourse Debt and Consolidated Capitalization of the Borrower shall exclude that portion of shareowners’ equity attributable to assets securing Non-Recourse Debt.

“ Consolidated Debt ” means the consolidated Debt of the Borrower and its Consolidated Subsidiaries (determined in accordance with GAAP), except that for purposes of this definition (a) Consolidated Debt shall exclude Non-Recourse Debt of the Borrower and its Consolidated Subsidiaries, and (b) Consolidated Debt shall exclude (i) Hybrid Securities of the Borrower and its Consolidated Subsidiaries in an aggregate amount as shall not exceed 15% of Consolidated Capitalization and (ii) Equity-Linked Securities in an aggregate amount as shall not exceed 15% of Consolidated Capitalization.

“ Consolidated Subsidiary ” means with respect to any Person at any date any Subsidiary of such Person or other entity the accounts of which would be consolidated with those of such Person in its consolidated financial statements if such statements were prepared as of such date in accordance with GAAP.

“ Continuing Lender ” means with respect to any event described in Section 2.08(b), a Lender which is not a Retiring Lender, and “Continuing Lenders” means any two or more of such Continuing Lenders.

“ Corporation ” means a corporation, association, company, joint stock company, limited liability company, partnership or business trust.

“ Credit Event ” means a Borrowing or the issuance, renewal or extension of a Letter of Credit.

“ Debt ” of any Person means, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (iii) all Guarantees by such Person of Debt of others, (iv) all Capital Lease Obligations and Synthetic Leases of such Person, (v) all obligations of such Person in respect of Interest Rate Protection Agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangements (the amount of any such obligation to be the net amount that would be payable upon the acceleration, termination or liquidation thereof), but only to the extent that such net obligations exceed $75,000,000 in the aggregate and (vi) all obligations of such Person as an account party in respect of letters of credit and bankers’ acceptances; provided , however , that “Debt” of such Person does not include (a) obligations of such Person under any installment sale, conditional sale or title retention agreement or any other agreement relating to obligations for the deferred purchase price of property or services, (b) obligations under agreements relating to the purchase and sale of any commodity, including any power sale or purchase agreements, any commodity hedge or derivative (regardless of whether any such transaction is a “financial” or physical transaction), (c) any trade obligations or other obligations of such Person incurred in the ordinary course of business or (d) obligations of such Person under any lease agreement (including any lease intended as security) that is not a Capital Lease or a Synthetic Lease.

“ Default ” means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

“ Defaulting Lender ” means at any time any Lender with respect to which a Lender Default is in effect at such time.

“ Documentation Agents ” means Barclays Bank PLC, The Bank of Nova Scotia and Mitsubishi UFJ Financial Group, Inc., acting through The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Union Bank N.A., each in its capacity as a documentation agent in respect of this Agreement.

“ Dollars ” and the sign “$” means lawful money of the United States of America.

"Effective Date" means the date on which the Administrative Agent determines that the conditions specified in or pursuant to Section 4.01 have been satisfied.

"Eligible Assignee" means (i) a Lender; (ii) a commercial bank organized under the laws of the United States and having a combined capital and surplus of at least $100,000,000; (iii) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and having a combined capital and surplus of at least $100,000,000; provided, that such bank is acting through a branch or agency located and licensed in the United States; or (iv) an Affiliate of a Lender that is an "accredited investor" (as defined in Regulation D under the Securities Act of 1933, as amended); provided, that, in each case (a) upon and following the occurrence of an Event of Default, an Eligible Assignee shall mean any Person other than the Borrower or any of its Affiliates and (b) notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrower or any of its Affiliates.

"Environmental Laws" means any and all federal, state and local statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses or other written governmental restrictions relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or Hazardous Substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or Hazardous Substances or wastes.

"Environmental Liabilities" means all liabilities (including anticipated compliance costs) in connection with or relating to the business, assets, presently or previously owned, leased or operated property, activities (including, without limitation, off-site disposal) or operations of the Borrower or any of its Subsidiaries which arise under Environmental Laws.

"Equity-Linked Securities" means any securities of the Borrower or any of its Subsidiaries which are convertible into, or exchangeable for, equity securities of the Borrower, such Subsidiary or PPL Corporation, including any securities issued by any of such Persons which are pledged to secure any obligation of any holder to purchase equity securities of the Borrower, any of its Subsidiaries or PPL Corporation.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

"ERISA Group" means the Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414(b) or (c) of the Internal Revenue Code.

"Euro-Dollar Borrowing" means a Borrowing comprised of Euro-Dollar Loans.

"Euro-Dollar Lending Office" means, as to each Lender, its office, branch or Affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Euro-Dollar Lending Office) or such other office, branch or Affiliate of such Lender as it may hereafter designate as its Euro-Dollar Lending Office by notice to the Borrower and the Administrative Agent.

"Euro-Dollar Loan" means a Loan in respect of which interest is computed on the basis of the Adjusted London Interbank Offered Rate pursuant to the applicable Notice of Borrowing or Notice of Conversion/Continuation.

"Euro-Dollar Reserve Percentage" of any Lender for the Interest Period of any LIBOR Rate Loan means the reserve percentage applicable to such Lender during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) then applicable to such Lender with respect to liabilities or assets consisting of or including "Eurocurrency Liabilities" (as defined in Regulation D). The Adjusted London Interbank Offered Rate shall be adjusted automatically on and as of the effective date of any change in the Euro-Dollar Reserve Percentage.

"Event of Default" has the meaning set forth in Section 7.01.

"Existing Credit Agreement" has the meaning set forth in the recitals hereto.

"Existing Letters of Credit" means the standby letters of credit issued before the Effective Date pursuant to the Existing Credit Agreement.

"Extending Lenders" has the meaning set forth in Section 9.15 hereto.

"FATCA" means Sections 1471 through 1474 of the Internal Revenue Code and any regulations (whether final, temporary or proposed) that are issued thereunder or official government interpretations thereof and any agreements entered into pursuant to Section 1471(b) of the Code.

"Federal Funds Rate" means for any day the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided, that (i) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average of quotations for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by the Administrative Agent.

"Fee Letter " means the fee letter dated as of September 24, 2012 among the Borrower, Wells Fargo Securities, Wells Fargo Bank, Merrill Lynch, Pierce, Fenner & Smith Incorporated , Bank of America, N.A., RBS Securities Inc. and The Royal Bank of Scotland plc as amended, modified or supplemented from time to time.

" FERC " means the Federal Energy Regulatory Commission.

" Fronting Fee " has the meaning set forth in Section 2.07(b).

" Fronting Sublimit " means, (a) for each JLA Issuing Bank, the amount of such JLA Issuing Bank's commitment to issue and honor payment obligations under Letters of Credit, as set forth on the JLA L/C Fronting Sublimits Appendix hereto and (b) with respect to any other Issuing Lender, an amount as agreed between the Borrower and such Issuing Lender.

" GAAP " means United States generally accepted accounting principles applied on a consistent basis.

" Governmental Authority " means any federal, state or local government, authority, agency, central bank, quasi-governmental authority, court or other body or entity, and any arbitrator with authority to bind a party at law.

" Group of Loans " means at any time a group of Revolving Loans consisting of (i) all Revolving Loans which are Base Rate Loans at such time or (ii) all Revolving Loans which are Euro-Dollar Loans of the same Type having the same Interest Period at such time; provided , that, if a Loan of any particular Lender is converted to or made as a Base Rate Loan pursuant to Sections 2.15 or 2.18, such Loan shall be included in the same Group or Groups of Loans from time to time as it would have been in if it had not been so converted or made.

" Guarantee " of or by any Person means any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Debt of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or to purchase (or to advance or supply funds for the purchase of) any security for payment of such Debt, (ii) to purchase or lease property, securities or services for the purpose of assuring the owner of such Debt of the payment of such Debt or (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Debt; provided , however , that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

" Hazardous Substances " means any toxic, caustic or otherwise hazardous substance, including petroleum, its derivatives, by-products and other hydrocarbons, or any substance having any constituent elements displaying any of the foregoing characteristics.

" Hybrid Securities " means any trust preferred securities, or deferrable interest subordinated debt with a maturity of at least 20 years issued by the Borrower, or any business trusts, limited liability companies, limited partnerships (or similar entities) (i) all of the common equity, general partner or similar interests of which are owned (either directly or indirectly through one or more Wholly Owned Subsidiaries) at all times by the Borrower or any of its Subsidiaries, (ii) that have been formed for the purpose of issuing hybrid preferred securities and (iii) substantially all the assets of which consist of (A) subordinated debt of the Borrower or a Subsidiary of the Borrower, as the case may be, and (B) payments made from time to time on the subordinated debt.

" Indemnitee " has the meaning set forth in Section 9.03(b).

" Interest Period " means with respect to each Euro-Dollar Loan, a period commencing on the date of borrowing specified in the applicable Notice of Borrowing or on the date specified in the applicable Notice of Conversion/Continuation and ending one, two, three or six months thereafter, as the Borrower may elect in the applicable notice; provided , that:

(i) any Interest Period which would otherwise end on a day which is not a Business Day shall, subject to clauses (iii) and (iv) below, be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (iii) below, end on the last Business Day of a calendar month; and

(iii) no Interest Period shall end after the Termination Date.

" Interest Rate Protection Agreements " means any agreement providing for an interest rate swap, cap or collar, or any other financial agreement designed to protect against fluctuations in interest rates.

" Internal Revenue Code " means the Internal Revenue Code of 1986, as amended, or any successor statute.

" Issuing Lender " means (i) each JLA Issuing Bank, each in its capacity as an issuer of Letters of Credit under Section 3.02, and each of their respective successor or successors in such capacity, (ii) any other Lender approved as an "Issuing Lender" pursuant to Section 3.01, and (iii) each issuer of an Existing Letter of Credit, subject in each case to the Fronting Sublimit.

" Joint Lead Arrangers " means Wells Fargo Securities , Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBS Securities Inc., Barclays Bank PLC, The Bank of Nova Scotia and Mitsubishi UFJ Financial Group, Inc., acting through The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Union Bank, N.A. , each in their capacity as joint lead arranger and joint bookrunner in respect of this Agreement.

“ JLA Issuing Bank ” means Wells Fargo Bank, Bank of America, N.A., The Royal Bank of Scotland plc , Barclays Bank PLC, The Bank of Nova Scotia, Mitsubishi UFJ Financial Group, Inc., acting through The Bank of Tokyo-Mitsubishi UFJ, Ltd. and each other Lender (or Affiliate of a Lender) that shall become (or whose Affiliate shall become) a joint lead arranger pursuant to the terms of the Commitment Letters .

“ Lender ” means each bank or other lending institution listed in the Commitment Appendix as having a Commitment, each Eligible Assignee that becomes a Lender pursuant to Section 9.06(c) and their respective successors and shall include, as the context may require, each Issuing Lender and the Swingline Lender in such capacity.

“ Lender Default ” means (i) the failure (which has not been cured) of any Lender to make available any Loan or any reimbursement for a drawing under a Letter of Credit or refunding of a Swingline Loan, in each case, within one Business Day from the date it is obligated to make such amount available under the terms and conditions of this Agreement or (ii) a Lender having notified, in writing, the Administrative Agent and the Borrower that such Lender does not intend to comply with its obligations under Article II following the appointment of a receiver or conservator with respect to such Lender at the direction or request of any regulatory agency or authority.

“ Letter of Credit ” means an Existing Letter of Credit or an Additional Letter of Credit, and “Letters of Credit” means any combination of the foregoing.

“ Letter of Credit Fee ” has the meaning set forth in Section 2.07(b).

“ Letter of Credit Liabilities ” means, for any Lender at any time, the product derived by multiplying (i) the sum, without duplication, of (A) the aggregate amount that is (or may thereafter become) available for drawing under all Letters of Credit outstanding at such time plus (B) the aggregate unpaid amount of all Reimbursement Obligations outstanding at such time by (ii) such Lender’s Commitment Ratio.

“ Letter of Credit Request ” has the meaning set forth in Section 3.03.

“ LIBOR Market Index Rate ” means, for any day, the rate for 1 month U.S. dollar deposits as reported on Reuters Screen LIBOR01 as of 11:00 a.m., London time, for such day, provided, if such day is not a London Business Day, the immediately preceding London Business Day (or if not so reported, then as determined by the Swingline Lender from another recognized source or interbank quotation).

“ Lien ” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance intended to confer or having the effect of conferring upon a creditor a preferential interest.

“ Loan ” means a Base Rate Loan, whether such loan is a Revolving Loan or Swingline Loan, or a Euro-Dollar Loan and “Loans” means any combination of the foregoing.

“ Loan Documents ” means this Agreement and the Notes.

“ London Business Day ” means a day on which commercial banks are open for international business (including dealings in Dollar deposits) in London.

“ London Interbank Offered Rate ” means:

(a) for any Euro-Dollar Loan for any Interest Period, the interest rate for deposits in Dollars for a period of time comparable to such Interest Period which appears on Reuters Screen LIBOR01 at approximately 11:00 A.M. (London time) two Business Days before the first day of such Interest Period; provided , however , that if more than one such rate is specified on Reuters Screen LIBOR01, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100 of 1%). If for any reason such rate is not available on Reuters Screen LIBOR01, the term “London Interbank Offered Rate” means for any Interest Period, the arithmetic mean of the rate per annum at which deposits in Dollars are offered by first class banks in the London interbank market to the Administrative Agent at approximately 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loan of Wells Fargo Bank to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

(b) for any interest rate calculation with respect to a Base Rate Loan, the interest rate for deposits in Dollars for a period equal to one month (commencing on the date of determination of such interest rate) which appears on Reuters Screen LIBOR01 at approximately 11:00 A.M. (London time) on such date of determination (provided that if such day is not a Business Day for which a London Interbank Offered Rate is quoted, the next preceding Business Day for which a London Interbank Offered Rate is quoted); provided, however, that if more than one such rate is specified on Reuters Screen LIBOR01, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100 of 1%). If for any reason such rate is not available on Reuters Screen LIBOR01, the term “London Interbank Offered Rate” means for any applicable one-month interest period, the arithmetic mean of the rate per annum at which deposits in Dollars are offered by first class banks in the London interbank market to the Administrative Agent at approximately 11:00 A.M. (London time) on such date of determination (provided that if such day is not a Business Day for which a London Interbank Offered Rate is quoted, the next preceding Business Day for which a London Interbank Offered Rate is quoted) in an amount approximately equal to the principal amount of the Base Rate Loan of Wells Fargo Bank.

“ Mandatory Letter of Credit Borrowing ” has the meaning set forth in Section 3.09.

“ Margin Stock ” means “margin stock” as such term is defined in Regulation U.

" Material Adverse Effect " means (i) any material adverse effect upon the business, assets, financial condition or operations of the Borrower or the Borrower and its Subsidiaries, taken as a whole; (ii) a material adverse effect on the ability of the Borrower to perform its obligations under this Agreement, the Notes or the other Loan Documents or (iii) a material adverse effect on the validity or enforceability of this Agreement, the Notes or any of the other Loan Documents.

" Material Debt " means Debt (other than the Notes) of the Borrower in a principal or face amount exceeding $50,000,000.

" Material Plan " means at any time a Plan or Plans having aggregate Unfunded Liabilities in excess of $50,000,000. For the avoidance of doubt, where any two or more Plans, which individually do not have Unfunded Liabilities in excess of $50,000,000, but collectively have aggregate Unfunded Liabilities in excess of $50,000,000, all references to Material Plan shall be deemed to apply to such Plans as a group.

" Moody's " means Moody's Investors Service, Inc., a Delaware corporation, and its successors or, absent any such successor, such nationally recognized statistical rating organization as the Borrower and the Administrative Agent may select.

" Multiemployer Plan " means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

" New Lender " means with respect to any event described in Section 2.08(b), an Eligible Assignee which becomes a Lender hereunder as a result of such event, and "New Lenders" means any two or more of such New Lenders.

" Non-Defaulting Lender " means each Lender other than a Defaulting Lender, and "Non-Defaulting Lenders" means any two or more of such Lenders.

" Non-Recourse Debt " shall mean Debt that is nonrecourse to the Borrower or any asset of the Borrower.

" Non-U.S. Lender " has the meaning set forth in Section 2.17(e).

" Note " shall mean a promissory note, substantially in the form of Exhibit B hereto, issued at the request of a Lender evidencing the obligation of the Borrower to repay outstanding Revolving Loans or Swingline Loans, as applicable.

" Notice of Borrowing " has the meaning set forth in Section 2.03.

" Notice of Conversion/Continuation " has the meaning set forth in Section 2.06(d)(ii).

" Obligations " means:

(i) all principal of and interest (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Borrower, whether or not allowed or allowable as a claim in any such proceeding) on any Loan, fees payable or Reimbursement Obligation under, or any Note issued pursuant to, this Agreement or any other Loan Document;

(ii) all other amounts now or hereafter payable by the Borrower and all other obligations or liabilities now existing or hereafter arising or incurred (including, without limitation, any amounts which accrue after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Borrower, whether or not allowed or allowable as a claim in any such proceeding) on the part of the Borrower pursuant to this Agreement or any other Loan Document;

(iii) all expenses of the Agents as to which such Agents have a right to reimbursement under Section 9.03(a) hereof or under any other similar provision of any other Loan Document; and

(iv) all amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement under Section 9.03 hereof or under any other similar provision of any other Loan Document;

together in each case with all renewals, modifications, consolidations or extensions thereof.

" OFAC " means the U.S. Department of the Treasury's Office of Foreign Assets Control.

" Other Taxes " has the meaning set forth in Section 2.17(b).

" Participant " has the meaning set forth in Section 9.06(b).

" Participant Register " has the meaning set forth in Section 9.06(b).

" PBGC " means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

" Permitted Business " with respect to any Person means a business that is the same or similar to the business of the Borrower or any Subsidiary as of the Effective Date, or any business reasonably related thereto.

" Person " means an individual, a corporation, a partnership, an association, a limited liability company, a trust or an unincorporated association or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

" Plan " means at any time an employee pension benefit plan (including a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

" Prime Rate " means the rate of interest publicly announced by Wells Fargo Bank from time to time as its Prime Rate.

" PUC " has the meaning set forth in Section 4.01(h).

" PUC Order " has the meaning set forth in Section 4.01(h).

" Quarterly Date " means the last Business Day of each of March, June, September and December.

" Rating Agency " means S&P or Moody's, and "Rating Agencies" means both of them.

" Register " has the meaning set forth in Section 9.06(e).

" Regulation U " means Regulation U of the Board of Governors of the Federal Reserve System, as amended, or any successor regulation.

" Regulation X " means Regulation X of the Board of Governors of the Federal Reserve System, as amended, or any successor regulation.

" Reimbursement Obligations " means at any time all obligations of the Borrower to reimburse the Issuing Lenders pursuant to Section 3.07 for amounts paid by the Issuing Lenders in respect of drawings under Letters of Credit, including any portion of any such obligation to which a Lender has become subrogated pursuant to Section 3.09.

" Replacement Date " has the meaning set forth in Section 2.08(b).

" Replacement Lender " has the meaning set forth in Section 2.08(b).

" Required Lenders " means at any time Non-Defaulting Lenders having at least 51% of the aggregate amount of the Commitments of all Non-Defaulting Lenders or, if the Commitments shall have been terminated, having at least 51% of the aggregate amount of the Revolving Outstandings of the Non-Defaulting Lenders at such time.

" Responsible Officer " means, as to any Person, the chief executive officer, president, chief financial officer, controller, treasurer or assistant treasurer of such Person or any other officer of such Person reasonably acceptable to the Administrative Agent. Any document delivered hereunder that is signed by a Responsible Officer of a Person shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Person and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Person.

" Retiring Lender " means a Lender that ceases to be a Lender hereunder pursuant to the operation of Section 2.08(b).

" Revolving " means, when used with respect to (i) a Borrowing, a Borrowing made by the Borrower under Section 2.01, as identified in the Notice of Borrowing with respect thereto, a Borrowing of Revolving Loans to refund outstanding Swingline Loans pursuant to Section 2.02(b)(i), or a Mandatory Letter of Credit Borrowing and (ii) a Loan, a Loan made under Section 2.01; provided , that, if any such loan or loans (or portions thereof) are combined or subdivided pursuant to a Notice of Conversion/Continuation, the term "Revolving Loan" shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be.

" Revolving Outstandings " means at any time, with respect to any Lender, the sum of (i) the aggregate principal amount of such Lender's outstanding Revolving Loans plus (ii) the aggregate amount of such Lender's Swingline Exposure plus (iii) aggregate amount of such Lender's Letter of Credit Liabilities.

" Revolving Outstandings Excess " has the meaning set forth in Section 2.09.

" Sanctioned Entity " shall mean (i) an agency of the government of, (ii) an organization directly or indirectly controlled by, or (iii) a Person resident in, a country that is subject to a sanctions program identified on the list maintained by OFAC and available at http://www.treas.gov/offices/enforcement/ofac/sanctions/index.html, or as otherwise published from time to time as such program may be applicable to such agency, organization or Person.

" Sanctioned Person " shall mean a Person named on the list of Specially Designated Nationals or Blocked Persons maintained by OFAC available at http://www.treas.gov/offices/enforcement/ofac/sdn/index.html, or as otherwise published from time to time.

"SEC" means the Securities and Exchange Commission.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., a New York corporation, and its successors or, absent any such successor, such nationally recognized statistical rating organization as the Borrower and the Administrative Agent may select.

"Subsidiary" means any Corporation, a majority of the outstanding Voting Stock of which is owned, directly or indirectly, by the Borrower or one or more other Subsidiaries of the Borrower.

"Swingline Borrowing" means a Borrowing made by the Borrower under Section 2.02, as identified in the Notice of Borrowing with respect thereto.

"Swingline Exposure" means, for any Lender at any time, the product derived by multiplying (i) the aggregate principal amount of all outstanding Swingline Loans at such time by (ii) such Lender's Commitment Ratio.

"Swingline Lender" means Wells Fargo Bank, in its capacity as Swingline Lender.

"Swingline Loan" means any swingline loan made by the Swingline Lender to the Borrower pursuant to Section 2.02.

"Swingline Sublimit" means the lesser of (a) $10,000,000 and (b) the aggregate Commitments of all Lenders.

"Swingline Termination Date" means the first to occur of (a) the resignation of Wells Fargo Bank as Administrative Agent in accordance with Section 8.09 and (b) the Termination Date.

"Syndication Agents" means Bank of America, N.A. and The Royal Bank of Scotland plc, each in its capacity as a syndication agent in respect of this Agreement.

"Synthetic Lease" means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an operating lease in accordance with GAAP.

"Taxes" has the meaning set forth in Section 2.17(a).

"Termination Date" means the earliest to occur of (a) October 18, 2017 and (b) such earlier date upon which all Commitments shall have been terminated in their entirety in accordance with this Agreement.

"Type", when used in respect of any Loan or Borrowing, shall refer to the rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined.

"Unfunded Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"United States" means the United States of America, including the States and the District of Columbia, but excluding its territories and possessions.

"Voting Stock" means stock (or other interests) of a Corporation having ordinary voting power for the election of directors, managers or trustees thereof, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"Wells Fargo Bank" means Wells Fargo Bank, National Association, and its successors.

"Wells Fargo Securities" means Wells Fargo Securities, LLC, and its successors and assigns.

"Wholly Owned Subsidiary" means, with respect to any Person at any date, any Subsidiary of such Person all of the Voting Stock of which (except directors' qualifying shares) is at the time directly or indirectly owned by such Person.

ARTICLE II
THE CREDITS

Section 2.01. Commitments to Lend. Each Lender severally agrees, on the terms and conditions set forth in this Agreement, to make Revolving Loans to the Borrower pursuant to this Section 2.01 from time to time during the Availability Period in amounts such that its Revolving Outstandings shall not exceed its Commitment; provided, that, immediately after giving effect to each such Revolving Loan, the aggregate principal amount of all outstanding Revolving Loans (after giving effect to any amount requested) shall not exceed the aggregate Commitments less the sum of all outstanding Swingline Loans and Letter of Credit Liabilities. Each Revolving Borrowing (other than Mandatory Letter of Credit Borrowings) shall be in an aggregate principal amount of $10,000,000 or any larger integral multiple of $1,000,000 (except that any such Borrowing may be in the aggregate amount of the unused Commitments) and shall be made from the several Lenders ratably in proportion to their respective Commitments. Within the foregoing limits, the Borrower may borrow under this Section 2.01, repay, or, to the extent permitted by Section 2.10, prepay, Revolving Loans and reborrow under this Section 2.01.

Section 2.02. Swingline Loans

(a) *Availability*. Subject to the terms and conditions of this Agreement, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time from the Effective Date through, but not including, the Swingline Termination Date; provided, that the aggregate principal amount of all outstanding Swingline Loans (after giving effect to any amount requested), shall not exceed the lesser of (i) the aggregate Commitments less the sum of the aggregate principal amount of all outstanding Revolving Loans and all outstanding Letter of Credit Liabilities and (ii) the Swingline Sublimit; and provided further, that the Borrower shall not use the proceeds of any Swingline Loan to refinance any outstanding Swingline Loan. Each Swingline Loan shall be in an aggregate principal amount of $2,000,000 or any larger integral multiple of $500,000 (except that any such Borrowing may be in the aggregate amount of the unused Swingline Sublimit). Within the foregoing limits, the Borrower may borrow, repay and reborrow Swingline Loans, in each case under this Section 2.02. Each Swingline Loan shall be a Base Rate Loan.

(b) *Refunding*.

(i) Swingline Loans shall be refunded by the Lenders on demand by the Swingline Lender. Such refundings shall be made by the Lenders in accordance with their respective Commitment Ratios and shall thereafter be reflected as Revolving Loans of the Lenders on the books and records of the Administrative Agent. Each Lender shall fund its respective Commitment Ratio of Revolving Loans as required to repay Swingline Loans outstanding to the Swingline Lender upon demand by the Swingline Lender but in no event later than 1:00 P.M. (Charlotte, North Carolina time) on the next succeeding Business Day after such demand is made. No Lender's obligation to fund its respective Commitment Ratio of a Swingline Loan shall be affected by any other Lender's failure to fund its Commitment Ratio of a Swingline Loan, nor shall any Lender's Commitment Ratio be increased as a result of any such failure of any other Lender to fund its Commitment Ratio of a Swingline Loan.

(ii) The Borrower shall pay to the Swingline Lender on demand, and in no case more than fourteen (14) days after the date that such Swingline Loan is made, the amount of such Swingline Loan to the extent amounts received from the Lenders are not sufficient to repay in full the outstanding Swingline Loans requested or required to be refunded. In addition, the Borrower hereby authorizes the Administrative Agent to charge any account maintained by the Borrower with the Swingline Lender (up to the amount available therein) in order to immediately pay the Swingline Lender the amount of such Swingline Loans to the extent amounts received from the Lenders are not sufficient to repay in full the outstanding Swingline Loans requested or required to be refunded. If any portion of any such amount paid to the Swingline Lender shall be recovered by or on behalf of the Borrower from the Swingline Lender in bankruptcy or otherwise, the loss of the amount so recovered shall be ratably shared among all the Lenders in accordance with their respective Commitment Ratios (unless the amounts so recovered by or on behalf of the Borrower pertain to a Swingline Loan extended after the occurrence and during the continuance of an Event of Default of which the Administrative Agent has received notice in the manner required pursuant to Section 8.05 and which such Event of Default has not been waived by the Required Lenders or the Lenders, as applicable).

(iii) Each Lender acknowledges and agrees that its obligation to refund Swingline Loans (other than Swingline Loans extended after the occurrence and during the continuation of an Event of Default of which the Administrative Agent has received notice in the manner required pursuant to Section 8.05 and which such Event of Default has not been waived by the Required Lenders or the Lenders, as applicable) in accordance with the terms of this Section is absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, non-satisfaction of the conditions set forth in Article IV. Further, each Lender agrees and acknowledges that if prior to the refunding of any outstanding Swingline Loans pursuant to this Section, one of the events described in Section 7.01(h) or (i) shall have occurred, each Lender will, on the date the applicable Revolving Loan would have been made, purchase an undivided participating interest in the Swingline Loan to be refunded in an amount equal to its Commitment Ratio of the aggregate amount of such Swingline Loan. Each Lender will immediately transfer to the Swingline Lender, in immediately available funds, the amount of its participation and upon receipt thereof the Swingline Lender will deliver to such Lender a certificate evidencing such participation dated the date of receipt of such funds and for such amount. Whenever, at any time after the Swingline Lender has received from any Lender such Lender's participating interest in a Swingline Loan, the Swingline Lender receives any payment on account thereof, the Swingline Lender will distribute to such Lender its participating interest in such amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded).

Section 2.03. Notice of Borrowings. The Borrower shall give the Administrative Agent notice substantially in the form of Exhibit A-1 hereto (a "Notice of Borrowing") not later than (a) 11:30 A.M. (Charlotte, North Carolina time) on the date of each Base Rate Borrowing and (b) 12:00 Noon (Charlotte, North Carolina time) on the third Business Day before each Euro-Dollar Borrowing, specifying:

(i) the date of such Borrowing, which shall be a Business Day;

(ii) the aggregate amount of such Borrowing;

(iii) whether such Borrowing is comprised of Revolving Loans or a Swingline Loan;

(iv) in the case of a Revolving Borrowing, the initial Type of the Loans comprising such Borrowing; and

(v) in the case of a Euro-Dollar Borrowing, the duration of the initial Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

Notwithstanding the foregoing, no more than six (6) Groups of Euro-Dollar Loans shall be outstanding at any one time, and any Loans which would exceed such limitation shall be made as Base Rate Loans.

Section 2.04. Notice to Lenders; Funding of Revolving Loans and Swingline Loans .

(a) Notice to Lenders . Upon receipt of a Notice of Borrowing (other than in respect of a Borrowing of a Swingline Loan), the Administrative Agent shall promptly notify each Lender of such Lender's ratable share (if any) of the Borrowing referred to in the Notice of Borrowing, and such Notice of Borrowing shall not thereafter be revocable by the Borrower.

(b) Funding of Loans . Not later than (a) 1:00 P.M. (Charlotte, North Carolina time) on the date of each Base Rate Borrowing and (b) 12:00 Noon (Charlotte, North Carolina time) on the date of each Euro-Dollar Borrowing, each Lender shall make available its ratable share of such Borrowing, in Federal or other funds immediately available in Charlotte, North Carolina, to the Administrative Agent at its address referred to in Section 9.01. Unless the Administrative Agent determines that any applicable condition specified in Article IV has not been satisfied, the Administrative Agent shall apply any funds so received in respect of a Borrowing available to the Borrower at the Administrative Agent's address not later than (a) 3:00 P.M. (Charlotte, North Carolina time) on the date of each Base Rate Borrowing and (b) 2:00 P.M. (Charlotte, North Carolina time) on the date of each Euro-Dollar Borrowing. Revolving Loans to be made for the purpose of refunding Swingline Loans shall be made by the Lenders as provided in Section 2.02(b) .

(c) Funding By the Administrative Agent in Anticipation of Amounts Due from the Lenders . Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing (except in the case of a Base Rate Borrowing, in which case prior to the time of such Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available to the Administrative Agent on the date of such Borrowing in accordance with subsection (b) of this Section, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such share available to the Administrative Agent, such Lender and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount, together with interest thereon for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent at (i) a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.06, in the case of the Borrower, and (ii) the Federal Funds Rate, in the case of such Lender. Any payment by the Borrower hereunder shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make its share of a Borrowing available to the Administrative Agent. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Lender's Loan included in such Borrowing for purposes of this Agreement.

(d) Obligations of Lenders Several . The failure of any Lender to make a Loan required to be made by it as part of any Borrowing hereunder shall not relieve any other Lender of its obligation, if any, hereunder to make any Loan on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Loan to be made by such other Lender on such date of Borrowing.

Section 2.05. Noteless Agreement; Evidence of Indebtedness .

(a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(b) The Administrative Agent shall also maintain accounts in which it will record (a) the amount of each Loan made hereunder, the Type thereof and the Interest Period with respect thereto, (b) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (c) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(c) The entries maintained in the accounts maintained pursuant to paragraphs (a) and (b) above shall be prima facie evidence of the existence and amounts of the Obligations therein recorded; provided , however , that the failure of the Administrative Agent or any Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Obligations in accordance with their terms.

(d) Any Lender may request that its Loans be evidenced by a Note. In such event, the Borrower shall prepare, execute and deliver to such Lender a Note payable to the order of such Lender. Thereafter, the Loans evidenced by such Note and interest thereon shall at all times (including after any assignment pursuant to Section 9.06(c)) be represented by one or more Notes payable to the order of the payee named therein or any assignee pursuant to Section 9.06(c), except to the extent that any such Lender or assignee subsequently returns any such Note for cancellation and requests that such Loans once again be evidenced as described in paragraphs (a) and (b) above.

Section 2.06. Interest Rates .

(a) Interest Rate Options . The Loans shall, at the option of the Borrower and except as otherwise provided herein, be incurred and maintained as, or converted into, one or more Base Rate Loans or Euro-Dollar Loans.

(b) Base Rate Loans . Each Loan which is made as, or converted into, a Base Rate Loan (other than a Swingline Loan) shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made as, or converted into, a Base Rate Loan until it becomes due or is converted into a Loan of any other Type, at a rate per annum equal to the sum of the Base Rate for such day plus the Applicable Percentage for Base Rate Loans for such day. Each Loan which is made as a Swingline Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due at a rate per annum equal to the LIBOR Market Index Rate for such day plus the Applicable Percentage for Euro-Dollar Loans for such day. Such interest shall, in each case, be payable quarterly in arrears on each Quarterly Date (or, with respect to Base Rate Loans that are Swingline Loans, as the Swingline Lender and the Borrower may otherwise agree in writing) and, with respect to the principal amount of any Base Rate Loan (other than a Swingline Loan) converted to a Euro-Dollar Loan, on the date such Base Rate Loan is so converted. Any overdue principal of or interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the rate otherwise applicable to Base Rate Loans for such day.

(c) Euro-Dollar Loans . Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for each day during the Interest Period applicable thereto, at a rate per annum equal to the sum of the Adjusted London Interbank Offered Rate for such Interest Period plus the Applicable Percentage for Euro-Dollar Loans for such day. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof. Any overdue principal of or interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the sum of (A) the Adjusted London Interbank Offered Rate applicable to such Loan at the date such payment was due plus (B) the Applicable Percentage for Euro-Dollar Loans for such day (or, if the circumstance described in Section 2.14 shall exist, at a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate Loans for such day).

(d) Method of Electing Interest Rates .

(i) Subject to Section 2.06(a), the Loans included in each Revolving Borrowing shall bear interest initially at the type of rate specified by the Borrower in the applicable Notice of Borrowing. Thereafter, with respect to each Group of Loans, the Borrower shall have the option (A) to convert all or any part of (y) so long as no Default is in existence on the date of conversion, outstanding Base Rate Loans to Euro-Dollar Loans and (z) outstanding Euro-Dollar Loans to Base Rate Loans; provided , in each case, that the amount so converted shall be equal to $10,000,000 or any larger integral multiple of $1,000,000, or (B) upon the expiration of any Interest Period applicable to outstanding Euro-Dollar Loans, so long as no Default is in existence on the date of continuation, to continue all or any portion of such Loans, equal to $10,000,000 and any larger integral multiple of $1,000,000 in excess of that amount as Euro-Dollar Loans. The Interest Period of any Base Rate Loan converted to a Euro-Dollar Loan pursuant to clause(A) above shall commence on the date of such conversion. The succeeding Interest Period of any Euro-Dollar Loan continued pursuant to clause (B) above shall commence on the last day of the Interest Period of the Loan so continued. Euro-Dollar Loans may only be converted on the last day of the then current Interest Period applicable thereto or on the date required pursuant to Section 2.18.

(ii) The Borrower shall deliver a written notice of each such conversion or continuation (a " Notice of Conversion/Continuation ") to the Administrative Agent no later than (A) 12:00 Noon (Charlotte, North Carolina time) at least three (3) Business Days before the effective date of the proposed conversion to, or continuation of, a Euro Dollar Loan and (B) 11:30 A.M. (Charlotte, North Carolina time) on the day of a conversion to a Base Rate Loan. A written Notice of Conversion/Continuation shall be substantially in the form of Exhibit A-2 attached hereto and shall specify: (A) the Group of Loans (or portion thereof) to which such notice applies, (B) the proposed conversion/continuation date (which shall be a Business Day), (C) the aggregate amount of the Loans being converted/continued, (D) an election between the Base Rate and the Adjusted London Interbank Offered Rate and (E) in the case of a conversion to, or a continuation of, Euro-Dollar Loans, the requested Interest Period. Upon receipt of a Notice of Conversion/Continuation, the Administrative Agent shall give each Lender prompt notice of the contents thereof and such Lender's pro rata share of all conversions and continuations requested therein. If no timely Notice of Conversion/Continuation is delivered by the Borrower as to any Euro-Dollar Loan, and such Loan is not repaid by the Borrower at the end of the applicable Interest Period, such Loan shall be converted automatically to a Base Rate Loan on the last day of the then applicable Interest Period.

(e) Determination and Notice of Interest Rates . The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the Borrower and the participating Lenders of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error. Any notice with respect to Euro-Dollar Loans shall, without the necessity of the Administrative Agent so stating in such notice, be subject to adjustments in the Applicable Percentage applicable to such Loans after the beginning of the Interest Period applicable thereto. When during an Interest Period any event occurs that causes an adjustment in the Applicable Percentage applicable to Loans to which such Interest Period is applicable, the Administrative Agent shall give prompt notice to the Borrower and the Lenders of such event and the adjusted rate of interest so determined for such Loans, and its determination thereof shall be conclusive in the absence of manifest error.

Section 2.07. Fees .

(a) Commitment Fees . The Borrower shall pay to the Administrative Agent for the account of each Lender a fee (the " Commitment Fee ") for each day at a rate per annum equal to the Applicable Percentage for the Commitment Fee for such day. The Commitment Fee shall accrue from and including the Effective Date to but excluding the last day of the Availability Period on the amount by which such Lender's Commitment exceeds the sum of its Revolving Outstandings (solely for this purpose, exclusive of Swingline Exposure) on such day. The Commitment Fee shall be payable on the last day of each of March, June, September and December and on the Termination Date.

(b) Letter of Credit Fees . The Borrower shall pay to the Administrative Agent a fee (the " Letter of Credit Fee ") for each day at a rate per annum equal to the Applicable Percentage for the Letter of Credit Fee for such day. The Letter of Credit Fee shall accrue from and including the Effective Date to but excluding the last day of the Availability Period on the aggregate amount available for drawing under any Letters of Credit outstanding on such day and shall be payable for the account of the Lenders ratably in proportion to their participations in such Letter(s) of Credit. In addition, the Borrower shall pay to each Issuing Lender a fee (the " Fronting Fee ") in respect of each Letter of Credit issued by such Issuing Lender computed at the rate of 0.20% per annum on the average amount available for drawing under such Letter(s) of Credit. Fronting Fees shall be due and payable quarterly in arrears on each Quarterly Date and on the Termination Date (or such earlier date as all Letters of Credit shall be canceled or expire). In addition, the Borrower agrees to pay to each Issuing Lender, upon each issuance of, payment under, and/or amendment of, a Letter of Credit, such amount as shall at the time of such issuance, payment or amendment be the administrative charges and expenses which such Issuing Lender is customarily charging for issuances of, payments under, or amendments to letters of credit issued by it.

(c) Payments. Except as otherwise provided in this Section 2.07, accrued fees under this Section 2.07 in respect of Loans and Letter of Credit Liabilities shall be payable quarterly in arrears on each Quarterly Date, on the last day of the Availability Period and, if later, on the date the Loans and Letter of Credit Liabilities shall be repaid in their entirety. Fees paid hereunder shall not be refundable under any circumstances.

Section 2.08. Adjustments of Commitments.

(a) Optional Termination or Reductions of Commitments (Pro-Rata). The Borrower may, upon at least three Business Days' prior written notice to the Administrative Agent, permanently (i) terminate the Commitments, if there are no Revolving Outstandings at such time or (ii) ratably reduce from time to time by a minimum amount of $10,000,000 or any larger integral multiple of $5,000,000, the aggregate amount of the Commitments in excess of the aggregate Revolving Outstandings. Upon receipt of any such notice, the Administrative Agent shall promptly notify the Lenders. If the Commitments are terminated in their entirety, all accrued fees shall be payable on the effective date of such termination.

(b) Optional Termination of Commitments (Non-Pro-Rata). If (i) any Lender has demanded compensation or indemnification pursuant to Sections 2.14, 2.15, 2.16 or 2.17, (ii) the obligation of any Lender to make Euro-Dollar Loans has been suspended pursuant to Section 2.15 or (iii) any Lender is a Defaulting Lender (each such Lender described in clauses (i), (ii) or (iii) being a " Retiring Lender "), the Borrower shall have the right, if no Default then exists, to replace such Lender with one or more Eligible Assignees (which may be one or more of the Continuing Lenders) (each a " Replacement Lender " and, collectively, the " Replacement Lenders ") reasonably acceptable to the Administrative Agent. The replacement of a Retiring Lender pursuant to this Section 2.08(b) shall be effective on the tenth Business Day (the " Replacement Date ") following the date of notice given by the Borrower of such replacement to the Retiring Lender and each Continuing Lender through the Administrative Agent, subject to the satisfaction of the following conditions:

(i) the Replacement Lender shall have satisfied the conditions to assignment and assumption set forth in Section 9.06 (c) (with all fees payable pursuant to Section 9.06(c) to be paid by the Borrower) and, in connection therewith, the Replacement Lender (s) shall pay:

(A) to the Retiring Lender an amount equal in the aggregate to the sum of (x) the principal of, and all accrued but unpaid interest on, all outstanding Loans of the Retiring Lender, (y) all unpaid drawings that have been funded by (and not reimbursed to) the Retiring Lender under Section 3.10, together with all accrued but unpaid interest with respect thereto and (z) all accrued but unpaid fees owing to the Retiring Lender pursuant to Section 2.07; and

(B) to the Swingline Lender an amount equal to the aggregate amount owing by the Retiring Lender to the Swingline Lender in respect of all unpaid refundings of Swingline Loans requested by the Swingline Lender pursuant to Section 2.02(b)(i), to the extent such amount was not theretofore funded by such Retiring Lender; and

(C) to the Issuing Lenders an amount equal to the aggregate amount owing by the Retiring Lender to the Issuing Lenders as reimbursement pursuant to Section 3.09, to the extent such amount was not theretofore funded by such Retiring Lender; and

(ii) the Borrower shall have paid to the Administrative Agent for the account of the Retiring Lender an amount equal to all obligations owing to the Retiring Lender by the Borrower pursuant to this Agreement and the other Loan Documents (other than those obligations of the Borrower referred to in clause (i)(A) above).

On the Replacement Date, each Replacement Lender that is a New Lender shall become a Lender hereunder and shall succeed to the obligations of the Retiring Lender with respect to outstanding Swingline Loans and Letters of Credit to the extent of the Commitment of the Retiring Lender assumed by such Replacement Lender, and the Retiring Lender shall cease to constitute a Lender hereunder; provided, that the provisions of Sections 2.12, 2.16 , 2.17 and 9.03 of this Agreement shall continue to inure to the benefit of a Retiring Lender with respect to any Loans made, any Letters of Credit issued or any other actions taken by such Retiring Lender while it was a Lender.

In lieu of the foregoing, subject to Section 2.08(e), upon express written consent of Continuing Lenders holding more than 50% of the aggregate amount of the Commitments of the Continuing Lenders, the Borrower shall have the right to permanently terminate the Commitment of a Retiring Lender in full. Upon payment by the Borrower to the Administrative Agent for the account of the Retiring Lender of an amount equal to the sum of (i) the aggregate principal amount of all Loans and Reimbursement Obligations owed to the Retiring Lender and (ii) all accrued interest, fees and other amounts owing to the Retiring Lender hereunder, including, without limitation, all amounts payable by the Borrower to the Retiring Lender under Sections 2.12, 2.16 , 2.17 or 9.03 , such Retiring Lender shall cease to constitute a Lender hereunder; provided, that the provisions of Sections 2.12, 2.16 , 2.17 and 9.03 of this Agreement shall inure to the benefit of a Retiring Lender with respect to any Loans made, any Letters of Credit issued or any other actions taken by such Retiring Lender while it was a Lender.

(c) Optional Termination of Defaulting Lender Commitment (Non-Pro-Rata). At any time a Lender is a Defaulting Lender, subject to Section 2.08(e), the Borrower may terminate in full the Commitment of such Defaulting Lender by giving notice to such Defaulting Lender and the Administrative Agent, provided, that, (i) at the time of such termination, (A) no Default has occurred and is continuing (or alternatively, the Required Lenders shall consent to such termination) and (B) either (x) no Revolving Loans or Swingline Loans are outstanding or (y) the aggregate Revolving Outstandings of such Defaulting Lender in respect of Revolving Loans is zero; (ii) concurrently with such termination, the aggregate Commitments shall be reduced by the Commitment of the Defaulting Lender; and (iii) concurrently with any subsequent payment of interest or fees to the Lenders with respect to any period before the termination of a Defaulting Lender's Commitment, the

Borrower shall pay to such Defaulting Lender its ratable share (based on its Commitment Ratio before giving effect to such termination) of such interest or fees, as applicable. The termination of a Defaulting Lender's Commitment pursuant to this Section 2.08(c) shall not be deemed to be a waiver of any right that the Borrower, Administrative Agent, any Issuing Lender or any other Lender may have against such Defaulting Lender.

(d) Termination Date. The Commitments shall terminate on the Termination Date.

(e) Redetermination of Commitment Ratios. On the date of termination of the Commitment of a Retiring Lender or Defaulting Lender pursuant to Section 2.08(b) or (c), the Commitment Ratios of the Continuing Lenders shall be redetermined after giving effect thereto, and the participations of the Continuing Lenders in and obligations of the Continuing Lenders in respect of any then outstanding Swingline Loans and Letters of Credit shall thereafter be based upon such redetermined Commitment Ratios (to the extent not previously adjusted pursuant to Section 2.20). The right of the Borrower to effect such a termination is conditioned on there being sufficient unused availability in the Commitments of the Continuing Lenders such that the aggregate Revolving Outstandings will not exceed the aggregate Commitments after giving effect to such termination and redetermination.

Section 2.09. Maturity of Loans; Mandatory Prepayments.

(a) *S* cheduled Repayments and Prepayments of Loans; Overline Repayments.

(i) The Revolving Loans shall mature on the Termination Date, and any Revolving Loans, Swingline Loans and Letter of Credit Liabilities then outstanding (together with accrued interest thereon and fees in respect thereof) shall be due and payable or, in the case of Letters of Credit, cash collateralized pursuant to Section 2.09(a)(ii), on such date.

(ii) If on any date the aggregate Revolving Outstandings exceed the aggregate amount of the Commitments (such excess, a "Revolving Outstandings Excess"), the Borrower shall prepay, and there shall become due and payable (together with accrued interest thereon) on such date, an aggregate principal amount of Revolving Loans and/or Swingline Loans equal to such Revolving Outstandings Excess. If, at a time when a Revolving Outstandings Excess exists and (x) no Revolving Loans or Swingline Loans are outstanding or (y) the Commitment has been terminated pursuant to this Agreement and, in either case, any Letter of Credit Liabilities remain outstanding, then, in either case, the Borrower shall cash collateralize any Letter of Credit Liabilities by depositing into a cash collateral account established and maintained (including the investments made pursuant thereto) by the Administrative Agent pursuant to a cash collateral agreement in form and substance satisfactory to the Administrative Agent an amount in cash equal to the then outstanding Letter of Credit Liabilities. In determining Revolving Outstandings for purposes of this clause (ii), Letter of Credit Liabilities shall be reduced to the extent that they are cash collateralized as contemplated by this Section 2.09(a)(ii).

(b) Applications of Prepayments and Reductions.

(i) Each payment or prepayment of Loans pursuant to this Section 2.09 shall be applied ratably to the respective Loans of all of the Lenders.

(ii) Each payment of principal of the Loans shall be made together with interest accrued on the amount repaid to the date of payment.

(iii) Each payment of the Loans shall be applied to such Groups of Loans as the Borrower may designate (or, failing such designation, as determined by the Administrative Agent).

Section 2.10. Optional Prepayments and Repayments.

(a) Prepayments of Loans. Other than in respect of Swingline Loans, the repayment of which is governed pursuant to Section 2.02(b), subject to Section 2.12, the Borrower may (i) upon at least one (1) Business Day's notice to the Administrative Agent, prepay any Base Rate Borrowing or (ii) upon at least three (3) Business Days' notice to the Administrative Agent, prepay any Euro-Dollar Borrowing, in each case in whole at any time, or from time to time in part in amounts aggregating $10,000,000 or any larger integral multiple of $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Lenders included in such Borrowing.

(b) Notice to Lenders. Upon receipt of a notice of prepayment pursuant to Section 2.10(a), the Administrative Agent shall promptly notify each Lender of the contents thereof and of such Lender's ratable share (if any) of such prepayment, and such notice shall not thereafter be revocable by the Borrower.

Section 2.11. General Provisions as to Payments.

(a) Payments by the Borrower. The Borrower shall make each payment of principal of and interest on the Loans and Letter of Credit Liabilities and fees hereunder (other than fees payable directly to the Issuing Lenders) not later than 12:00 Noon (Charlotte, North Carolina time) on the date when due, without set-off, counterclaim or other deduction, in Federal or other funds immediately available in Charlotte, North Carolina, to the Administrative Agent at its address referred to in Section 9.01. The Administrative Agent will promptly distribute to each Lender its ratable share of each such payment received by the Administrative Agent for the account of the Lenders. Whenever any payment of principal of or interest on the Base Rate Loans or Letter of Credit Liabilities or of fees shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day. Whenever any payment of principal of or interest on the Euro-Dollar Loans shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(b) Distributions by the Administrative Agent. Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date, and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent that the Borrower shall not have so made such payment, each Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate.

Section 2.12. Funding Losses. If the Borrower makes any payment of principal with respect to any Euro-Dollar Loan pursuant to the terms and provisions of this Agreement (any conversion of a Euro-Dollar Loan to a Base Rate Loan pursuant to Section 2.18 being treated as a payment of such Euro-Dollar Loan on the date of conversion for purposes of this Section 2.12) on any day other than the last day of the Interest Period applicable thereto, or the last day of an applicable period fixed pursuant to Section 2.06(c), or if the Borrower fails to borrow, convert or prepay any Euro-Dollar Loan after notice has been given in accordance with the provisions of this Agreement, or in the event of payment in respect of any Euro-Dollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.08(b), the Borrower shall reimburse each Lender within fifteen (15) days after demand for any resulting loss or expense incurred by it (and by an existing Participant in the related Loan), including, without limitation, any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or failure to borrow or prepay; provided, that such Lender shall have delivered to the Borrower a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

Section 2.13. Computation of Interest and Fees. Interest on Loans based on the Prime Rate hereunder and Letter of Credit Fees shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed. All other interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

Section 2.14. Basis for Determining Interest Rate Inadequate, Unfair or Unavailable. If on or prior to the first day of any Interest Period for any Euro-Dollar Loan: (a) Lenders having 50% or more of the aggregate amount of the Commitments advise the Administrative Agent that the Adjusted London Interbank Offered Rate as determined by the Administrative Agent, will not adequately and fairly reflect the cost to such Lenders of funding their Euro-Dollar Loans for such Interest Period; or (b) the Administrative Agent shall determine that no reasonable means exists for determining the Adjusted London Interbank Offered Rate, the Administrative Agent shall forthwith give notice thereof to the Borrower and the Lenders, whereupon, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such suspension no longer exist, (i) the obligations of the Lenders to make Euro-Dollar Loans, or to convert outstanding Loans into Euro-Dollar Loans shall be suspended; and (ii) each outstanding Euro-Dollar Loan shall be converted into a Base Rate Loan on the last day of the current Interest Period applicable thereto. Unless the Borrower notifies the Administrative Agent at least two (2) Domestic Business Days before the date of (or, if at the time the Borrower receives such notice the day is the date of, or the date immediately preceding, the date of such Euro-Dollar Borrowing, by 10:00 A.M. on the date of) any Euro-Dollar Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, such Borrowing shall instead be made as a Base Rate Borrowing.

Section 2.15. Illegality. If, on or after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Euro-Dollar Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Lender (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans and such Lender shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Lenders and the Borrower, whereupon until such Lender notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Lender to make Euro-Dollar Loans, or to convert outstanding Loans into Euro-Dollar Loans, shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Lender shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender. If such notice is given, each Euro-Dollar Loan of such Lender then outstanding shall be converted to a Base Rate Loan either (i) on the last day of the then current Interest Period applicable to such Euro-Dollar Loan if such Lender may lawfully continue to maintain and fund such Loan to such day or (ii) immediately if such Lender shall determine that it may not lawfully continue to maintain and fund such Loan to such day.

Section 2.16. Increased Cost and Reduced Return.

(a) Increased Costs. If after the Effective Date, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System), special deposit, insurance assessment or similar requirement against Letters of Credit issued or participated in by, assets of, deposits with or for the account of or credit extended by, any Lender (or its Applicable Lending Office) or shall impose on any Lender (or its Applicable Lending Office) or on the United States market for certificates of deposit or the London interbank market any other condition affecting its Euro-Dollar Loans, Notes, obligation to make Euro-Dollar Loans or obligations hereunder in respect of Letters of Credit, and the result of any of the foregoing is to increase the cost to such Lender (or its Applicable Lending Office) of making or maintaining any Euro-Dollar Loan, or of issuing or participating in any Letter of Credit, or to reduce the amount of any sum received or receivable by such Lender (or its Applicable

Lending Office) under this Agreement or under its Notes with respect thereto, then, within fifteen (15) days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts, as determined by such Lender in good faith, as will compensate such Lender for such increased cost or reduction, solely to the extent that any such additional amounts were incurred by the Lender within ninety (90) days of such demand.

(b) Capital Adequacy. If any Lender shall have determined that, after the Effective Date, the adoption of any applicable law, rule or regulation regarding capital adequacy or liquidity, or any change in any such law, rule or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Lender (or any Person controlling such Lender) as a consequence of such Lender's obligations hereunder to a level below that which such Lender (or any Person controlling such Lender) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy), then from time to time, within fifteen (15) days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender (or any Person controlling such Lender) for such reduction, solely to the extent that any such additional amounts were incurred by the Lender within ninety (90) days of such demand.

(c) Notices. Each Lender will promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge, occurring after the Effective Date, that will entitle such Lender to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender. A certificate of any Lender claiming compensation under this Section and setting forth in reasonable detail the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Lender may use any reasonable averaging and attribution methods.

(d) Notwithstanding anything to the contrary herein, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "change in law" under this Article II regardless of the date enacted, adopted or issued.

Section 2.17. Taxes.

(a) Payments Net of Certain Taxes. Any and all payments by the Borrower to or for the account of any Lender or any Agent hereunder or under any other Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges and withholdings and all liabilities with respect thereto, excluding: (i) taxes imposed on or measured by the net income (including branch profits or similar taxes) of, and gross receipts, franchise or similar taxes imposed on, any Agent or any Lender by the jurisdiction (or subdivision thereof) under the laws of which such Lender or Agent is organized or in which its principal executive office is located or, in the case of each Lender, in which its Applicable Lending Office is located, (ii) in the case of each Lender, any United States withholding tax imposed on such payments, but only to the extent that such Lender is subject to United States withholding tax at the time such Lender first becomes a party to this Agreement or changes its Applicable Lending Office, (iii) any backup withholding tax imposed by the United States (or any state or locality thereof) on a Lender or Administrative Agent that is a "United States person" within the meaning of Section 7701 (a)(30) of the Internal Revenue Code, and (iv) any taxes imposed by FATCA (all such nonexcluded taxes, duties, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any other Loan Document to any Lender or any Agent, (i) the sum payable shall be increased as necessary so that after making all such required deductions (including deductions applicable to additional sums payable under this Section 2.17 (a)) such Lender or Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) the Borrower shall furnish to the Administrative Agent, for delivery to such Lender, the original or a certified copy of a receipt evidencing payment thereof.

(b) Other Taxes. In addition, the Borrower agrees to pay any and all present or future stamp or court or documentary taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to this Agreement, any Note or any other Loan Document or from the execution, delivery, performance, registration or enforcement of, or otherwise with respect to, this Agreement, any Note or any other Loan Document (collectively, "Other Taxes").

(c) Indemnification. The Borrower agrees to indemnify each Lender and each Agent for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 2.17(c)), whether or not correctly or legally asserted, paid by such Lender or Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto as certified in good faith to the Borrower by each Lender or Agent seeking indemnification pursuant to this Section 2.17(c). This indemnification shall be paid within 15 days after such Lender or Agent (as the case may be) makes demand therefor.

(d) Refunds or Credits. If a Lender or Agent receives a refund, credit or other reduction from a taxation authority for any Taxes or Other Taxes for which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.17, it shall within fifteen (15) days from the date of such receipt pay over the amount of such refund, credit or other reduction to the Borrower (but only to the extent of indemnity payments made or additional amounts paid by the Borrower under this Section 2.17 with respect to the Taxes or Other Taxes giving rise to such refund, credit or other reduction), net of all reasonable out-of-pocket expenses of such Lender or Agent (as the case may be) and without interest (other than interest paid by the relevant taxation authority with respect to such refund, credit or other reduction); provided, however, that the Borrower agrees to repay, upon the request of such Lender or Agent (as the case may be), the amount paid over to the Borrower (plus penalties, interest or other charges) to such Lender or Agent in the event such Lender or Agent is required to repay such refund or credit to such taxation authority.

(e) Tax Forms and Certificates. On or before the date it becomes a party to this Agreement, from time to time thereafter if reasonably requested by the Borrower or the Administrative Agent, and at any time it changes its Applicable Lending Office: (i) each Lender that is a "United States person" within the meaning of Section 7701(a)(30) of the Internal Revenue Code shall deliver to the Borrower and the Administrative Agent two (2) properly completed and duly executed copies of Internal Revenue Service Form W-9, or any successor form prescribed by the Internal Revenue Service, or such other documentation or information prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent, as the case may be, certifying that such Lender is a United States person and is entitled to an exemption from United States backup withholding tax or information reporting requirements; and (ii) each Lender that is not a "United States person" within the meaning of Section 7701(a)(30) of the Internal Revenue Code (a " Non-U.S. Lender ") shall deliver to the Borrower and the Administrative Agent: (A) two (2) properly completed and duly executed copies of Internal Revenue Service Form W-8 BEN, or any successor form prescribed by the Internal Revenue Service, certifying that such Non-U.S. Lender is entitled to the benefits under an income tax treaty to which the United States is a party which exempts the Non-U.S. Lender from United States withholding tax or reduces the rate of withholding tax on payments of interest for the account of such Non-U.S. Lender; (B) two (2) properly completed and duly executed copies of Internal Revenue Service Form W-8 ECI, or any successor form prescribed by the Internal Revenue Service, certifying that the income receivable pursuant to this Agreement and the other Loan Documents is effectively connected with the conduct of a trade or business in the United States; or (C) two (2) properly completed and duly executed copies of Internal Revenue Service Form W-8 BEN, or any successor form prescribed by the Internal Revenue Service, together with a certificate to the effect that (x) such Non-U.S. Lender is not (1) a "bank" within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code, (2) a "10-percent shareholder" of the Borrower within the meaning of Section 871(h)(3)(B) of the Internal Revenue Code, or (3) a "controlled foreign corporation" that is described in Section 881(c)(3)(C) of the Internal Revenue Code and is related to the Borrower within the meaning of Section 864(d)(4) of the Internal Revenue Code and (y) the interest payments in question are not effectively connected with a U.S. trade or business conducted by such Non-U.S. Lender or are effectively connected but are not includible in the Non-U.S. Lender's gross income for United States federal income tax purposes under an income tax treaty to which the United States is a party; or (D) to the extent the Non-U.S. Lender is not the beneficial owner, two (2) properly completed and duly executed copies of Internal Revenue Service Form W-8 IMY, or any successor form prescribed by the Internal Revenue Service, accompanied by an Internal Revenue Service Form W-8 ECI, W-8 BEN, W-9, and/or other certification documents from each beneficial owner, as applicable. If a payment made to a Lender under any Loan Document would be subject to U.S. Federal withholding tax imposed by FATCA if such Lender fails to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Internal Revenue Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Internal Revenue Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (e), "FATCA" shall include any amendments made to FATCA after the date of this Agreement. In addition, each Lender agrees that from time to time after the Effective Date, when a lapse in time or change in circumstances renders the previous certification obsolete or inaccurate in any material respect, it will deliver to the Borrower and the Administrative Agent two new accurate and complete signed originals of Internal Revenue Service Form W-9, W-8 BEN, W-8 ECI or W-8 IMY or FATCA-related documentation described above, or successor forms, as the case may be, and such other forms as may be required in order to confirm or establish the entitlement of such Lender to a continued exemption from or reduction in United States withholding tax with respect to payments under this Agreement and any other Loan Document, or it shall immediately notify the Borrower and the Administrative Agent of its inability to deliver any such Form or certificate.

(f) Exclusions. The Borrower shall not be required to indemnify any Non-U.S. Lender, or to pay any additional amount to any Non-U.S. Lender, pursuant to Section 2.17(a) , (b) or (c) in respect of Taxes or Other Taxes to the extent that the obligation to indemnify or pay such additional amounts would not have arisen but for the failure of such Non-U.S. Lender to comply with the provisions of subsection (e) above.

(g) Mitigation. If the Borrower is required to pay additional amounts to or for the account of any Lender pursuant to this Section 2.17, then such Lender will use reasonable efforts (which shall include efforts to rebook the Revolving Loans held by such Lender to a new Applicable Lending Office, or through another branch or affiliate of such Lender) to change the jurisdiction of its Applicable Lending Office if, in the good faith judgment of such Lender, such efforts (i) will eliminate or, if it is not possible to eliminate, reduce to the greatest extent possible any such additional payment which may thereafter accrue and (ii) is not otherwise disadvantageous, in the sole determination of such Lender, to such Lender. Any Lender claiming any indemnity payment or additional amounts payable pursuant to this Section shall use reasonable efforts (consistent with legal and regulatory restrictions) to deliver to Borrower any certificate or document reasonably requested in writing by the Borrower or to change the jurisdiction of its Applicable Lending Office if the making of such a filing or change would avoid the need for or reduce the amount of any such indemnity payment or additional amounts that may thereafter accrue and would not, in the sole determination of such Lender, be otherwise disadvantageous to such Lender.

(h) Confidentiality. Nothing contained in this Section shall require any Lender or any Agent to make available any of its tax returns (or any other information that it deems to be confidential or proprietary).

Section 2.18. Base Rate Loans Substituted for Affected Euro-Dollar Loans. If (a) the obligation of any Lender to make or maintain, or to convert outstanding Loans to, Euro-Dollar Loans has been suspended pursuant to Section 2.15 or (b) any Lender has demanded compensation under Section 2.16(a) with respect to its Euro-Dollar Loans and, in any such case, the Borrower shall, by at least four Business Days' prior notice to such Lender through the Administrative Agent, have elected that the provisions of this Section shall apply to such Lender, then, unless and until such Lender notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer apply:

(i) all Loans which would otherwise be made by such Lender as (or continued as or converted into) Euro-Dollar Loans shall instead be Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related

Euro-Dollar Loans of the other Lenders); and

(ii) after each of its Euro-Dollar Loans has been repaid, all payments of principal that would otherwise be applied to repay such Loans shall instead be applied to repay its Base Rate Loans.

If such Lender notifies the Borrower that the circumstances giving rise to such notice no longer apply, the principal amount of each such Base Rate Loan shall be converted into a Euro-Dollar Loan on the first day of the next succeeding Interest Period applicable to the related Euro-Dollar Loans of the other Lenders.

Section 2.19. [Reserved.]

Section 2.20. Defaulting Lenders .

(a) Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(i) fees shall cease to accrue on the unfunded portion of the Commitment of such Defaulting Lender pursuant to Section 2 .07(a);

(ii) with respect to any Letter of Credit Liabilities or Swingline Exposure of such Defaulting Lender that exists at the time a Lender becomes a Defaulting Lender or thereafter:

(A) all or any part of such Defaulting Lender's Letter of Credit Liabilities and its Swingline Exposure shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Commitment Ratios (calculated without regard to such Defaulting Lender's Commitment) but only to the extent that (x) the conditions set forth in Section 4.02 are satisfied at such time and (y) such reallocation does not cause the Revolving Outstandings of any Non-Defaulting Lender to exceed such Non-Defaulting Lender's Commitment;

(B) if the reallocation described in clause (ii)(A) above cannot, or can only partially, be effected, each Issuing Lender and the Swingline Lender, in its discretion may require the Borrower to (i) reimburse all amounts paid by an Issuing Lender upon any drawing under a Letter of Credit, (ii) repay an outstanding Swingline Loan, and/or (iii) cash collateralize (in accordance with Section 2.09(a)(ii)) all obligations of such Defaulting Lender in respect of outstanding Letters of Credit and Swingline Loans, in each case, in an amount at least equal to the aggregate amount of the obligations (contingent or otherwise) of such Defaulting Lender in respect of such Letters of Credit or Swingline Loans (after giving effect to any partial reallocation pursuant to Section 2.20(a)(ii)(A) above);

(iii) if the Borrower cash collateralizes any portion of such Defaulting Lender's pursuant to Section 2.20(a)(ii)(B) then the Borrower shall not be required to pay any fees to such Defaulting Lender pursuant to Section 2.07(b) with respect to such Defaulting Lender's Letter of Credit Liabilities during the period such Defaulting Lender's Letter of Credit Liabilities are cash collateralized;

(iv) if the Letter of Credit Liabilities and/or Swingline Exposure of the Non-Defaulting Lenders is reallocated pursuant to Section 2.20(a)(ii)(A) above, then the fees payable to the Lenders pursuant to Section 2.07(a) and Section 2.07(b) shall be adjusted in accordance with such Non-Defaulting Lenders' Commitment Ratios (calculated without regard to such Defaulting Lender's Commitment); and

(v) if any Defaulting Lender's Letter of Credit Liabilities and/or Swingline Exposure is neither reimbursed, repaid, cash collateralized nor reallocated pursuant to this Section 2.20(a)(ii), then, without prejudice to any rights or remedies of the Issuing Lenders, the Swingline Lender or any other Lender hereunder, all fees that otherwise would have been payable to such Defaulting Lender (solely with respect to the portion of such Defaulting Lender's Commitment that was utilized by such Letter of Credit Liabilities and/or Swingline Exposure) and letter of credit fees payable under Section 2.07(b) with respect to such Defaulting Lender's Letter of Credit Liabilities shall be payable to the Issuing Lenders and the Swingline Lender, pro rata, until such Letter of Credit Liabilities and/or Swingline Exposure is cash collateralized, reallocated and/or repaid in full.

(b) So long as any Lender is a Defaulting Lender, (i) no Issuing Lender shall be required to issue, amend or increase any Letter of Credit, unless it is satisfied that the related exposure will be 100% covered by the Commitments of the Non-Defaulting Lenders and/or cash collateral will be provided by the Borrower in accordance with Section 2.20(a), and participating interests in any such newly issued or increased Letter of Credit shall be allocated among Non-Defaulting Lenders in a manner consistent with Section 3.05 (and Defaulting Lenders shall not participate therein) and (ii) the Swingline Lender shall not be required to advance any Swingline Loan, unless it is satisfied that the related exposure will be 100% covered by the Commitments of the Non-Defaulting Lenders.

ARTICLE III
LETTERS OF CREDIT

Section 3.01. Issuing Lenders . Subject to the terms and conditions hereof, the Borrower may from time to time identify and arrange for one or more of the Lenders (in addition to the JLA Issuing Banks) to act as Issuing Lenders hereunder. Any such designation by the Borrower shall be notified to the Administrative Agent at least four Business Days prior to the first date upon which the Borrower proposes that such Issuing Lender issue its first Letter of Credit, so as to provide adequate time for such proposed Issuing Lender to be approved by the Administrative Agent hereunder (such approval not to be unreasonably withheld). Within two Business Days following the receipt of any such designation of a proposed Issuing Lender, the Administrative Agent shall notify the Borrower as to whether such designee is acceptable to the Administrative Agent. Nothing contained herein shall be deemed to require any Lender (other than a JLA Issuing Bank) to agree to act as an Issuing Lender, if it does not so desire.

Section 3.02. Letters of Credit.

(a) Existing Letters of Credit. On the Effective Date, each Issuing Lender (as defined in the Existing Credit Agreement) that has issued an Existing Letter of Credit shall be deemed, without further action by any party to this Agreement, to have issued such Existing Letter of Credit under this Agreement pursuant to the terms and subject to the conditions of this Article III; provided, that immediately after each Letter of Credit is deemed to have been issued, the aggregate Revolving Outstandings shall not exceed the aggregate amount of the Commitments.

(b) Additional Letters of Credit. Each Issuing Lender agrees, on the terms and conditions set forth in this Agreement, to issue Letters of Credit from time to time before the fifth day prior to the Termination Date, for the account, and upon the request, of the Borrower and in support of such obligations of the Borrower or any Affiliate of the Borrower (other than PPL Energy Supply, LLC) that are reasonably acceptable to such Issuing Lender; provided, that immediately after each Letter of Credit is issued, (A) the aggregate outstanding amount of Letter of Credit Liabilities shall not exceed $150,000,000, (B) the aggregate Revolving Outstandings shall not exceed the aggregate amount of the Commitments and (C) the aggregate fronting exposure of any Issuing Lender shall not exceed its Fronting Sublimit.

Section 3.03. Method of Issuance of Additional Letters of Credit. The Borrower shall give an Issuing Lender notice substantially in the form of Exhibit A-3 to this Agreement (a "Letter of Credit Request") of the requested issuance or extension of an Additional Letter of Credit prior to 1:00 P.M. (Charlotte, North Carolina time) on the proposed date of the issuance or extension of Additional Letters of Credit (which shall be a Business Day) (or such shorter period as may be agreed by such Issuing Lender in any particular instance), specifying the date such Letter of Credit is to be issued or extended and describing the terms of such Letter of Credit and the nature of the transactions to be supported thereby. The extension or renewal of any Letter of Credit shall be deemed to be an issuance of such Letter of Credit, and if any Letter of Credit contains a provision pursuant to which it is deemed to be extended unless notice of termination is given by an Issuing Lender, such Issuing Lender shall timely give such notice of termination unless it has theretofore timely received a Letter of Credit Request and the other conditions to issuance of a Letter of Credit have theretofore been met with respect to such extension. No Letter of Credit shall have a term of more than one year, provided, that no Letter of Credit shall have a term extending or be so extendible beyond the fifth Business Day before the Termination Date.

Section 3.04. Conditions to Issuance of Letters of Credit. The issuance by an Issuing Lender of each Additional Letter of Credit shall, in addition to the conditions precedent set forth in Article IV, be subject to the conditions precedent that (i) such Letter of Credit shall be satisfactory in form and substance to such Issuing Lender, (ii) the Borrower and, if applicable, any such Affiliate of the Borrower, shall have executed and delivered such other instruments and agreements relating to such Letter of Credit as such Issuing Lender shall have reasonably requested and (iii) such Issuing Lender shall have confirmed on the date of (and after giving effect to) such issuance that (A) the aggregate outstanding amount of Letter of Credit Liabilities shall not exceed $150,000,000, (B) the aggregate Revolving Outstandings will not exceed the aggregate amount of the Commitments and (C) the aggregate fronting exposure of any Issuing Lender shall not exceed the Fronting Sublimit. Notwithstanding any other provision of this Section 3.04, no Issuing Lender shall be under any obligation to issue any Additional Letter of Credit if: any order, judgment or decree of any governmental authority shall by its terms purport to enjoin or restrain such Issuing Lender from issuing such Additional Letter of Credit, or any requirement of law applicable to such Issuing Lender or any request or directive (whether or not having the force of law) from any governmental authority with jurisdiction over such Issuing Lender shall prohibit, or request that such Issuing Lender refrain from, the issuance of letters of credit generally or such Additional Letter of Credit in particular or shall impose upon such Issuing Lender with respect to such Additional Letter of Credit any restriction, reserve or capital requirement (for which such Issuing Lender is not otherwise compensated hereunder) not in effect on the Effective Date, or shall impose upon such Issuing Lender any unreimbursed loss, cost or expense which was not applicable on the Effective Date and which such Issuing Lender in good faith deems material to it.

Section 3.05. Purchase and Sale of Letter of Credit Participations. Upon the issuance by an Issuing Lender of a Letter of Credit, such Issuing Lender shall be deemed, without further action by any party hereto, to have sold to each Lender, and each Lender shall be deemed, without further action by any party hereto, to have purchased from such Issuing Lender, without recourse or warranty, an undivided participation interest in such Letter of Credit and the related Letter of Credit Liabilities in accordance with its respective Commitment Ratio (although the Fronting Fee payable under Section 2.07(b) shall be payable directly to the Administrative Agent for the account of the applicable Issuing Lender, and the Lenders (other than such Issuing Lender) shall have no right to receive any portion of any such Fronting Fee) and any security therefor or guaranty pertaining thereto.

Section 3.06. Drawings under Letters of Credit. Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the applicable Issuing Lender shall determine in accordance with the terms of such Letter of Credit whether such drawing should be honored. If such Issuing Lender determines that any such drawing shall be honored, such Issuing Lender shall make available to such beneficiary in accordance with the terms of such Letter of Credit the amount of the drawing and shall notify the Borrower as to the amount to be paid as a result of such drawing and the payment date.

Section 3.07. Reimbursement Obligations. The Borrower shall be irrevocably and unconditionally obligated forthwith to reimburse the applicable Issuing Lender for any amounts paid by such Issuing Lender upon any drawing under any Letter of Credit, together with any and all reasonable charges and expenses which such Issuing Lender may pay or incur relative to such drawing and interest on the amount drawn at the rate applicable to Base Rate Loans for each day from and including the date such amount is drawn to but excluding the date such reimbursement payment is due and payable. Such reimbursement payment shall be due and payable (i) at or before 1:00 P.M. (Charlotte, North Carolina time) on the date the applicable Issuing Lender notifies the Borrower of such drawing, if such notice is given at or before 10:00 A.M. (Charlotte, North Carolina time) on such date or (ii) at or before 10:00 A.M. (Charlotte, North Carolina time) on the next succeeding Business Day; provided, that no payment otherwise required by this sentence to be made by the Borrower at or before 1:00 P.M. (Charlotte, North Carolina time) on any day shall be overdue hereunder if arrangements for such payment satisfactory to the applicable Issuing Lender, in its reasonable discretion, shall have been made by the Borrower at or before 1:00 P.M. (Charlotte, North Carolina time) on such day and such payment is actually made at or before 3:00 P.M. (Charlotte, North Carolina time) on such day. In addition, the Borrower agrees to pay to the applicable Issuing Lender interest, payable on demand, on any and all amounts not paid by the Borrower to such Issuing Lender when due under this Section 3.07, for each day from and including the date when such amount becomes due to but excluding the date such amount is paid in full, whether before or after judgment, at a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate Loans for such day. Each payment to be made by the Borrower pursuant to this Section 3.07 shall be made to the applicable Issuing Lender in Federal or other funds immediately available to it at its address referred to Section 9.01.

Section 3.08. Duties of Issuing Lenders to Lenders; Reliance. In determining whether to pay under any Letter of Credit, the relevant Issuing Lender shall not have any obligation relative to the Lenders participating in such Letter of Credit or the related Letter of Credit Liabilities other than to determine that any document or documents required to be delivered under such Letter of Credit have been delivered and that they substantially comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by an Issuing Lender under or in connection with any Letter of Credit shall not create for such Issuing Lender any resulting liability if taken or omitted in the absence of gross negligence or willful misconduct. Each Issuing Lender shall be entitled (but not obligated) to rely, and shall be fully protected in relying, on the representation and warranty by the Borrower set forth in the last sentence of Section 4.02 to establish whether the conditions specified in clauses (b) and (c) of Section 4.02 are met in connection with any issuance or extension of a Letter of Credit. Each Issuing Lender shall be entitled to rely, and shall be fully protected in relying, upon advice and statements of legal counsel, independent accountants and other experts selected by such Issuing Lender and upon any Letter of Credit, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopier, telex or teletype message, statement, order or other document believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary unless the beneficiary and the Borrower shall have notified such Issuing Lender that such documents do not comply with the terms and conditions of the Letter of Credit. Each Issuing Lender shall be fully justified in refusing to take any action requested of it under this Section in respect of any Letter of Credit unless it shall first have received such advice or concurrence of the Required Lenders as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take, or omitting or continuing to omit, any such action. Notwithstanding any other provision of this Section, each Issuing Lender shall in all cases be fully protected in acting, or in refraining from acting, under this Section in respect of any Letter of Credit in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant hereto shall be binding upon all Lenders and all future holders of participations in such Letter of Credit; provided, that this sentence shall not affect any rights the Borrower may have against any Issuing Lender or the Lenders that make such request.

Section 3.09. Obligations of Lenders to Reimburse Issuing Lender for Unpaid Drawings. If any Issuing Lender makes any payment under any Letter of Credit and the Borrower shall not have reimbursed such amount in full to such Issuing Lender pursuant to Section 3.07, such Issuing Lender shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify each Lender (other than the relevant Issuing Lender), and each such Lender shall promptly and unconditionally pay to the Administrative Agent, for the account of such Issuing Lender, such Lender's share of such payment (determined in accordance with its respective Commitment Ratio) in Dollars in Federal or other immediately available funds, the aggregate of such payments relating to each unreimbursed amount being referred to herein as a "Mandatory Letter of Credit Borrowing"; provided, however, that no Lender shall be obligated to pay to the Administrative Agent its pro rata share of such unreimbursed amount for any wrongful payment made by the relevant Issuing Lender under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence by such Issuing Lender. If the Administrative Agent so notifies a Lender prior to 11:00 A.M. (Charlotte, North Carolina time) on any Business Day, such Lender shall make available to the Administrative Agent at its address referred to in Section 9.01 and for the account of the relevant Issuing Lender such Lender's pro rata share of the amount of such payment by 3:00 P.M. (Charlotte, North Carolina time) on the Business Day following such Lender's receipt of notice from the Administrative Agent, together with interest on such amount for each day from and including the date of such drawing to but excluding the day such payment is due from such Lender at the Federal Funds Rate for such day (which funds the Administrative Agent shall promptly remit to such Issuing Lender). The failure of any Lender to make available to the Administrative Agent for the account of an Issuing Lender its pro rata share of any unreimbursed drawing under any Letter of Credit shall not relieve any other Lender of its obligation hereunder to make available to the Administrative Agent for the account of such Issuing Lender its pro rata share of any payment made under any Letter of Credit on the date required, as specified above, but no such Lender shall be responsible for the failure of any other Lender to make available to the Administrative Agent for the account of such Issuing Lender such other Lender's pro rata share of any such payment. Upon payment in full of all amounts payable by a Lender under this Section 3.09, such Lender shall be subrogated to the rights of the relevant Issuing Lender against the Borrower to the extent of such Lender's pro rata share of the related Letter of Credit Liabilities (including interest accrued thereon). If any Lender fails to pay any amount required to be paid by it pursuant to this Section 3.09 on the date on which such payment is due, interest shall accrue on such Lender's obligation to make such payment, for each day from and including the date such payment became due to but excluding the date such Lender makes such payment, whether before or after judgment, at a rate per annum equal to (i) for each day from the date such payment is due to the third succeeding Business Day, inclusive, the Federal Funds Rate for such day as determined by the relevant Issuing Lender and (ii) for each day thereafter, the sum of 2% plus the rate applicable to its Base Rate Loans for such day. Any payment made by any Lender after 3:00 P.M. (Charlotte, North Carolina time) on any Business Day shall be deemed for purposes of the preceding sentence to have been made on the next succeeding Business Day.

Section 3.10. Funds Received from the Borrower in Respect of Drawn Letters of Credit. Whenever an Issuing Lender receives a payment of a Reimbursement Obligation as to which the Administrative Agent has received for the account of such Issuing Lender any payments from the other Lenders pursuant to Section 3.09 above, such Issuing Lender shall pay the amount of such payment to the Administrative Agent, and the Administrative Agent shall promptly pay to each Lender which has paid its pro rata share thereof, in Dollars in Federal or other immediately available funds, an amount equal to such Lender's pro rata share of the principal amount thereof and interest thereon for each day after relevant date of payment at the Federal Funds Rate.

Section 3.11. Obligations in Respect of Letters of Credit Unconditional. The obligations of the Borrower under Section 3.07 above shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) any lack of validity or enforceability of this Agreement or any Letter of Credit or any document related hereto or thereto;

(b) any amendment or waiver of or any consent to departure from all or any of the provisions of this Agreement or any Letter of Credit or any document related hereto or thereto;

(c) the use which may be made of the Letter of Credit by, or any acts or omission of, a beneficiary of a Letter of Credit (or any Person for whom the beneficiary may be acting);

(d) the existence of any claim, set-off, defense or other rights that the Borrower may have at any time against a beneficiary of a Letter of Credit (or any Person for whom the beneficiary may be acting), any Issuing Lender or any other Person, whether in connection with this Agreement or any Letter of Credit or any document related hereto or thereto or any unrelated transaction;

(e) any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(f) payment under a Letter of Credit against presentation to an Issuing Lender of a draft or certificate that does not comply with the terms of such Letter of Credit; provided, that the relevant Issuing Lender's determination that documents presented under such Letter of Credit comply with the terms thereof shall not have constituted gross negligence or willful misconduct of such Issuing Lender; or

(g) any other act or omission to act or delay of any kind by any Issuing Lender or any other Person or any other event or circumstance whatsoever that might, but for the provisions of this subsection (g), constitute a legal or equitable discharge of the Borrower's obligations hereunder.

Nothing in this Section 3.11 is intended to limit the right of the Borrower to make a claim against any Issuing Lender for damages as contemplated by the proviso to the first sentence of Section 3.12.

Section 3.12. Indemnification in Respect of Letters of Credit. The Borrower hereby indemnifies and holds harmless each Lender (including each Issuing Lender) and the Administrative Agent from and against any and all claims, damages, losses, liabilities, costs or expenses which such Lender or the Administrative Agent may incur by reason of or in connection with the failure of any other Lender to fulfill or comply with its obligations to such Issuing Lender hereunder (but nothing herein contained shall affect any rights which the Borrower may have against such defaulting Lender), and none of the Lenders (including any Issuing Lender) nor the Administrative Agent, their respective affiliates nor any of their respective officers, directors, employees or agents shall be liable or responsible, by reason of or in connection with the execution and delivery or transfer of or payment or failure to pay under any Letter of Credit, including, without limitation, any of the circumstances enumerated in Section 3.11, as well as (i) any error, omission, interruption or delay in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, (ii) any error in interpretation of technical terms, (iii) any loss or delay in the transmission of any document required in order to make a drawing under a Letter of Credit, (iv) any consequences arising from causes beyond the control of such indemnitee, including without limitation, any government acts, or (v) any other circumstances whatsoever in making or failing to make payment under such Letter of Credit; provided, that the Borrower shall not be required to indemnify any Issuing Lender for any claims, damages, losses, liabilities, costs or expenses, and the Borrower shall have a claim against such Issuing Lender for direct (but not consequential) damages suffered by it, to the extent found by a court of competent jurisdiction in a final, non-appealable judgment or order to have been caused by (i) the willful misconduct or gross negligence of such Issuing Lender in determining whether a request presented under any Letter of Credit issued by it complied with the terms of such Letter of Credit or (ii) such Issuing Lender's failure to pay under any Letter of Credit issued by it after the presentation to it of a request strictly complying with the terms and conditions of such Letter of Credit. Nothing in this Section 3.12 is intended to limit the obligations of the Borrower under any other provision of this Agreement.

Section 3.13. ISP98. The rules of the "International Standby Practices 1998" as published by the International Chamber of Commerce most recently at the time of issuance of any Letter of Credit shall apply to such Letter of Credit unless otherwise expressly provided in such Letter of Credit.

ARTICLE IV
CONDITIONS

Section 4.01. Conditions to Closing. The obligation of each Lender to make a Loan or issue a Letter of Credit on the occasion of the first Credit Event hereunder is subject to the satisfaction of the following conditions:

(a) This Agreement. The Administrative Agent shall have received counterparts hereof signed by each of the parties hereto or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Administrative Agent in form satisfactory to it of telegraphic, telex, facsimile or other written confirmation from such party of execution of a counterpart hereof by such party) to be held in escrow and to be delivered to the Borrower upon satisfaction of the other conditions set forth in this Section 4.01.

(b) Notes. On or prior to the Effective Date, the Administrative Agent shall have received a duly executed Note for the account of each Lender requesting delivery of a Note pursuant to Section 2.05.

(c) Officers' Certificates. The Administrative Agent shall have received a certificate dated the Effective Date signed on behalf of the Borrower by the Chairman of the Board, the President, any Vice President, the Treasurer or the Assistant Treasurer of the Borrower stating that (A) on the Effective Date and after giving effect to the Loans and Letters of Credit being made or issued on the Effective Date, no Default shall have occurred and be continuing and (B) the representations and warranties of the Borrower contained in the Loan Documents are true and correct on and as of the Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they were true and correct as of such earlier date.

(d) Proceedings . On the Effective Date, the Administrative Agent shall have received (i) a certificate of the Secretary of State of the Commonwealth of Pennsylvania, dated as of a recent date, as to the good standing of the Borrower and (ii) a certificate of the Secretary or an Assistant Secretary of the Borrower dated the Effective Date and certifying (A) that attached thereto is a true, correct and complete copy of (x) the Borrower's articles of incorporation certified by the Secretary of State of the Commonwealth of Pennsylvania and (y) the bylaws of the Borrower, (B) as to the absence of dissolution or liquidation proceedings by or against the Borrower, (C) that attached thereto is a true, correct and complete copy of resolutions adopted by the board of directors of the Borrower authorizing the execution, delivery and performance of the Loan Documents to which the Borrower is a party and each other document delivered in connection herewith or therewith and that such resolutions have not been amended and are in full force and effect on the date of such certificate and (D) as to the incumbency and specimen signatures of each officer of the Borrower executing the Loan Documents to which the Borrower is a party or any other document delivered in connection herewith or therewith.

(e) Opinions of Counsel . On the Effective Date, the Administrative Agent shall have received from counsel to the Borrower, opinions addressed to the Administrative Agent and each Lender, dated the Effective Date, substantially in the form of Exhibit D hereto.

(f) [Intentionally Omitted]

(g) Consents . All necessary governmental (domestic or foreign), regulatory and third party approvals, including, without limitation, the order (" PUC Order ") of the Pennsylvania Public Utility Commission (" PUC ") and any required approvals of the FERC, authorizing borrowings hereunder in connection with the transactions contemplated by this Agreement and the other Loan Documents shall have been obtained and remain in full force and effect, in each case without any action being taken by any competent authority which could restrain or prevent such transaction or impose, in the reasonable judgment of the Administrative Agent, materially adverse conditions upon the consummation of such transactions.

(h) Payment of Fees . All costs, fees and expenses due to the Administrative Agent, the Joint Lead Arrangers and the Lenders accrued through the Effective Date (including Commitment Fees and Letter of Credit Fees) shall have been paid in full.

(i) Counsel Fees . The Administrative Agent shall have received full payment from the Borrower of the fees and expenses of Davis Polk & Wardwell LLP described in Section 9.03 which are billed through the Effective Date and which have been invoiced one Business Day prior to the Effective Date.

(j) Amendment Fee . The Borrower shall have paid to the Administrative Agent for the account of each Lender a non-refundable and fully earned fee (the " **Amendment Fee** ") as set forth in the Fee Letter, on or before the Effective Date.

Section 4.02. Conditions to All Credit Events . The obligation of any Lender to make any Loan, and the obligation of any Issuing Lender to issue (or renew or extend the term of) any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) receipt by the Administrative Agent of a Notice of Borrowing as required by Section 2.03, or receipt by an Issuing Lender of a Letter of Credit Request as required by Section 3.03;

(b) the fact that, immediately before and after giving effect to such Credit Event, no Default shall have occurred and be continuing; and

(c) the fact that the representations and warranties of the Borrower contained in this Agreement and the other Loan Documents shall be true and correct on and as of the date of such Credit Event, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they were true and correct as of such earlier date and except for the representations in Section 5.04(c), Section 5.05 and Section 5.13, which shall be deemed only to relate to the matters referred to therein on and as of the Effective Date.

Each Credit Event under this Agreement shall be deemed to be a representation and warranty by the Borrower on the date of such Credit Event as to the facts specified in clauses (b) and (c) of this Section.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

Section 5.01. Status . The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and has the corporate authority to make and perform this Agreement and each other Loan Document to which it is a party.

Section 5.02. Authority; No Conflict . The execution, delivery and performance by the Borrower of this Agreement and each other Loan Document to which it is a party have been duly authorized by all necessary corporate action and do not violate (i) any provision of law or regulation, or any decree, order, writ or judgment, (ii) any provision of its articles of incorporation or bylaws, or (iii) result in the breach of or constitute a default under any indenture or other agreement or instrument to which the Borrower is a party.

Section 5.03. Legality; Etc . This Agreement and each other Loan Document (other than the Notes) to which the Borrower is a party constitute the legal, valid and binding obligations of the Borrower, and the Notes, when executed and delivered in accordance with this Agreement, will constitute legal, valid and binding obligations of the Borrower, in each case enforceable against the Borrower in accordance with their terms except to the extent limited by (a) bankruptcy, insolvency, fraudulent conveyance or reorganization laws or by other similar laws relating to or affecting the enforceability of creditors' rights generally and by general equitable principles which may limit the right to obtain equitable remedies regardless of whether enforcement is considered in a proceeding of law or equity or (b) any applicable public policy on enforceability of provisions relating to contribution and indemnification.

Section 5.04. Financial Condition.

(a) Audited Financial Statements. The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 2011 and the related consolidated statements of income and cash flows for the fiscal year then ended, reported on by Ernst & Young, LLP, copies of which have been delivered to each of the Administrative Agent and the Lenders, fairly present, in conformity with GAAP, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year.

(b) Interim Financial Statements. The unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of June 30, 2012 and the related unaudited consolidated statements of income and cash flows for the six months then ended fairly present, in conformity with GAAP applied on a basis consistent with the financial statements referred to in subsection (a) of this Section, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such six-month period (subject to normal year-end audit adjustments).

(c) Material Adverse Change. Since December 31, 2011 there has been no change in the business, assets, financial condition or operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, that would materially and adversely affect the Borrower's ability to perform any of its obligations under this Agreement, the Notes or the other Loan Documents.

Section 5.05. Litigation. Except as disclosed in or contemplated by the Borrower's Form 10-K Report to the SEC for the year ended December 31, 2011 or in any subsequent Form 10-K, 10-Q or 8-K Report, no litigation, arbitration or administrative proceeding against the Borrower is pending or, to the Borrower's knowledge, threatened, which would reasonably be expected to materially and adversely affect the ability of the Borrower to perform any of its obligations under this Agreement, the Notes or the other Loan Documents. There is no litigation, arbitration or administrative proceeding pending or, to the knowledge of the Borrower, threatened which questions the validity of this Agreement or the other Loan Documents to which it is a party.

Section 5.06. No Violation. No part of the proceeds of the borrowings by hereunder will be used, directly or indirectly by the Borrower for the purpose of purchasing or carrying any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, or for any other purpose which violates, or which conflicts with, the provisions of Regulations U or X of said Board of Governors. The Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any such "margin stock".

Section 5.07. ERISA. Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Material Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Material Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Material Plan, (ii) failed to make any contribution or payment to any Material Plan, or made any amendment to any Material Plan, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Internal Revenue Code or (iii) incurred any material liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

Section 5.08. Governmental Approvals. No authorization, consent or approval from any Governmental Authority is required for the execution, delivery and performance by the Borrower of this Agreement, the Notes and the other Loan Documents to which it is a party and except such authorizations, consents and approvals, including, without limitation, the PUC Order, as shall have been obtained prior to the Effective Date and shall be in full force and effect.

Section 5.09. Investment Company Act. The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 5.10. Tax Returns and Payments. The Borrower has filed or caused to be filed all Federal, state, local and foreign income tax returns required to have been filed by it and has paid or caused to be paid all income taxes shown to be due on such returns except income taxes that are being contested in good faith by appropriate proceedings and for which the Borrower shall have set aside on its books appropriate reserves with respect thereto in accordance with GAAP or that would not reasonably be expected to have a Material Adverse Effect.

Section 5.11. Compliance with Laws. To the knowledge of the Borrower, the Borrower is in compliance with all applicable laws, regulations and orders of any Governmental Authority, domestic or foreign, in respect of the conduct of its business and the ownership of its property (including, without limitation, compliance with all applicable ERISA and Environmental Laws and the requirements of any permits issued under such Environmental Laws), except to the extent (a) such compliance is being contested in good faith by appropriate proceedings or (b) non-compliance would not reasonably be expected to materially and adversely affect its ability to perform any of its obligations under this Agreement, the Notes or any other Loan Document to which it is a party.

Section 5.12. No Default. No Default has occurred and is continuing.

Section 5.13. Environmental Matters.

(a) Except (i) as disclosed in or contemplated by the Borrower's Form 10-K Report to the SEC for the year ended December 31, 2011 or in any subsequent Form 10-K, 10-Q or 8-K Report, or (ii) to the extent that the liabilities of the Borrower and its Subsidiaries, taken as a whole, that relate to or could reasonably be expected to result from the matters referred to in clauses (i) through (iii) of this Section 5.13(a), inclusive, would not reasonably be expected to result in a Material Adverse Effect:

(i) no notice, notification, citation, summons, complaint or order has been received by the Borrower or any of its Subsidiaries, no penalty has been assessed nor is any investigation or review pending or, to the Borrower's or any of its Subsidiaries' knowledge, threatened by any governmental or other entity with respect to any (A) alleged violation by or liability of the Borrower or any of its Subsidiaries of or under any Environmental Law, (B) alleged failure by the Borrower or any of its Subsidiaries to have any environmental permit, certificate, license, approval, registration or authorization required in connection with the conduct of its business or (C) generation, storage, treatment, disposal, transportation or release of Hazardous Substances;

(ii) to the Borrower's or any of its Subsidiaries' knowledge, no Hazardous Substance has been released (and no written notification of such release has been filed) (whether or not in a reportable or threshold planning quantity) at, on or under any property now or previously owned, leased or operated by the Borrower or any of its Subsidiaries; and

(iii) no property now or previously owned, leased or operated by the Borrower or any of its Subsidiaries or, to the Borrower's or any of its Subsidiaries' knowledge, any property to which the Borrower or any of its Subsidiaries has, directly or indirectly, transported or arranged for the transportation of any Hazardous Substances, is listed or, to the Borrower's or any of its Subsidiaries' knowledge, proposed for listing, on the National Priorities List promulgated pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (" CERCLA "), on CERCLIS (as defined in CERCLA) or on any similar federal, state or foreign list of sites requiring investigation or clean-up.

(b) Except as disclosed in or contemplated by the Borrower's Form 10-K Report to the SEC for the year ended December 31, 2011 or in any subsequent Form 10-K, 10-Q or 8-K Report, to the Borrower's or any of its Subsidiaries' knowledge, there are no Environmental Liabilities that have resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) For purposes of this Section 5.13, the terms "the Borrower" and "Subsidiary" shall include any business or business entity (including a corporation) which is a predecessor, in whole or in part, of the Borrower or any of its Subsidiaries from the time such business or business entity became a Subsidiary of PPL Corporation, a Pennsylvania corporation.

Section 5.14. OFAC . None of the Borrower, any Subsidiary of the Borrower or any Affiliate of the Borrower: (i) is a Sanctioned Person, (ii) has more than 10% of its assets in Sanctioned Entities, or (iii) derives more than 10% of its operating income from investments in, or transactions with Sanctioned Persons or Sanctioned Entities. The proceeds of any Loan will not be used and have not been used to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Person or a Sanctioned Entity.

ARTICLE VI
COVENANTS

The Borrower agrees that so long as any Lender has any Commitment hereunder or any amount payable hereunder or under any Note or other Loan Document remains unpaid or any Letter of Credit Liability remains outstanding:

Section 6.01. Information . The Borrower will deliver or cause to be delivered to each of the Lenders (it being understood that the posting of the information required in clauses (a), (b) and (f) of this Section 6.01 on the Borrower's website (http://www.pplweb.com) or making such information available on IntraLinks, Syndtrak (or similar service) shall be deemed to be effective delivery to the Lenders):

(a) Annual Financial Statements . Promptly when available and in any event within ten (10) days after the date such information is required to be delivered to the SEC, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of income and cash flows for such fiscal year and accompanied by an opinion thereon by independent public accountants of recognized national standing, which opinion shall state that such consolidated financial statements present fairly the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of the date of such financial statements and the results of their operations for the period covered by such financial statements in conformity with GAAP applied on a consistent basis.

(b) Quarterly Financial Statements . Promptly when available and in any event within ten (10) days after the date such information is required to be delivered to the SEC, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such quarter and the related consolidated statements of income and cash flows for such fiscal quarter, all certified (subject to normal year-end audit adjustments) as to fairness of presentation, GAAP and consistency by any vice president, the treasurer or the controller of the Borrower.

(c) Officer's Certificate . Simultaneously with the delivery of each set of financial statements referred to in subsections (a) and (b) above, a certificate of the chief accounting officer or controller of the Borrower, (i) setting forth in reasonable detail the calculations required to establish compliance with the requirements of Section 6.09 on the date of such financial statements and (ii) stating whether there exists on the date of such certificate any Default and, if any Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto.

(d) Default . Forthwith upon acquiring knowledge of the occurrence of any (i) Default or (ii) Event of Default, in either case a certificate of a vice president or the treasurer of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto.

(e) Change in Borrower's Ratings. Promptly, upon the chief executive officer, the president, any vice president or any senior financial officer of the Borrower obtaining knowledge of any change in a Borrower's Rating, a notice of such Borrower's Rating in effect after giving effect to such change.

(f) Securities Laws Filing. Promptly when available and in any event within ten (10) days after the date such information is required to be delivered to the SEC, a copy of any Form 10-K Report to the SEC and a copy of any Form 10-Q Report to the SEC, and promptly upon the filing thereof, any other filings with the SEC.

(g) ERISA Matters. If and when any member of the ERISA Group: (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Material Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Material Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives, with respect to any Material Plan that is a Multiemployer Plan, notice of any complete or partial withdrawal liability under Title IV of ERISA, or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose material liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Material Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code with respect to a Material Plan, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA; or (vii) fails to make any payment or contribution to any Plan or makes any amendment to any Plan which has resulted or could result in the imposition of a Lien or the posting of a bond or other security, a copy of such notice, a certificate of the chief accounting officer or controller of the Borrower setting forth details as to such occurrence and action, if any, which the Borrower or applicable member of the ERISA Group is required or proposes to take.

(h) Other Information. From time to time such additional financial or other information regarding the financial condition, results of operations, properties, assets or business of the Borrower or any of its Subsidiaries as any Lender may reasonably request.

The Borrower hereby acknowledges that (a) the Administrative Agent will make available to the Lenders and each Issuing Lender materials and/or information provided by or on behalf of the Borrower hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on IntraLinks or another similar electronic system (the "Platform") and (b) certain of the Lenders may be "public-side" Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to the Borrower or its securities) (each, a "Public Lender"). The Borrower hereby agrees that it will use commercially reasonable efforts to identify that portion of the Borrower Materials that may be distributed to the Public Lenders and that (w) all such Borrower Materials shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," the Borrower shall be deemed to have authorized the Administrative Agent, the Issuing Lenders and the Lenders to treat such Borrower Materials as not containing any material non-public information (although it may be sensitive and proprietary) with respect to the Borrower or its securities for purposes of United States Federal and state securities laws (provided, however, that to the extent such Borrower Materials constitute Information (as defined below), they shall be treated as set forth in Section 9.12); (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor;" and (z) the Administrative Agent shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting (subject to Section 9.12) on a portion of the Platform not designated "Public Investor." "Information" means all information received from the Borrower or any of its Subsidiaries relating to the Borrower or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Administrative Agent, any Lender or any Issuing Lender on a nonconfidential basis prior to disclosure by the Borrower or any of its Subsidiaries; provided that, in the case of information received from the Borrower or any of its Subsidiaries after the Effective Date, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Section 6.02. Maintenance of Property; Insurance.

(a) Maintenance of Properties. The Borrower will keep all property useful and necessary in its businesses in good working order and condition, subject to ordinary wear and tear, unless the Borrower determines in good faith that the continued maintenance of any of such properties is no longer economically desirable and so long as the failure to so maintain such properties would not reasonably be expected to have a Material Adverse Effect.

(b) Insurance. The Borrower will maintain, or cause to be maintained, insurance with financially sound (determined in the reasonable judgment of the Borrower) and responsible companies in such amounts (and with such risk retentions) and against such risks as is usually carried by owners of similar businesses and properties in the same general areas in which the Borrower operates.

Section 6.03. Conduct of Business and Maintenance of Existence. The Borrower will (i)continue to engage in businesses of the same general type as now conducted by the Borrower and its Subsidiaries and businesses related thereto or arising out of such businesses, except to the extent that the failure to maintain any existing business would not have a Material Adverse Effect and (ii) except as otherwise permitted in Section 6.07, preserve, renew and keep in full force and effect, and will cause each of its Subsidiaries to preserve, renew and keep in full force and effect, their respective corporate (or other entity) existence and their respective rights, privileges and franchises necessary or material to the normal conduct of business, except, in each case, where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

Section 6.04. Compliance with Laws, Etc. The Borrower will comply with all applicable laws, regulations and orders of any Governmental Authority, domestic or foreign, in respect of the conduct of its business and the ownership of its property (including, without limitation, compliance with all applicable ERISA and Environmental Laws and the requirements of any permits issued under such Environmental Laws), except to the extent (a) such compliance is being contested in good faith by appropriate proceedings or (b) non-compliance could not reasonably be expected to have a Material Adverse Effect.

Section 6.05. Books and Records. The Borrower (i) will keep, and will cause each of its Subsidiaries to keep, proper books of record and account in conformity with GAAP and (ii) will permit representatives of the Administrative Agent and each of the Lenders to visit and inspect any of their respective properties, to examine and make copies from any of their respective books and records and to discuss their respective affairs, finances and accounts with their officers, any employees and independent public accountants, all at such reasonable times and as often as may reasonably be desired; provided, that, the rights created in this Section 6.05 to "visit", "inspect", "discuss" and copy shall not extend to any matters which the Borrower deems, in good faith, to be confidential, unless the Administrative Agent and any such Lender agree in writing to keep such matters confidential.

Section 6.06. Use of Proceeds. The proceeds of the Loans made under this Agreement will be used by the Borrower to repay loans under the Existing Credit Agreement on the Effective Date and for general corporate purposes of the Borrower and its Affiliates, including for working capital purposes and for making investments in or loans to Affiliates. The Borrower will request the issuance of Letters of Credit solely for general corporate purposes of the Borrower and its Affiliates. No such use of the proceeds for general corporate purposes will be, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any Margin Stock within the meaning of Regulation U.

Section 6.07. Merger or Consolidation. The Borrower will not merge with or into or consolidate with or into any other corporation or entity, unless (i) immediately after giving effect thereto, no event shall occur and be continuing which constitutes a Default, (ii) the surviving or resulting Person, as the case may be, assumes and agrees in writing to pay and perform all of the obligations of the Borrower under this Agreement, (iii) substantially all of the consolidated assets and consolidated revenues of the surviving or resulting Person, as the case may be, are anticipated to come from the utility or energy businesses and (iv) the senior long-term debt ratings from both Rating Agencies of the surviving or resulting Person, as the case may be, immediately following the merger or consolidation is equal to or greater than the senior long-term debt ratings from both Rating Agencies of the Borrower immediately preceding the announcement of such consolidation or merger.

Section 6.08. Asset Sales. Except for the sale of assets required to be sold to conform with governmental requirements, the Borrower shall not consummate any Asset Sale, if the aggregate net book value of all such Asset Sales consummated during the four calendar quarters immediately preceding any date of determination would exceed 25% of the total assets of the Borrower and its Consolidated Subsidiaries as of the beginning of the Borrower's most recently ended full fiscal quarter; provided, however, that any such Asset Sale will be disregarded for purposes of the 25% limitation specified above: (a) if any such Asset Sale is in the ordinary course of business of the Borrower (b) if the assets subject to any such Asset Sale are worn out or are no longer useful or necessary in connection with the operation of the businesses of the Borrower; (c) if the assets subject to any such Asset Sale are being transferred to a Wholly Owned Subsidiary of the Borrower; (d) if the proceeds from any such Asset Sale (i) are, within twelve (12) months of such Asset Sale, invested or reinvested by the Borrower in a Permitted Business, (ii) are used by the Borrower to repay Debt of the Borrower, or (iii) are retained by the Borrower; or (e) if, prior to any such Asset Sale, both Rating Agencies confirm the then-current Borrower Ratings after giving effect to any such Asset Sale.

Section 6.09. Consolidated Debt to Consolidated Capitalization Ratio. The ratio of Consolidated Debt of the Borrower to Consolidated Capitalization of the Borrower shall not exceed 70%, measured as of the end of each fiscal quarter.

ARTICLE VII
DEFAULTS

Section 7.01. Events of Default. If one or more of the following events (each an "Event of Default") shall have occurred and be continuing:

(a) the Borrower shall fail to pay when due any principal on any Loans or Reimbursement Obligations; or

(b) the Borrower shall fail to pay when due any interest on the Loans and Reimbursement Obligations, any fee or any other amount payable hereunder or under any other Loan Document for five (5) days following the date such payment becomes due hereunder; or

(c) the Borrower shall fail to observe or perform any covenant or agreement contained in clause (ii) of Section 6.05, or Sections 6.06, 6.07, 6.08 or 6.09; or

(d) the Borrower shall fail to observe or perform any covenant or agreement contained in Section 6.01(d)(i) for 30 days after any such failure or in Section 6.01(d)(ii) for ten (10) days after any such failure; or

(e) the Borrower shall fail to observe or perform any covenant or agreement contained in this Agreement or any other Loan Document (other than those covered by clauses (a), (b), (c) or (d) above) for thirty (30) days after written notice thereof has been given to the defaulting party by the Administrative Agent, or at the request of the Required Lenders; or

(f) any representation, warranty or certification made by the Borrower in this Agreement or any other Loan Document or in any certificate, financial statement or other document delivered pursuant hereto or thereto shall prove to have been incorrect in any material respect when made or deemed made; or

(g) the Borrower shall (i) fail to pay any principal or interest, regardless of amount, due in respect of any Material Debt beyond any period of grace provided with respect thereto, or (ii) fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any such Material Debt beyond any period of grace provided with respect thereto if the effect of any failure referred to in this clause (ii) is to cause, or to permit the holder or holders of such Debt or a trustee on its or their behalf to cause, such Debt to become due prior to its stated maturity; or

(h) the Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay, or shall admit in writing its inability to pay, its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(i) an involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Borrower under the Bankruptcy Code; or

(j) any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of $50,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could reasonably be expected to cause one or more members of the ERISA Group to incur a current payment obligation in excess of $50,000,000; or

(k) the Borrower shall fail within sixty (60) days to pay, bond or otherwise discharge any judgment or order for the payment of money in excess of $20,000,000, entered against the Borrower that is not stayed on appeal or otherwise being appropriately contested in good faith; or

(l) a Change of Control shall have occurred;

then, and in every such event, while such event is continuing, the Administrative Agent may (A) if requested by the Required Lenders, by notice to the Borrower terminate the Commitments, and the Commitments shall thereupon terminate, and (B) if requested by the Lenders holding more than 50% of the sum of the aggregate outstanding principal amount of the Loans and Letter of Credit Liabilities at such time, by notice to the Borrower declare the Loans and Letter of Credit Liabilities (together with accrued interest and accrued and unpaid fees thereon and all other amounts due hereunder) to be, and the Loans and Letter of Credit Liabilities shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind (except as set forth in clause (A) above), all of which are hereby waived by the Borrower and require the Borrower to, and the Borrower shall, cash collateralize (in accordance with Section 2.09(a)(ii)) all Letter of Credit Liabilities then outstanding; provided, that, in the case of any Default or any Event of Default specified in clause 7.01(h) or 7.01(i) above with respect to the Borrower, without any notice to the Borrower or any other act by the Administrative Agent or any Lender, the Commitments shall thereupon terminate and the Loans and Letter of Credit Liabilities (together with accrued interest and accrued and unpaid fees thereon and all other amounts due hereunder) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower, and the Borrower shall cash collateralize (in accordance with Section 2.09(a)(ii)) all Letter of Credit Liabilities then outstanding.

ARTICLE VIII
THE AGENTS

Section 8.01. Appointment and Authorization. Each Lender hereby irrevocably designates and appoints the Administrative Agent to act as specified herein and in the other Loan Documents and to take such actions on its behalf under the provisions of this Agreement and the other Loan Documents and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. The Administrative Agent agrees to act as such upon the express conditions contained in this Article VIII. Notwithstanding any provision to the contrary elsewhere in this Agreement or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein or in the other Loan Documents, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Administrative Agent. The provisions of this Article VIII are solely for the benefit of the Administrative Agent and Lenders, and no other Person shall have any rights as a third party beneficiary of any of the provisions hereof. For the sake of clarity, the Lenders hereby agree that no Agent other than the Administrative Agent shall have, in such capacity, any duties or powers with respect to this Agreement or the other Loan Documents.

Section 8.02. Individual Capacity. The Administrative Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower and its Affiliates as though the Administrative Agent were not an Agent. With respect to the Loans made by it and all obligations owing to it, the Administrative Agent shall have the same rights and powers under this Agreement as any Lender and may exercise the same as though it were not an Agent, and the terms “Required Lenders”, “Lender” and “Lenders” shall include the Administrative Agent in its individual capacity.

Section 8.03. Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents or attorneys-in-fact. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care except to the extent otherwise required by Section 8.07.

Section 8.04. Reliance by the Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy or other electronic facsimile transmission, telex, telegram, cable, teletype, electronic transmission by modem, computer disk or any other message, statement, order or other writing or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders, or all of the Lenders, if applicable, as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders or all of the Lenders, if applicable, and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders.

Section 8.05. Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default hereunder unless the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default and stating that such notice is a "notice of default". If the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default as shall be reasonably directed by the Required Lenders; provided, that, unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable in the best interests of the Lenders.

Section 8.06. Non-Reliance on the Agents and Other Lenders. Each Lender expressly acknowledges that no Agent or officer, director, employee, agent, attorney-in-fact or affiliate of any Agent has made any representations or warranties to it and that no act by any Agent hereafter taken, including any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by such Agent to any Lender. Each Lender acknowledges to the Agents that it has, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, assets, operations, property, financial and other condition, prospects and creditworthiness of the Borrower and made its own decision to make its Loans hereunder and to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, assets, operations, property, financial and other condition, prospects and creditworthiness of the Borrower. No Agent shall have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, assets, property, financial and other condition, prospects or creditworthiness of the Borrower which may come into the possession of such Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

Section 8.07. Exculpatory Provisions. The Administrative Agent shall not, and no officers, directors, employees, agents, attorneys-in-fact or affiliates of the Administrative Agent, shall (i) be liable for any action lawfully taken or omitted to be taken by it under or in connection with this Agreement or any other Loan Document (except for its own gross negligence, willful misconduct or bad faith) or (ii) be responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower or any of its officers contained in this Agreement, in any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document or for any failure of the Borrower or any of its officers to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower. The Administrative Agent shall not be responsible to any Lender for the effectiveness, genuineness, validity, enforceability, collectibility or sufficiency of this Agreement or any other Loan Document or for any representations, warranties, recitals or statements made by any other Person herein or therein or made by any other Person in any written or oral statement or in any financial or other statements, instruments, reports, certificates or any other documents in connection herewith or therewith furnished or made by the Administrative Agent to the Lenders or by or on behalf of the Borrower to the Administrative Agent or any Lender or be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained herein or therein or as to the use of the proceeds of the Loans or of the existence or possible existence of any Default.

Section 8.08. Indemnification. To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under Sections 9.03(a), (b) or (c) to be paid by it to the Administrative Agent (or any sub-agent thereof), the Lenders severally agree to indemnify the Administrative Agent, in its capacity as such, and hold the Administrative Agent, in its capacity as such, harmless ratably according to their respective Commitments from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and reasonable expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the full payment of the obligations of the Borrower hereunder) be imposed on, incurred by or asserted against the Administrative Agent, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Document, or any documents contemplated hereby or referred to herein or the transactions contemplated hereby or any action taken or omitted to be taken by the Administrative Agent under or in connection with any of the foregoing, but only to the extent that any of the foregoing is not paid by the Borrower; provided, that no Lender shall be liable to the Administrative Agent for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs or expenses or disbursements resulting from the gross negligence, willful misconduct or bad faith of the Administrative Agent. If any indemnity furnished to the Administrative Agent for any purpose shall, in the reasonable opinion of the Administrative Agent, be insufficient or become impaired, the Administrative Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished. The agreement in this Section 8.08 shall survive the payment of all Loans, Letter of Credit Liabilities, fees and other obligations of the Borrower arising hereunder.

Section 8.09. Resignation; Successors. The Administrative Agent may resign as Administrative Agent upon twenty (20) days notice to the Lenders. Upon the resignation of the Administrative Agent, the Required Lenders shall have the right to appoint from among the Lenders a successor to the Administrative Agent, subject to prior approval by the Borrower (so long as no Event of Default exists) (such approval not to be unreasonably withheld), whereupon such successor Administrative Agent shall succeed to and become vested with all the rights, powers and duties of the retiring Administrative Agent, and the term “Administrative Agent” shall include such successor Administrative Agent effective upon its appointment, and the retiring Administrative Agent’s rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any other Loan Document. If no successor shall have been appointed by the Required Lenders and approved by the Borrower and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may at its election give notice to the Lenders and the Borrower of the immediate effectiveness of its resignation and such resignation shall thereupon become effective and the Lenders collectively shall perform all of the duties of the Administrative Agent hereunder and under the other Loan Documents until such time, if any, as the Required Lenders appoint a successor agent as provided for above. After the retiring Administrative Agent’s resignation hereunder as Administrative Agent, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement or any other Loan Document.

Section 8.10. Administrative Agent’s Fees. The Borrower shall pay to the Administrative Agent for its own account fees in the amount and at the times agreed to and accepted by the Borrower pursuant to the Fee Letter.

ARTICLE IX
MISCELLANEOUS

Section 9.01. Notices. Except as otherwise expressly provided herein, all notices and other communications hereunder shall be in writing (for purposes hereof, the term “writing” shall include information in electronic format such as electronic mail and internet web pages) or by telephone subsequently confirmed in writing; provided that the foregoing shall not apply to notices to any Lender, the Swingline Lender or Issuing Lender pursuant to Article II or Article III, as applicable, if such Lender, Swingline Lender or Issuing Lender, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Article in electronic format. Any notice shall have been duly given and shall be effective if delivered by hand delivery or sent via electronic mail, telecopy, recognized overnight courier service or certified or registered mail, return receipt requested, or posting on an internet web page, and shall be presumed to be received by a party hereto (i) on the date of delivery if delivered by hand or sent by electronic mail, posting on an internet web page, or telecopy, (ii) on the Business Day following the day on which the same has been delivered prepaid (or on an invoice basis) to a reputable national overnight air courier service or (iii) on the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid, in each case to the respective parties at the address or telecopy numbers, in the case of the Borrower and the Administrative Agent, set forth below, and, in the case of the Lenders, set forth on signature pages hereto, or at such other address as such party may specify by written notice to the other parties hereto:

if to the Borrower:

PPL Electric Utilities Corporation
Two North Ninth Street (GENTW14)
Allentown, Pennsylvania 18101-1179
Attention: Russell R. Clelland
Telephone: 610-774-5151
Facsimile: 610-774-5235

with a copy to:

PPL Electric Utilities Corporation
Two North Ninth Street (GENTW4)
Allentown, Pennsylvania 18101-1179
Attention: Frederick C. Paine, Esq.
Telephone: 610-774-7445
Facsimile: 610-774-6726

if to the Administrative Agent:

Wells Fargo Bank, National Association
1525 West W.T. Harris Boulevard
Mail Code: MAC D1109-019
Charlotte, NC 28262

Attention: Syndication Agency Services
Telephone: 704.590.2706
Telecopier: 704.590.2790
Electronic Mail: agencyservices.requests@wellsfargo.com

with a copy to:

Wells Fargo Bank, National Association
90 S 7th Street, MAC: N9305-070
Minneapolis, MN 55402
Attention: Keith Luettel
Telephone: 612-667-4747
Facsimile: 602-316-0506

with a copy to:

Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York 10017
Attention: Jason Kyrwood
Telephone : 212-450-4653
Facsimile: 212-450-5653

Section 9.02. No Waivers; Non-Exclusive Remedies . No failure by any Agent or any Lender to exercise, no course of dealing with respect to, and no delay in exercising any right, power or privilege hereunder or under any Note or other Loan Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided herein and in the other Loan Documents shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 9.03. Expenses; Indemnification .

(a) Expenses . The Borrower shall pay (i) all out-of-pocket expenses of the Agents, including legal fees and disbursements of Davis Polk & Wardwell LLP and any other local counsel retained by the Administrative Agent, in its reasonable discretion, in connection with the preparation, execution, delivery and administration of the Loan Documents, the syndication efforts of the Agents with respect thereto, any waiver or consent thereunder or any amendment thereof or any Default or alleged Default thereunder and (ii) all reasonable out-of-pocket expenses incurred by the Agents and each Lender, including (without duplication) the fees and disbursements of outside counsel, in connection with any restructuring, workout, collection, bankruptcy, insolvency and other enforcement proceedings in connection with the enforcement and protection of its rights; provided , that the Borrower shall not be liable for any legal fees or disbursements of any counsel for the Agents and the Lenders other than Davis Polk & Wardwell LLP associated with the preparation, execution and delivery of this Agreement and the closing documents contemplated hereby.

(b) Indemnity in Respect of Loan Documents . The Borrower agrees to indemnify the Agents and each Lender, their respective Affiliates and the respective directors, officers, trustees, agents, employees, trustees and advisors of the foregoing (each an " Indemnitee ") and hold each Indemnitee harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and expenses or disbursements of any kind whatsoever (including, without limitation, the reasonable fees and disbursements of counsel and any civil penalties or fines assessed by OFAC), which may at any time (including, without limitation, at any time following the payment of the obligations of the Borrower hereunder) be imposed on, incurred by or asserted against such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) brought or threatened (by any third party, by the Borrower or any Subsidiary of the Borrower) in any way relating to or arising out of this Agreement, any other Loan Document or any documents contemplated hereby or referred to herein or any actual or proposed use of proceeds of Loans hereunder; provided , that no Indemnitee shall have the right to be indemnified hereunder for such Indemnitee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final, non-appealable judgment or order.

(c) Indemnity in Respect of Environmental Liabilities . The Borrower agrees to indemnify each Indemnitee and hold each Indemnitee harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs and expenses or disbursements of any kind whatsoever (including, without limitation, reasonable expenses of investigation by engineers, environmental consultants and similar technical personnel and reasonable fees and disbursements of counsel) which may at any time (including, without limitation, at any time following the payment of the obligations of the Borrower hereunder) be imposed on, incurred by or asserted against such Indemnitee in respect of or in connection with any actual or alleged presence or release of Hazardous Substances on or from any property now or previously owned or operated by the Borrower or any of its Subsidiaries or any predecessor of the Borrower or any of its Subsidiaries, or any and all Environmental Liabilities. Without limiting the generality of the foregoing, the Borrower hereby waives all rights of contribution or any other rights of recovery with respect to liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and expenses and disbursements in respect of or in connection with Environmental Liabilities that it might have by statute or otherwise against any Indemnitee.

(d) Waiver of Damages . To the fullest extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in clause (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby; provided that nothing in this Section 9.03(d) shall relieve any Lender from its obligations under Section 9.12.

Section 9.04. Sharing of Set-Offs . Each Lender agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest due with respect to any Loan made or Note held by it and any Letter of Credit Liabilities which is greater than the proportion received by any other Lender in respect of the aggregate amount of principal and interest due with respect to any Loan, Note and Letter of Credit Liabilities made or held by such other Lender, the Lender receiving such proportionately greater payment shall purchase such participations in the Loan made or Notes and Letter of Credit Liabilities held by the other Lenders, and such other adjustments shall be made, in each case as may be required so that all such payments of principal and interest with respect to the Loan made or Notes and Letter of Credit Liabilities made or held by the Lenders shall be shared by the Lenders pro rata; provided, that nothing in this Section shall impair the right of any Lender to exercise any right of set-off or counterclaim it may have for payment of indebtedness of the Borrower other than its indebtedness hereunder.

Section 9.05. Amendments and Waivers. Any provision of this Agreement or the Notes may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Required Lenders (and, if the rights or duties of the Administrative Agent, Swingline Lender or any Issuing Lenders are affected thereby, by the Administrative Agent, Swingline Lender or such Issuing Lender, as relevant); provided, that no such amendment or waiver shall, (a) unless signed by each Lender adversely affected thereby, (i) increase the Commitment of any Lender or subject any Lender to any additional obligation (it being understood that waivers or modifications of conditions precedent, covenants, Defaults or of mandatory reductions in the Commitments shall not constitute an increase of the Commitment of any Lender, and that an increase in the available portion of any Commitment of any Lender as in effect at any time shall not constitute an increase in such Commitment), (ii) reduce the principal of or rate of interest on any Loan (except in connection with a waiver of applicability of any post-default increase in interest rates) or the amount to be reimbursed in respect of any Letter of Credit or any interest thereon or any fees hereunder, (iii) postpone the date fixed for any payment of interest on any Loan or the amount to be reimbursed in respect of any Letter of Credit or any interest thereon or any fees hereunder or for any scheduled reduction or termination of any Commitment or (except as expressly provided in Article III) expiration date of any Letter of Credit, (iv) postpone or change the date fixed for any scheduled payment of principal of any Loan, (v) change any provision hereof in a manner that would alter the pro rata funding of Loans required by Section 2.04(b), the pro rata sharing of payments required by Sections 2.11(a), 2.09(b) or 9.04 or the pro rata reduction of Commitments required by Section 2.08(a) or (vi) change the currency in which Loans are to be made, Letters of Credit are to be issued or payment under the Loan Documents is to be made, or add additional borrowers or (b) unless signed by each Lender, change the definition of Required Lender or this Section 9.05 or Section 9.06(a).

Section 9.06. Successors and Assigns.

(a) Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or otherwise transfer any of its rights under this Agreement without the prior written consent of all of the Lenders, except to the extent any such assignment results from the consummation of a merger or consolidation permitted pursuant to Section 6.07 of this Agreement.

(b) Participations. Any Lender may at any time grant to one or more banks or other financial institutions or special purpose funding vehicle (each a " Participant ") participating interests in its Commitments and/or any or all of its Loans and Letter of Credit Liabilities. In the event of any such grant by a Lender of a participating interest to a Participant, whether or not upon notice to the Borrower and the Administrative Agent, such Lender shall remain responsible for the performance of its obligations hereunder, and the Borrower, the Issuing Lenders, Swingline Lender and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which any Lender may grant such a participating interest shall provide that such Lender shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided, that such participation agreement may provide that such Lender will not agree to any modification, amendment or waiver of this Agreement which would (i) extend the Termination Date, reduce the rate or extend the time of payment of principal, interest or fees on any Loan or Letter of Credit Liability in which such Participant is participating (except in connection with a waiver of applicability of any post-default increase in interest rates) or reduce the principal amount thereof, or increase the amount of the Participant's participation over the amount thereof then in effect (it being understood that a waiver of any Default or of a mandatory reduction in the Commitments shall not constitute a change in the terms of such participation, and that an increase in any Commitment or Loan or Letter of Credit Liability shall be permitted without the consent of any Participant if the Participant's participation is not increased as a result thereof) or (ii) allow the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement, without the consent of the Participant, except to the extent any such assignment results from the consummation of a merger or consolidation permitted pursuant to Section 6.07 of this Agreement. The Borrower agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article II with respect to its participating interest to the same extent as if it were a Lender, subject to the same limitations, and in no case shall any Participant be entitled to receive any amount payable pursuant to Article II that is greater than the amount the Lender granting such Participant's participating interest would have been entitled to receive had such Lender not sold such participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b). Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register (solely for tax purposes) on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the " Participant Register "). The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary.

(c) Assignments Generally. Any Lender may at any time assign to one or more Eligible Assignees (each, an " Assignee ") all, or a proportionate part (equivalent to an initial amount of not less than $5,000,000 or any larger integral multiple of $1,000,000), of its rights and obligations under this Agreement and the Notes with respect to its Loans and, if still in existence, its Commitment, and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit C attached hereto executed by such Assignee and such transferor, with (and subject to) the consent of the Borrower, which shall not be unreasonably withheld or delayed, the Administrative Agent, Swingline Lender and the Issuing Lenders, which consent shall not be unreasonably withheld or delayed; provided, that if an Assignee is an Affiliate of such transferor Lender or was a Lender immediately prior to such assignment, no such consent of the Borrower or the Administrative Agent shall be required; provided, further, that if at the time of such assignment a Default or an Event of Default has occurred and is continuing, no such consent of the Borrower shall be required; provided, further, that no such assignment may be made prior to the Effective Date without the prior written consent of the Joint Lead Arrangers; provided, further, that the provisions of Sections 2.12, 2.16, 2.17 and 9.03 of this Agreement shall inure to the benefit of a transferor with respect to any Loans made, any Letters of Credit issued or any other actions taken by such transferor while it was a Lender. Upon execution and delivery of such instrument and payment by such Assignee to such transferor of an amount equal to the purchase price agreed between such transferor and such Assignee, such Assignee shall be a Lender party to this Agreement and shall have all the rights and obligations of a Lender with a Commitment, if any, as set forth in such instrument of assumption, and the transferor shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this subsection (c), the transferor, the Administrative Agent and the Borrower shall make appropriate arrangements so that, if required, a new Note is issued to the Assignee. In connection with any such assignment, the transferor shall pay to the Administrative Agent an administrative fee for processing such assignment in the amount of $3,500; provided that the Administrative Agent may, in its sole discretion, elect to waive such administrative fee in the case of any assignment. Each Assignee shall, on or before the effective date of such assignment, deliver to the Borrower and the Administrative Agent certification as to exemption from deduction or withholding of any United States Taxes in accordance with Section 2.17(e).

(d) Assignments to Federal Reserve Banks. Any Lender may at any time assign all or any portion of its rights under this Agreement and its Note to a Federal Reserve Bank. No such assignment shall release the transferor Lender from its obligations hereunder.

(e) Register. The Borrower hereby designates the Administrative Agent to serve as the Borrower's agent, solely for purposes of this Section 9.06(e), to (i) maintain a register (the " Register ") on which the Administrative Agent will record the Commitments from time to time of each Lender, the Loans made by each Lender and each repayment in respect of the principal amount of the Loans of each Lender and to (ii) retain a copy of each Assignment and Assumption Agreement delivered to the Administrative Agent pursuant to this Section. Failure to make any such recordation, or any error in such recordation, shall not affect the Borrower's obligation in respect of such Loans. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent, Swingline Lender, the Issuing Lenders and the other Lenders shall treat each Person in whose name a Loan and the Note evidencing the same is registered as the owner thereof for all purposes of this Agreement, notwithstanding notice or any provision herein to the contrary. With respect to any Lender, the assignment or other transfer of the Commitments of such Lender and the rights to the principal of, and interest on, any Loan made and any Note issued pursuant to this Agreement shall not be effective until such assignment or other transfer is recorded on the Register and, except to the extent provided in this subsection 9.06(e), otherwise complies with Section 9.06, and prior to such recordation all amounts owing to the transferring Lender with respect to such Commitments, Loans and Notes shall remain owing to the transferring Lender. The registration of assignment or other transfer of all or part of any Commitments, Loans and Notes for a Lender shall be recorded by the Administrative Agent on the Register only upon the acceptance by the Administrative Agent of a properly executed and delivered Assignment and Assumption Agreement and payment of the administrative fee referred to in Section 9.06(c). The Register shall be available for inspection by each of the Borrower, the Swingline Lender and each Issuing Lender at any reasonable time and from time to time upon reasonable prior notice. In addition, at any time that a request for a consent for a material or substantive change to the Loan Documents is pending, any Lender wishing to consult with other Lenders in connection therewith may request and receive from the Administrative Agent a copy of the Register. The Borrower may not replace any Lender pursuant to Section 2.08 (b) , unless, with respect to any Notes held by such Lender, the requirements of subsection 9.06(c) and this subsection 9.06(e) have been satisfied.

Section 9.07. Governing Law; Submission to Jurisdiction. This Agreement and each Note shall be governed by and construed in accordance with the internal laws of the State of New York. The Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Borrower irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such court and any claim that any such proceeding brought in any such court has been brought in an inconvenient forum.

Section 9.08. Counterparts; Integration; Effectiveness. This Agreement shall become effective on the Effective Date. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. On and after the Effective Date, this Agreement, the other Loan Documents and the Fee Letter constitute the entire agreement and understanding among the parties hereto and supersede any and all prior agreements and understandings, oral or written, relating to the subject matter hereof and thereof.

Section 9.09. Generally Accepted Accounting Principles. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries most recently delivered to the Lenders; provided, that, if the Borrower notifies the Administrative Agent that the Borrower wishes to amend any covenant in Article VI to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Administrative Agent notifies the Borrower that the Required Lenders wish to amend Article VI for such purpose), then the Borrower's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Lenders.

Section 9.10. Usage. The following rules of construction and usage shall be applicable to this Agreement and to any instrument or agreement that is governed by or referred to in this Agreement.

(a) All terms defined in this Agreement shall have the defined meanings when used in any instrument governed hereby or referred to herein and in any certificate or other document made or delivered pursuant hereto or thereto unless otherwise defined therein.

(b) The words "hereof", "herein", "hereunder" and words of similar import when used in this Agreement or in any instrument or agreement governed here shall be construed to refer to this Agreement or such instrument or agreement, as applicable, in its entirety and not to any particular provision or subdivision hereof or thereof.

(c) References in this Agreement to "Article", "Section", "Exhibit", "Schedule" or another subdivision or attachment shall be construed to refer to an article, section or other subdivision of, or an exhibit, schedule or other attachment to, this Agreement unless the context otherwise requires; references in any instrument or agreement governed by or referred to in this Agreement to "Article", "Section", "Exhibit", "Schedule" or another subdivision or attachment shall be construed to refer to an article, section or other subdivision of, or an exhibit, schedule or other attachment to, such instrument or agreement unless the context otherwise requires.

(d) The definitions contained in this Agreement shall apply equally to the singular and plural forms of such terms. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The word "will" shall be construed to have the same meaning as the word “shall”. The term “including” shall be construed to have the same meaning as the phrase “including without limitation”.

(e) Unless the context otherwise requires, any definition of or reference to any agreement, instrument, statute or document contained in this Agreement or in any agreement or instrument that is governed by or referred to in this Agreement shall be construed (i) as referring to such agreement, instrument, statute or document as the same may be amended, supplemented or otherwise modified from time to time (subject to any restrictions on such amendments, supplements or modifications set forth in this Agreement or in any agreement or instrument governed by or referred to in this Agreement), including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and (ii) to include (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein. Any reference to any Person shall be construed to include such Person’s successors and permitted assigns.

(f) Unless the context otherwise requires, whenever any statement is qualified by “to the best knowledge of” or “known to” (or a similar phrase) any Person that is not a natural person, it is intended to indicate that the senior management of such Person has conducted a commercially reasonable inquiry and investigation prior to making such statement and no member of the senior management of such Person (including managers, in the case of limited liability companies, and general partners, in the case of partnerships) has current actual knowledge of the inaccuracy of such statement.

Section 9.11. WAIVER OF JURY TRIAL. THE BORROWER HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 9.12. Confidentiality. Each Lender agrees to hold all non-public information obtained pursuant to the requirements of this Agreement in accordance with its customary procedure for handling confidential information of this nature and in accordance with safe and sound banking practices; provided, that nothing herein shall prevent any Lender from disclosing such information (i) to any other Lender or to any Agent, (ii) to any other Person if reasonably incidental to the administration of the Loans and Letter of Credit Liabilities, (iii) upon the order of any court or administrative agency, (iv) to the extent requested by, or required to be disclosed to, any rating agency or regulatory agency or similar authority (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (v) which had been publicly disclosed other than as a result of a disclosure by any Agent or any Lender prohibited by this Agreement, (vi) in connection with any litigation to which any Agent, any Lender or any of their respective Subsidiaries or Affiliates may be party, (vii) to the extent necessary in connection with the exercise of any remedy hereunder, (viii) to such Lender’s or Agent’s Affiliates and their respective directors, officers, employees and agents including legal counsel and independent auditors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such information and instructed to keep such information confidential), (ix) with the consent of the Borrower, (x) to Gold Sheets and other similar bank trade publications, such information to consist solely of deal terms and other information customarily found in such publications and (xi) subject to provisions substantially similar to those contained in this Section, to any actual or proposed Participant or Assignee or to any actual or prospective counterparty (or its advisors) to any securitization, swap or derivative transaction relating to the Borrower’s Obligations hereunder. Notwithstanding the foregoing, any Agent, any Lender or Davis Polk & Wardwell LLP may circulate promotional materials and place advertisements in financial and other newspapers and periodicals or on a home page or similar place for dissemination of information on the Internet or worldwide web, in each case, after the closing of the transactions contemplated by this Agreement in the form of a “tombstone” or other release limited to describing the names of the Borrower or its Affiliates, or any of them, and the amount, type and closing date of such transactions, all at their sole expense.

Section 9.13. USA PATRIOT Act Notice. Each Lender that is subject to the Patriot Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub.L. 107-56 (signed into law October 26, 2001)) (the “Patriot Act”), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Patriot Act.

Section 9.14. No Fiduciary Duty. Each Agent, each Lender and their respective Affiliates (collectively, solely for purposes of this paragraph, the “Lender Parties”), may have economic interests that conflict with those of the Borrower, its Affiliates and/or their respective stockholders (collectively, solely for purposes of this paragraph, the “Borrower Parties”). The Borrower agrees that nothing in the Loan Documents or otherwise will be deemed to create an advisory, fiduciary or agency relationship or fiduciary or other implied duty (other than any implied duty of good faith) between any Lender Party, on the one hand, and any Borrower Party, on the other. The Lender Parties acknowledge and agree that (a) the transactions contemplated by the Loan Documents (including the exercise of rights and remedies hereunder and thereunder) are arm’s-length commercial transactions between the Lender Parties, on the one hand, and the Borrower, on the other and (b) in connection therewith and with the process leading thereto, (i) no Lender Party has assumed an advisory or fiduciary responsibility in favor of any Borrower Party with respect to the transactions contemplated hereby (or the exercise of rights or remedies with respect thereto) or the process leading thereto (irrespective of whether any Lender Party has advised, is currently advising or will advise any Borrower Party on other matters) or any other obligation to any Borrower Party except the obligations expressly set forth in the Loan Documents and (ii) each Lender Party is acting solely as principal and not as the agent or fiduciary of any Borrower Party. The Borrower acknowledges and agrees that the Borrower has consulted its own legal and financial advisors to the extent it deemed appropriate and that it is responsible for making its own independent judgment with respect to such transactions and the process leading thereto. The Borrower agrees that it will not claim that any Lender Party has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to any Borrower Party, in connection with such transaction or the process leading thereto.

Section 9.15. Amendment and Restatement of Existing Credit Agreement. Upon the execution and delivery of this Agreement, the Existing Credit Agreement shall be amended and restated to read in its entirety as set forth herein. With effect from and including the Effective Date, (i) the Commitments of each Lender party hereto (the “**Extending Lenders**”) shall be as set forth on the Commitment Appendix (and any Lender under the Existing Credit Agreement that is not listed on the Commitment Appendix shall cease to be a Lender hereunder; provided that, for the avoidance of doubt, such Lender under the Existing Credit Agreement shall continue to be entitled to the benefits of Section 9.03 of the Existing Credit Agreement), (ii) the Commitment Ratio of the Extending Lenders shall be redetermined based on the Commitments set forth in the Commitment Appendix and the participations of the Extending Lenders in, and the obligations of the Extending Lenders in respect of, any Letters of Credit or Swingline Loans outstanding on the Effective Date shall be reallocated to reflect such redetermined Commitment Ratio and (iii) each JLA Issuing Bank shall have the Fronting Sublimit set forth in the JLA L/C Fronting Sublimits Appendix.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

PPL ELECTRIC UTILITIES CORPORATION

By: /s/ Russell R. Clelland
Name: Russell R. Clelland
Title: Assistant Treasurer

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent, Issuing Lender, Swingline Lender and Lender

By: /s/ Keith Luettel
Name: Keith Luettel
Title: Vice President

BANK OF AMERICA, N.A., as Issuing Lender and Lender

By: /s/ Mike Mason
Name: Mike Mason
Title: Director

THE ROYAL BANK OF SCOTLAND PLC, as
Issuing Lender and Lender

By: /s/ Tyler J McCarthy
Name: Tyler J McCarthy
Title: Director

THE ROYAL BANK OF SCOTLAND PLC, as
Issuing Lender and Lender

By: /s/ Tyler J McCarthy
Name: Tyler J McCarthy
Title: Director

BARCLAYS BANK PLC, as Issuing
Lender and Lender

By: /s/ Ronnie Glenn
Name: Ronnie Glenn
Title: Vice President

THE BANK OF NOVA SCOTIA, as
Issuing Lender and Lender

By: /s/ Thane Rattew
Name: Thane Rattew
Title: Managing Director

THE BANK OF TOKYO-MITSUBISHI UFJ, INC.
as Issuing Lender and Lender

By: /s/ Alan Reiter
Name: Alan Reiter
Title: Vice President

UNION BANK, N.A., as a Lender

By: /s/ Carmelo Restifo
Name: Carmelo Restifo
Title: Director

BNP PARIBAS, as a Lender

By: /s/ Denis O'Meara
Name: Denis O'Meara
Title: Managing Director

BNP PARIBAS, as a Lender

By: /s/ Pasquale A. Perraglia IV
Name: Pasquale A. Perraglia IV
Title: Vice President

CITIBANK, N.A., as a Lender

By: /s/ Amit Vasani

Name: Amit Vasani

Title: Vice President

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as a Lender

By: /s/ Christopher Reo Day
Name: Christopher Reo Day
Title: Vice President

By: /s/ Vipul Dhadda
Name: Vipul Dhadda
Title: Associate

GOLDMAN SACHS BANK USA, as a Lender

By: /s/ Mark Walton
Name: Mark Walton
Title: Authorized Signatory

J.P. MORGAN CHASE BANK, N.A., as a Lender

By: /s/ Juan Javellana

Name: Juan Javellana

Title: Executive Director

MORGAN STANLEY BANK, N.A., as a Lender

By: /s/ Kelly Chin
Name: Kelly Chin
Title: Authorized Signatory

ROYAL BANK OF CANADA, as a Lender

By: /s/ Frank Lambrinos
Name: Frank Lambrinos
Title: Authorized Signatory

UBS LOAN FINANCE LLC, as a Lender

By: /s/ Irja R. Otsa
Name: Irja R. Otsa
Title: Associate Director

By: /s/ David Urban
Name: David Urban
Title: Associate Director

CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK, as a Lender

By: /s/ Dixon Schultz
Name: Dixon Schultz
Title: Managing Director

By: /s/ Sharada Manne
Name: Sharada Manne
Title: Managing Director

KEYBANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Craig A. Hanselman
Name: Craig A. Hanselman
Title: Vice President

LLOYDS TSB BANK PLC, as a Lender

By: /s/ Stephen Giacolone
Name: Stephen Giacolone
Title: Assistant Vice President –G011

LLOYDS TSB BANK PLC, as a Lender

By: /s/ Julia R. Franklin
Name: Julia R. Franklin
Title: Vice President –F014

MIZUHO CORPORATE BANK, LTD., as a Lender

By: /s/ Leon Mo
Name: Leon Mo
Title: Authorized Signatory

SUNTRUST BANK, as a Lender

By: /s/ Andrew Johnson
Name: Andrew Johnson
Title: Director

THE BANK OF NEW YORK MELLON, as a Lender

By: /s/ Mark W. Rogers
Name: Mark W. Rogers
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ John M. Eyerman
Name: John M. Eyerman
Title: Vice President

CANADIAN IMPERIAL BANK OF
COMMERCE, New York Agency, as a Lender

By: /s/ Robert Casey
Name: Robert Casey
Title: Authorized Signatory

By: /s/ Jonathan J. Kim
Name: Jonathan J. Kim
Title: Authorized Signatory

COMPASS BANK, as a Lender

By: /s/ Susana Campuzano
Name: Susana Campuzano
Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Edward M. Tessalone

Name: Edward M. Tessalone

Title: Senior Vice President PNC Bank, N.A.

SOVEREIGN BANK, N.A., as a Lender

By: /s/ William Maag
Name: William Maag
Title: Senior Vice President

SUMITOMO MITSUI BANKING
CORPORATION, as a Lender

By: /s/ Shugi Yabe
Name: Shugi Yabe
Title: Managing Director

THE NORTHERN TRUST COMPANY, as a Lender

By: /s/ Daniel Boote
Name: Daniel Boote
Title: Senior Vice President

Commitment Appendix

Lender	Revolving Commitment
Wells Fargo Bank, National Association	$15,428,571.42
Bank of America, N.A.	$15,428,571.43
The Royal Bank of Scotland plc	$15,428,571.43
Barclays Bank PLC	$14,107,142.86
The Bank of Nova Scotia	$14,107,142.86
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	$7,053,571.43
Union Bank, N.A.	$7,053,571.43
BNP Paribas	$14,107,142.86
Citibank, N.A.	$14,107,142.86
Credit Suisse AG, Cayman Islands Branch	$14,107,142.86
Goldman Sachs Bank USA	$14,107,142.86
JPMorgan Chase Bank, N.A.	$14,107,142.86
Morgan Stanley Bank, N.A.	$14,107,142.86
Royal Bank of Canada	$14,107,142.86
UBS Loan Finance LLC	$14,107,142.86
Credit Agricole Corporate & Investment Bank	$10,071,428.57
KeyBank National Association	$10,071,428.57
Lloyds Bank	$10,071,428.57
Mizuho Corporate Bank, Ltd.	$10,071,428.57
SunTrust Bank	$10,071,428.57
The Bank of New York Mellon	$10,071,428.57
U.S. Bank National Association	$10,071,428.57
Canadian Imperial Bank of Commerce	$4,892,857.14
Compass Bank	$4,892,857.14
PNC Bank, National Association	$4,892,857.14
Sovereign Bank, N.A.	$4,892,857.14
Sumitomo Mitsui Banking Corporation	$4,892,857.14
The Northern Trust Company	$3,571,428.57
Total	**$300,000,000.00**

JLA L/C Fronting Sublimits Appendix

Issuing Lender	L/C Fronting Sublimit
Wells Fargo Bank, National Association	$29,166,666.67
Bank of America, N.A.	$29,166,666.67
The Royal Bank of Scotland plc	$29,166,666.67
Barclays Bank PLC	$20,833,333.33
The Bank of Nova Scotia	$20,833,333.33
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	$20,833,333.33
Total	**$150,000,000.00**

EXHIBIT A-l

Form of Notice of Borrowing

Wells Fargo Bank, National Association,
as Administrative Agent
1525 W WT Harris Boulevard
Charlotte, NC 28262
Attention: Syndication Agency Services

Ladies and Gentlemen:

This notice shall constitute a "Notice of Borrowing" pursuant to Section 2.03 of the $300,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012 (the " Credit Agreement ") among PPL Electric Utilities Corporation, the lending institutions party thereto from time to time and Wells Fargo Bank, National Association, as Administrative Agent. Terms defined in the Credit Agreement and not otherwise defined herein have the respective meanings provided for in the Credit Agreement.

1. The date of the Borrowing will be ________________, ______________. [1]

2. The aggregate principal amount of the Borrowing will be __________. [2]

3. The Borrowing will consist of **[** Revolving **] [** Swingline **]** Loans.

4. The Borrowing will consist of **[** Base Rate **] [** Euro-Dollar **]** Loans. [3]

5. The initial Interest Period for the Loans comprising such Borrowing shall be __________________. [4]

[Insert appropriate delivery instructions, which shall include bank and account number **]** .

---

[1] Must be a Business Day.

[2] Revolving Borrowings must be an aggregate principal amount of $10,000,000 or any larger integral multiple of $1,000,000, except the Borrowing may be in the aggregate amount of the remaining unused Revolving Commitment. Swingline Borrowings must be an aggregate principal amount of $2,000,000 or any larger integral multiple of $500,000

[3] Applicable for Revolving Loans only.

[4] Applicable for Euro-Dollar Loans only. Insert "one month", "two months", "three months" or "six months" (subject to the provisions of the definition of "Interest Period").

PPL ELECTRIC UTILITIES CORPORATION

By: ______________________________

Name:

Title:

EXHIBIT A-2

Form of Notice of Conversion/Continuation

_____________, ____

Wells Fargo Bank, National Association,
as Administrative Agent
1525 W WT Harris Boulevard
Charlotte, NC 28262
Attention: Syndication Agency Services

Ladies and Gentlemen:

This notice shall constitute a "Notice of Conversion/Continuation" pursuant to Section 2.06(d)(ii) of the $300,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012 (the "Credit Agreement") among PPL Electric Utilities Corporation, the lending institutions party thereto from time to time and Wells Fargo Bank, National Association, as Administrative Agent. Terms defined in the Credit Agreement and not otherwise defined herein have the respective meanings provided for in the Credit Agreement.

1. The Group of Loans (or portion thereof) to which this notice applies is **[** all or a portion of all Base Rate Loans currently outstanding **] [** all or a portion of all Euro-Dollar Loans currently outstanding having an Interest Period of ___ months and ending on the Election Date specified below **]** .

2. The date on which the conversion/continuation selected hereby is to be effective is __________, ___________(the "Election Date").[5]

3. The principal amount of the Group of Loans (or portion thereof) to which this notice applies is $_________________.[6]

4. [The Group of Loans (or portion thereof) which are to be converted will bear interest based upon the [Base Rate][Adjusted London Interbank Offered Rate].] [The Group of Loans (or portion thereof) which are to be continued will bear interest based upon the [Base Rate][Adjusted London Interbank Offered Rate].]

5. The Interest Period for such Loans will be _______________.[7]

[5] Must be a Business Day.

[6] May apply to a portion of the aggregate principal amount of the relevant Group of Loans; provided that (i) such portion is allocated ratably among the Loans comprising such Group and (ii) the portion to which such notice applies, and the remaining portion to which it does not apply, are each $10,000,000 or any larger integral multiple of $1,000,000.

[7] Applicable only in the case of a conversion to, or a continuation of, Euro-Dollar Loans. Insert "one month", "two months", "three months" or "six months" (subject to the provisions of the definition of Interest Period).

PPL ELECTRIC UTILITIES CORPORATION

By: ____
Name:
Title:

EXHIBIT A-3

Form of Notice of Conversion/Continuation

______________, ____

[Insert details of Issuing Lender]

Ladies and Gentlemen:

This notice shall constitute a "Letter of Credit Request" pursuant to Section 3.03 of the $300,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012 (the " Credit Agreement ") among PPL Electric Utilities Corporation, the lending institutions party thereto from time to time and Wells Fargo Bank, National Association, as Administrative Agent. Terms defined in the Credit Agreement and not otherwise defined herein have the respective meanings provided for in the Credit Agreement.

The undersigned hereby requests that _______________ [8] issue a Standby Letter of Credit on _______________, ________ [9] in the aggregate amount of $________________. [This request is to extend a Letter of Credit previously issued under the Credit Agreement; Letter of Credit No. __________.]

The beneficiary of the requested Standby Letter of Credit will be ________________ [10], and such Standby Letter of Credit will be in support of _____________________ [11] and will have a stated termination date of __________________ [12].

Copies of all documentation with respect to the supported transaction are attached hereto.

[8] Insert name of Issuing Lender.
[9] Must be a Business Day.
[10] Insert name and address of beneficiary.
[11] Insert a description of the obligations, the name of each agreement and/or a description of the commercial transaction to which this Letter of Credit Request relates.
[12] Insert the last date upon which drafts may be presented (which may not be later than one year after the date of issuance specified above or beyond the fifth Business Day prior to the Termination Date).

PPL ELECTRIC UTILITIES CORPORATION

By:_______________________________________
Name:
Title:

APPROVED:

[ISSUING LENDER]

By:_______________________________________
Name:
Title:

EXHIBIT B

Form of Note

FOR VALUE RECEIVED, the undersigned, PPL ELECTRIC UTILITIES CORPORATION, a Pennsylvania corporation (the " Borrower "), promises to pay to the order of _________________ (hereinafter, together with its successors and assigns, called the " Holder "), at the Administrative Agent's Office or such other place as the Holder may designate in writing to the Borrower, the principal sum of ____________________ AND _______/100s DOLLARS ($______________), or, if less, the principal amount of all Loans advanced by the Holder to the Borrower pursuant to the Credit Agreement (as defined below), plus interest as hereinafter provided. Such Loans may be endorsed from time to time on the grid attached hereto, but the failure to make such notations shall not affect the validity of the Borrower's obligation to repay unpaid principal and interest hereunder.

All capitalized terms used herein shall have the meanings ascribed to them in that certain $300,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012 (as the same may be amended, modified or supplemented from time to time, the " Credit Agreement ") by and among the Borrower, the lenders party thereto (collectively, the " Lenders ") and Wells Fargo Bank, National Association, as administrative agent (the " Administrative Agent ") for itself and on behalf of the Lenders and the Issuing Lenders, except to the extent such capitalized terms are otherwise defined or limited herein.

The Borrower shall repay principal outstanding hereunder from time to time, as necessary, in order to comply with the Credit Agreement. All amounts paid by the Borrower shall be applied to the Obligations in such order of application as provided in the Credit Agreement.

A final payment of all principal amounts and other Obligations then outstanding hereunder shall be due and payable on the maturity date provided in the Credit Agreement, or such earlier date as payment of the Loans shall be due, whether by acceleration or otherwise.

The Borrower shall be entitled to borrow, repay, reborrow, continue and convert the Holder's Loans (or portion thereof) hereunder pursuant to the terms and conditions of the Credit Agreement. Prepayment of the principal amount of any Loan may be made as provided in the Credit Agreement.

The Borrower hereby promises to pay interest on the unpaid principal amount hereof as provided in Article II of the Credit Agreement. Interest under this Note shall also be due and payable when this Note shall become due (whether at maturity, by reason of acceleration or otherwise). Overdue principal and, to the extent permitted by law, overdue interest, shall bear interest payable on DEMAND at the default rate as provided in the Credit Agreement.

In no event shall the amount of interest due or payable hereunder exceed the maximum rate of interest allowed by applicable law, and in the event any such payment is inadvertently made by the Borrower or inadvertently received by the Holder, then such excess sum shall be credited as a payment of principal, unless the Borrower shall notify the Holder in writing that it elects to have such excess sum returned forthwith. It is the express intent hereof that the Borrower not pay and the Holder not receive, directly or indirectly in any manner whatsoever, interest in excess of that which may legally be paid by the Borrower under applicable law.

All parties now or hereafter liable with respect to this Note, whether the Borrower, any guarantor, endorser or any other Person or entity, hereby waive presentment for payment, demand, notice of non-payment or dishonor, protest and notice of protest.

No delay or omission on the part of the Holder or any holder hereof in exercising its rights under this Note, or delay or omission on the part of the Holder, the Administrative Agent or the Lenders collectively, or any of them, in exercising its or their rights under the Credit Agreement or under any other Loan Document, or course of conduct relating thereto, shall operate as a waiver of such rights or any other right of the Holder or any holder hereof, nor shall any waiver by the Holder, the Administrative Agent, the Required Lenders or the Lenders collectively, or any of them, or any holder hereof, of any such right or rights on any one occasion be deemed a bar to, or waiver of, the same right or rights on any future occasion.

The Borrower promises to pay all reasonable costs of collection, including reasonable attorneys' fees, should this Note be collected by or through an attorney-at-law or under advice therefrom.

This Note evidences the Holder's Loans (or portion therof) under, and is entitled to the benefits and subject to the terms of, the Credit Agreement, which contains provisions with respect to the acceleration of the maturity of this Note upon the happening of certain stated events, and provisions for prepayment.

This Note shall be governed by and construed in accordance with the internal laws of the State of New York.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned has caused this Note to be executed by its duly authorized representative as of the day and year first above written.

PPL ELECTRIC UTILITIES CORPORATION

By: ______________________________
Name:
Title:

:

LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Loan	Type	Amount of Principal Repaid	Notation Made By

EXHIBIT C

Form of Assignment and Assumption Agreement

This Assignment and Assumption (the " Assignment and Assumption ") is dated as of the Effective Date set forth below and is entered into by and between [the] [each] [13] Assignor identified on the Schedules hereto as " Assignor " [or " Assignors " (collectively, the " Assignors " and each] an " Assignor ") and [the] [each] [14] Assignee identified on the Schedules hereto as " Assignee " or " Assignees " (collectively, the " Assignees " and each an " Assignee "). [It is understood and agreed that the rights and obligations of [the Assignors] [the Assignees] [15] hereunder are several and not joint.] [16] Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (the " Credit Agreement "), receipt of a copy of which is hereby acknowledged by [the] [each] Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, [the] [each] Assignor hereby irrevocably sells and assigns to [the Assignee] [the respective Assignees], and [the] [each] Assignee hereby irrevocably purchases and assumes from [the Assignor] [the respective Assignors], subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (a) all of [the Assignor's] [the respective Assignors'] rights and obligations in [its capacity as a Lender] [their respective capacities as Lenders] under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of [the Assignor] [the respective Assignors] under the respective facilities identified below (including without limitation any letters of credit, guarantees, and swingline loans included in such facilities) and (b) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of [the Assignor (in its capacity as a Lender)] [the respective Assignors (in their respective capacities as Lenders)] against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (a) above (the rights and obligations sold and assigned by [the] [any] Assignor to [the] [any] Assignee pursuant to clauses (a) and (b) above being referred to herein collectively as, the " Assigned Interest "). Each such sale and assignment is without recourse to [the] [any] Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by [the] [any] Assignor.

1. Assignor: *See Schedule attached hereto*

2. Assignee: *See Schedule attached hereto*

3. Borrower: PPL Electric Utilities Corporation

4. Administrative Agent: Wells Fargo Bank, National Association, as the administrative agent under the Credit Agreement

5. Credit Agreement: The $300,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012 by and among PPL Electric Utilities Corporation, as Borrower, the Lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent (as amended, restated, supplemented or otherwise modified)

6. Assigned Interest: *See Schedule attached hereto*

[7. Trade Date: ______________________] [17]

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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[13] For bracketed language here and elsewhere in this form relating to the Assignor(s), if the assignment is from a single Assignor, choose the first bracketed language. If the assignment is from multiple Assignors, choose the second bracketed language.

[14] For bracketed language here and elsewhere in this form relating to the Assignee(s), if the assignment is to a single Assignee, choose the first bracketed language. If the assignment is to multiple Assignees, choose the second bracketed language.

[15] Select as appropriate.

[16] Include bracketed language if there are either multiple Assignors or multiple Assignees.

[17] To be completed if the Assignor(s) and the Assignee(s) intend that the minimum assignment amount is to be determined as of the Trade Date.

Effective Date: _____________, 20____

[TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By: ____
Title:

ASSIGNEE

See Schedule attached hereto

[Consented to and] [18] Accepted:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent, [Issuing Lender] and Swingline Lender

By:____
Title:

[Consented to:] [19]

PPL ELECTRIC UTILITIES CORPORATION

By:____
Title:

[Consented to]:

[Issuing Lender] [20],
as Issuing Lender

By:____
Title:

[Consented to]:

[JOINT LEAD ARRANGERS] [21]

WELLS FARGO BANK, N.A.

By: ____
Title:

BANK OF AMERICA, N.A.

By: ____
Title:

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[18] To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

[19] To be added only if the consent of the Borrower is required by the terms of the Credit Agreement.

[20] Add all Issuing Lender signature blocks.

[21] To be added if assignment is made before Effective Date

SCHEDULE

To Assignment and Assumption

By its execution of this Schedule, the Assignee(s) agree(s) to the terms set forth in the attached Assignment and Assumption.

Assigned Interests:

Aggregate Amount of Commitment/ Loans for all Lenders [22]	Amount of Commitment/ Loans Assigned [23]	Percentage Assigned of Commitment/ Loans [24]	CUSIP Number
$	$	%	

[NAME OF ASSIGNEE] [25] [and is an Affiliate of [*identify Lender*]] [26]

[22] Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.
[23] Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.
[24] Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.
[25] Add additional signature blocks, as needed.
[26] Select as applicable.

ANNEX 1 to Assignment and Assumption

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT DATED AS OF NOVEMBER 6, 2012
BY AND AMONG
PPL ELECTRIC UTILITIES CORPORATION, AS BORROWER,
THE LENDERS PARTY THERETO
AND WELLS FARGO BANK, NATIONAL ASSOCIATION,
AS ADMINISTRATIVE AGENT
STANDARD TERMS AND CONDITIONS FOR ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. [The] [Each] Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of [the] [the relevant] Assigned Interest, (ii) [the] [such] Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. [The] [Each] Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an Eligible Assignee under the Credit Agreement (subject to receipt of such consents as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 6.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the] [the relevant] Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, [the] [any] Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations that by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts that have accrued to but excluding the Effective Date and to the Assignee for amounts that have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by and construed in accordance with the internal laws of the State of New York.

EXHIBIT D

Forms of Opinions of Counsel for the Borrower

[Date]

To the Administrative Agent and
each of the Lenders party to the Revolving
Credit Agreement referred to below

Re: PPL Electric Utilities Corporation
$300,000,000 Amended and Restated Revolving Credit Agreement

Ladies and Gentlemen :

We have acted as special counsel to PPL Electric Utilities Corporation, a Pennsylvania corporation (the "Company"), in connection with the negotiation, execution and delivery of the $300,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012, among the Company, Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender, and the other Lenders from time to time party thereto (such Revolving Credit Agreement as so amended, the "Agreement"). This letter is being delivered to you at the request of the Company pursuant to Section 4.01(e) of the Agreement.

In preparing this letter, we have reviewed the Agreement[, and the Notes of the Company executed and delivered by the Company on the date hereof (the "Notes"),] and the other documents executed and delivered by the Company in connection with the Agreement. We have also reviewed the Securities Certificates (No. S-2010-2183912 and No. S-2011-2263370) filed by the Company with the Pennsylvania Public Utility Commission ("PUC") in connection with the Agreement , and the Orders of the PUC dated August 18, 2010 and September 22, 2011, registering said Securities Certificates (the "PUC Orders").

Subject to the assumptions, qualifications and other limitations set forth below, it is our opinion that:

1. The Agreement constitutes a valid and legally binding agreement of the Company, enforceable against the Company in accordance with its terms.

2. [The Notes constitute valid and legally binding obligations of the Company, enforceable against the Company in accordance with their terms.]

3. The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

4. The borrowings under the Agreement and the use of proceeds thereof as contemplated by the Agreement do not violate Regulation U or X of the Board of Governors of the Federal Reserve System.

In rendering our opinions, we have (a) without independent verification, relied, with respect to factual matters, statements and conclusions, on certificates, notifications and statements, whether written or oral, of governmental officials and individuals identified to us as officers and representatives of the Company and on the representations made by the Company in the Agreement and other documents delivered to you in connection therewith and (b) reviewed originals, or copies of such agreements, documents and records as we have considered relevant and necessary as a basis for our opinions. We note that, as counsel to the Company, we do not represent it generally and there may be facts relating to the Company of which we have no knowledge.

We have assumed (a) the accuracy and completeness of all certificates, agreements, documents, records and other materials submitted to us; (b) the authenticity of original certificates, agreements, documents, records and other materials submitted to us; (c) the conformity with the originals of any copies submitted to us; (d) the genuineness of all signatures; (e) the legal capacity of all natural persons; (f) that the Agreement constitutes the valid, legally binding and enforceable agreement of the parties thereto under all applicable law (other than, in the case of the Company, the law of the State of New York); (g) that the Company (i) is duly organized, validly existing and in good standing under the law of its jurisdiction of organization, (ii) has the power to execute and deliver, and to perform its obligations under, the Agreement [and the Notes], (iii) has duly taken or caused to be taken all necessary action to authorize the execution, delivery and performance by it of the Agreement [and the Notes] and (iv) has duly executed and delivered the Agreement [and the Notes;]; (h) that the execution and delivery by the Company of, and the performance by the Company of its obligations under, the Agreement and the Notes does not and will not (i) breach or violate (A) its Amended and Restated Articles of Incorporation or Bylaws, (B) any agreement or instrument to which the Company or any of its affiliates is a party or by which the Company or any of its affiliates or any of their respective properties may be bound, (C) any authorization, consent, approval or license (or the like) of, or exemption (or the like) from, or any registration or filing (or the like) with, or report or notice (or the like) to, any governmental unit, agency, commission, department or other authority granted to or otherwise applicable to the Company or any of its affiliates or any of their respective properties (each a "Governmental Approval"), (D) any order, decision, judgment or decree that may be applicable to the Company or any of its affiliates or any of their respective properties, or (E) any law (other than the law of the State of New York and the federal law of the United States), or (ii) require any Governmental Approval (other than the PUC Orders, which we assume to have been duly granted and to remain in full force and effect); (h) that the Company is engaged only in the businesses described in its Annual Report on Form 10-K for the year ended December 31, 2011 filed with the Securities and Exchange Commission; (i) that there are no agreements, understandings or negotiations between the parties not set forth in the Agreement that would modify the terms thereof or the rights and obligations of the parties thereunder; and (j) for purposes of our opinion in paragraph 1 as it relates to the choice-of-law provisions in the Agreement, that the choice of law of the State of New York as the governing law of the Agreement would not result in a violation of an important public policy of another state or country having greater contacts with the transactions contemplated by the agreement than the State of New York.

Our opinions are subject to and limited by the effect of (a) applicable bankruptcy, insolvency, fraudulent conveyance, fraudulent transfer, receivership, conservatorship, arrangement, moratorium and other similar laws affecting and relating to the rights of creditors generally; (b) general equitable principles; (c) requirements of reasonableness, good faith, fair dealing and materiality; (d) Article 9 of the Uniform Commercial Code regarding restrictions on assignment or transfer of rights; and (e) additionally in the case of (i) indemnities, a requirement that facts, known to the indemnitee but not the indemnitor, in existence at the time the indemnity becomes effective that would entitle the indemnitee to indemnification be disclosed to the indemnitor, and a requirement that an indemnity provision will not be read to impose obligations upon indemnitors which are neither disclosed at the time of its execution nor reasonably within the scope of its terms and overall intention of the parties at the time of its making, (ii) waivers, Sections 9-602 and 9-603 of the Uniform Commercial Code, and (iii) indemnities, waivers and exculpatory provisions, public policy.

We express no opinion with respect to the following sections of the Agreement: (i) Section 9.02 (cumulative remedies), (ii) provisions relating to rules of evidence or quantum of proof, (iii) Section 9.07 (submission to jurisdiction and waiver of inconvenient forum), insofar as such sections relate to federal courts (except as to the personal jurisdiction thereof), and (choice of venue, i.e., requiring actions to be commenced in a particular court in a particular jurisdiction), and (iv) Section 9.11 (waiver of jury trial), insofar as such section is sought to be enforced in a federal court.

We express no opinion as to the law of any jurisdiction other than the law of the State of New York and the federal law of the United States of America, and in each case, only such law that in our experience is normally applicable to transactions of the type contemplated by the Agreement and excluding (i) any law that is part of a regulatory regime applicable to specific assets or businesses of the lenders and (ii) the statutes and ordinances, the administrative decisions, and the rules and regulations of counties, towns, municipalities and special political subdivisions.

This letter speaks only as of the date hereof. We have no responsibility or obligation to update this letter or to take into account changes in law or facts or any other development of which we may later become aware.

This letter is delivered by us as special counsel for the Company solely for your benefit in connection with the transaction referred to herein and may not be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person or entity without our prior written consent.

Very truly yours,

[Date]

To the Administrative Agent and
each of the Lenders party to the
Credit Agreement referred to below

Re: $300,000,000 Amended and Restated Revolving Credit Agreement

Ladies and Gentlemen:

I am Senior Counsel of PPL Services Corporation, an affiliate of PPL Electric Utilities Corporation (the "Borrower"), and have acted as counsel to the Borrower in connection with the $300,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012 among the Borrower, Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender and the Lenders party thereto from time to time (the "Agreement"). Capitalized terms used but not defined herein have the meanings assigned to such terms in the Agreement.

I am familiar with the Agreement[, the Notes of the Borrower executed and delivered by the Borrower on the date hereof (the "Notes"),] and other documents executed and delivered by the Borrower in connection with the Agreement. I also have examined such other documents and satisfied myself as to such other matters as I have deemed necessary in order to render this opinion. I have assumed that the Agreement and instruments referred to in this opinion have been duly authorized, executed and delivered by all parties thereto other than the Borrower.

Based on the foregoing, I am of the opinion that:

1. The Borrower is duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and has the corporate power to make and perform the Agreement [and the Notes].

2. The execution, delivery and performance by the Borrower of the Agreement [and the Notes] have been duly authorized by the Borrower and do not violate any provision of law or regulation, or any decree, order, writ or judgment applicable to the Borrower, or any provision of the Borrower's Amended and Restated Articles of Incorporation or Bylaws, or result in the breach of or constitute a default under any indenture or other agreement or instrument known to me to which the Borrower is a party.

3. [Each of the] [The]Agreement [and the Notes] has been duly executed and delivered by the Borrower and constitutes the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with [its] [their]terms, except to the extent limited by (a) bankruptcy, insolvency, reorganization or other similar laws relating to or affecting the enforceability of creditors' rights generally and by general equitable principles that may limit the right to obtain equitable remedies regardless of whether enforcement is considered in a proceeding of law or equity or (b) any applicable public policy on enforceability of provisions relating to indemnification, contribution, waivers and exculpatory provisions.

4. Except as disclosed in or contemplated by the Borrower's Annual Report on Form 10-K for the year ended December 31, 2011, or in other reports filed under the Securities Exchange Act of 1934 from January 1, 2012 to the date hereof, or otherwise furnished in writing to the Administrative Agent, no litigation, arbitration or administrative proceeding or inquiry is pending, or to my knowledge, threatened, which, if determined adversely to the Borrower, would materially and adversely affect the ability of the Borrower to perform any of its obligations under the Agreement [or the Notes]. To my knowledge, there is no litigation, arbitration or administrative proceeding pending or threatened that questions the validity of the Agreement [or the Notes].

5. The Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System.

6. There have not been any "reportable events," as that term is defined in Section 4043 of the Employee Retirement Income Security Act of 1974, as amended, which would result in a material liability of the Borrower.

7. The [________] Order of the Pennsylvania Public Utility Commission (the "PUC") relating to the Agreement is in full force and effect, and no further authorization, consent or approval from any Governmental Authority is required for the execution, delivery and performance of the Agreement by the Borrower or for the borrowings by the Borrower thereunder, except such authorizations, consents and approvals as have been obtained prior to the date hereof, which authorizations, consents and approvals are in full force and effect.

This opinion is limited to the laws of the Commonwealth of Pennsylvania, the State of New York and the federal laws of the United States of America.

In rendering its opinion to the addressee hereof, Pillsbury Winthrop Shaw Pittman LLP may rely as to matters of Pennsylvania law addressed herein upon this letter as if it were addressed directly to them. Except as aforesaid, without my prior written consent, this opinion may not be furnished or quoted to, or relied upon by, any other person or entity for any purpose.

Very truly yours,

Frederick C. Paine

Exhibit 10(cc)

EXECUTION VERSION

$3,000,000,000

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

dated as of November 6, 2012

among

PPL ENERGY SUPPLY, LLC ,

THE LENDERS FROM TIME TO TIME PARTY HERETO,

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,

as Administrative Agent, Issuing Lender and Swingline Lender

WELLS FARGO SECURITIES, LLC,
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED,
RBS SECURITIES INC.,
BARCLAYS BANK PLC,
THE BANK OF NOVA SCOTIA,
and
MITSUBISHI UFJ FINANCIAL GROUP, INC.,

Joint Lead Arrangers and Joint Bookrunners

BANK OF AMERICA, N.A.
and
THE ROYAL BANK OF SCOTLAND PLC,
Syndication Agents

BARCLAYS BANK PLC,
THE BANK OF NOVA SCOTIA
and
MITSUBISHI UFJ FINANCIAL GROUP, INC.,
Documentation Agents

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Schedule 6.07	-	Existing Liens
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Exhibits:

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Exhibit A-3	-	Form of Letter of Credit Request
Exhibit B	-	Form of Note
Exhibit C	-	Form of Assignment and Assumption Agreement
Exhibit D	-	Forms of Opinion of Counsel for the Borrower
Exhibit E	-	Form of Notice of Revolving Increase

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT (this " Agreement ") dated as of November 6, 2012 is entered into among PPL ENERGY SUPPLY, LLC, a Delaware limited liability company (the " Borrower "), the LENDERS party hereto from time to time and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent. The parties hereto agree as follows:

RECITALS

WHEREAS, the Borrower is party to that certain $3,000,000,000 Revolving Credit Agreement dated as of October 19, 2010 among the Borrower, the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent, as amended, modified, restated and supplemented from time to time (the " Existing Credit Agreement "); and

WHEREAS, the Borrower has requested that the Administrative Agent and the Lenders amend and restate the Existing Credit Agreement to, among other things, extend the maturity date, and the Administrative Agent and the Lenders have agreed to such amendment and restatement on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree that the Existing Credit Agreement is hereby amended and restated in its entirety, and do further agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01. Definitions .All capitalized terms used in this Agreement or in any Appendix, Schedule or Exhibit hereto which are not otherwise defined herein or therein shall have the respective meanings set forth below.

" Additional Letter of Credit " means any standby letter of credit issued under this Agreement by an Issuing Lender on or after the Effective Date.

" Adjusted London Interbank Offered Rate " means, for any Interest Period, a rate per annum equal to the quotient obtained (rounded upward, if necessary, to the nearest 1/100th of 1%) by dividing (i) the London Interbank Offered Rate for such Interest Period by (ii) 1.00 minus the Euro-Dollar Reserve Percentage.

" Administrative Agent " means Wells Fargo Bank, in its capacity as administrative agent for the Lenders hereunder and under the other Loan Documents, and its successor or successors in such capacity.

" Administrative Questionnaire " means, with respect to each Lender, an administrative questionnaire in the form provided by the Administrative Agent and submitted to the Administrative Agent (with a copy to the Borrower) duly completed by such Lender.

" Affiliate " means, with respect to any Person, any other Person who is directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through the ownership of stock or its equivalent, by contract or otherwise.

" Agent " means the Administrative Agent, the Syndication Agents, the Joint Lead Arrangers, the Documentation Agents or each Person that shall become a joint lead arranger pursuant to the terms of the Commitment Letters and "Agents" means all of the foregoing.

" Agreement " has the meaning set forth in the introductory paragraph hereto, as this Agreement may be amended, restated, supplemented or modified from time to time.

" Amendment Fee " has the meaning set forth in Section 4.01(j).

" Applicable Lending Office " means, with respect to any Lender, (i) in the case of its Base Rate Loans, its Base Rate Lending Office and (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office.

" Applicable Percentage " means, for purposes of calculating (i) the applicable interest rate for any day for any Base Rate Loans or Euro-Dollar Loans, (ii) the applicable rate for the Commitment Fee for any day for purposes of Section 2.07(a) or (iii) the applicable rate for the Letter of Credit Fee for any day for purposes of Section 2.07(b), the appropriate applicable percentage set forth below corresponding to the then current highest Borrower's Ratings; provided , that, in the event that the Borrower's Ratings shall fall within different levels and ratings are maintained by both Rating Agencies, the applicable rating shall be based on the higher of the two ratings unless one of the ratings is two or more levels lower than the other, in which case the applicable rating shall be determined by reference to the level one rating lower than the higher of the two ratings:

	Borrower's Ratings (S&P /Moody's)	**Applicable Percentage for Commitment Fees**	**Applicable Percentage for Base Rate Loans**	**Applicable Percentage for Euro-Dollar Loans and Letter of Credit Fees**
Category A	≥ A from S&P / A2 from Moody's	0.100%	0.000%	1.000%
Category B	≥ A- from S&P / A3 from Moody's	0.125%	0.125%	1.125%
Category C	BBB+ from S&P / Baa1 from Moody's	0.175%	0.250%	1.250%
Category D	BBB from S&P / Baa2 from Moody's	0.200%	0.500%	1.500%
Category E	BBB- from S&P / Baa3 from Moody's	0.250%	0.625%	1.625%
Category F	≤BB+ from S&P / Ba1 from Moody's	0.350%	0.875%	1.875%

" Asset Sale " shall mean any sale of any assets, including by way of the sale by the Borrower or any of its Subsidiaries of equity interests in such Subsidiaries.

" Assignee " has the meaning set forth in Section 9.06(c).

" Assignment and Assumption Agreement " means an Assignment and Assumption Agreement, substantially in the form of attached Exhibit C, under which an interest of a Lender hereunder is transferred to an Eligible Assignee pursuant to Section 9.06(c).

" Availability Period " means the period from and including the Effective Date to but excluding the Termination Date.

" Bankruptcy Code " means the Bankruptcy Reform Act of 1978, as amended, or any successor statute.

" Base Rate " means for any day a rate per annum equal to the highest of (i) the Prime Rate for such day, (ii) the sum of 1/2 of 1% plus the Federal Funds Rate for such day and (iii) except during any period of time during which a notice delivered to the Borrower under Section 2.14 or Section 2.15 shall remain in effect, the London Interbank Offered Rate plus 1%.

" Base Rate Borrowing " means a Borrowing comprised of Base Rate Loans.

" Base Rate Lending Office " means, as to each Lender, its office located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Base Rate Lending Office) or such other office as such Lender may hereafter designate as its Base Rate Lending Office by notice to the Borrower and the Administrative Agent.

" Base Rate Loan " means (a) a Loan (other than a Swingline Loan) in respect of which interest is computed on the basis of the Base Rate and (b) a Swingline Loan in respect of which interest is computed on the basis of the LIBOR Market Index Rate.

" Borrower " has the meaning set forth in the introductory paragraph hereto.

" Borrower's Rating " means the senior unsecured long-term debt rating of the Borrower from S&P or

Moody's.

"Borrowing" means a group of Loans of a single Type made by the Lenders on a single date and, in the case of a Euro-Dollar Borrowing, having a single Interest Period.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in Charlotte, North Carolina or New York, New York are authorized by law to close; provided, that, when used in Article III with respect to any action taken by or with respect to any Issuing Lender, the term "Business Day" shall not include any day on which commercial banks are authorized by law to close in the jurisdiction where the office at which such Issuing Lender books any Letter of Credit is located; and provided, further, that when used with respect to any borrowing of, payment or prepayment of principal of or interest on, or the Interest Period for, a Euro-Dollar Loan, or a notice by the Borrower with respect to any such borrowing payment, prepayment or Interest Period, the term "Business Day" shall also mean that such day is a London Business Day.

"Capital Lease" means any lease of property which, in accordance with GAAP, should be capitalized on the lessee's balance sheet.

"Capital Lease Obligations" means, with respect to any Person, all obligations of such Person as lessee under Capital Leases, in each case taken at the amount thereof accounted for as liabilities in accordance with GAAP.

"Change of Control" means (i) the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended) of 25% or more of the outstanding shares of voting stock of PPL Corporation or its successors or (ii) the failure at any time of PPL Corporation or its successors to own 80% or more of the outstanding shares of the Voting Stock in the Borrower.

"Commitment" means, with respect to any Lender, the commitment of such Lender to (i) make Loans under this Agreement, (ii) refund or purchase participations in Swingline Loans pursuant to Section 2.02 and (iii) purchase participations in Letters of Credit pursuant to Article III hereof, as set forth in the Commitment Appendix and as such Commitment may be reduced from time to time pursuant to Section 2.08 or Section 9.06(c) or increased from time to time pursuant to Section 2.19 or Section 9.06(c).

"Commitment Appendix" means the Appendix attached under this Agreement identified as such.

"Commitment Fee" has the meaning set forth in Section 2.07(a).

"Commitment Letters" means that certain (i) commitment letter dated as of September 24, 2012 among Wells Fargo Securities, Wells Fargo Bank, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bank of America, N.A., RBS Securities Inc. and The Royal Bank of Scotland plc and (ii) that certain commitment letter dated as of October 2, 2012 among Barclays Bank PLC, The Bank of Nova Scotia and Mitsubishi UFJ Financial Group, Inc., acting through The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Union Bank, N.A., each commitment letter addressed to and acknowledged and agreed to by the Borrower.

"Commitment Ratio" shall mean, with respect to any Lender, the percentage equivalent of the ratio which such Lender's Commitment bears to the aggregate amount of all Commitments.

"Consolidated Capitalization" shall mean the sum of, without duplication, (A) the Consolidated Debt (without giving effect to clause (b) of the definition of "Consolidated Debt") and (B) the consolidated member's equity (determined in accordance with GAAP) of the common, preference and preferred equityholders of the Borrower and minority interests recorded on the Borrower's consolidated financial statements (excluding from member's equity (i) the effect of all unrealized gains and losses reported under Financial Accounting Standards Board Accounting Standards Codification Topic 815 in connection with (x) forward contracts, futures contracts, options contracts or other derivatives or hedging agreements for the future delivery of electricity, capacity, fuel or other commodities and (y) Interest Rate Protection Agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangements and (ii) the balance of accumulated other comprehensive income/loss of the Borrower on any date of determination solely with respect to the effect of any pension and other post-retirement benefit liability adjustment recorded in accordance with GAAP), except that for purposes of calculating Consolidated Capitalization of the Borrower, Consolidated Debt of the Borrower shall exclude Non-Recourse Debt and Consolidated Capitalization of the Borrower shall exclude that portion of member's equity attributable to assets securing Non-Recourse Debt.

" Consolidated Debt " means the consolidated Debt of the Borrower and its Consolidated Subsidiaries (determined in accordance with GAAP), except that for purposes of this definition (a) Consolidated Debt shall exclude Non-Recourse Debt of the Borrower and its Consolidated Subsidiaries, and (b) Consolidated Debt shall exclude (i) Hybrid Securities of the Borrower and its Consolidated Subsidiaries in an aggregate amount as shall not exceed 15% of Consolidated Capitalization and (ii) Equity-Linked Securities in an aggregate amount as shall not exceed 15% of Consolidated Capitalization.

" Consolidated Subsidiary " means with respect to any Person at any date any Subsidiary of such Person or other entity the accounts of which would be consolidated with those of such Person in its consolidated financial statements if such statements were prepared as of such date in accordance with GAAP.

" Continuing Lender " means with respect to any event described in Section 2.08(b), a Lender which is not a Retiring Lender, and "Continuing Lenders" means any two or more of such Continuing Lenders.

" Corporation " means a corporation, association, company, joint stock company, limited liability company, partnership or business trust.

" Credit Event " means a Borrowing or the issuance, renewal or extension of a Letter of Credit.

" Debt " of any Person means, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (iii) all Guarantees by such Person of Debt of others, (iv) all Capital Lease Obligations and Synthetic Leases of such Person, (v) all obligations of such Person in respect of Interest Rate Protection Agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangements (the amount of any such obligation to be the net amount that would be payable upon the acceleration, termination or liquidation thereof), but only to the extent that such net obligations exceed $75,000,000 in the aggregate and (vi) all obligations of such Person as an account party in respect of letters of credit and bankers' acceptances; provided , however , that "Debt" of such Person does not include (a) obligations of such Person under any installment sale, conditional sale or title retention agreement or any other agreement relating to obligations for the deferred purchase price of property or services, (b) obligations under agreements relating to the purchase and sale of any commodity, including any power sale or purchase agreements, any commodity hedge or derivative (regardless of whether any such transaction is a "financial" or physical transaction), (c) any trade obligations or other obligations of such Person incurred in the ordinary course of business or (d) obligations of such Person under any lease agreement (including any lease intended as security) that is not a Capital Lease or a Synthetic Lease.

" Default " means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

" Defaulting Lender " means at any time any Lender with respect to which a Lender Default is in effect at such time.

" Documentation Agents " means Barclays Bank PLC, The Bank of Nova Scotia and Mitsubishi UFJ Financial Group, Inc., acting through The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Union Bank N.A., each in its capacity as a documentation agent in respect of this Agreement.

" Dollars " and the sign "$" means lawful money of the United States of America.

" Effective Date " means the date on which the Administrative Agent determines that the conditions specified in or pursuant to Section 4.01 have been satisfied.

" Eligible Assignee " means (i) a Lender; (ii) a commercial bank organized under the laws of the United States and having a combined capital and surplus of at least $100,000,000; (iii) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and having a combined capital and surplus of at least $100,000,000; provided , that such bank is acting through a branch or agency located and licensed in the United States; or (iv) an Affiliate of a Lender that is an "accredited investor" (as defined in Regulation D under the Securities Act of 1933, as amended); provided , that, in each case (a) upon and following the occurrence of an Event of Default, an Eligible Assignee shall mean any Person other than the Borrower or any of its Affiliates and (b) notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrower or any of its Affiliates.

" Environmental Laws " means any and all federal, state and local statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses or other written governmental restrictions relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or Hazardous Substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or Hazardous Substances or wastes.

" Environmental Liabilities " means all liabilities (including anticipated compliance costs) in connection with or relating to the business, assets, presently or previously owned, leased or operated property, activities (including, without limitation, off-site disposal) or operations of the Borrower or any of its Subsidiaries which arise under Environmental Laws.

" Equity-Linked Securities " means any securities of the Borrower or any of its Subsidiaries which are convertible into, or exchangeable for, equity securities of the Borrower, such Subsidiary or PPL Corporation, including any securities issued by any of such Persons which are pledged to secure any obligation of any holder to purchase equity securities of the Borrower, any of its Subsidiaries or PPL Corporation.

" ERISA " means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

" ERISA Group " means the Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414(b) or (c) of the Internal Revenue Code.

" Euro-Dollar Borrowing " means a Borrowing comprised of Euro-Dollar Loans.

" Euro-Dollar Lending Office " means, as to each Lender, its office, branch or Affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Euro-Dollar Lending Office) or such other office, branch or Affiliate of such Lender as it may hereafter designate as its Euro-Dollar Lending Office by notice to the Borrower and the Administrative Agent.

" Euro-Dollar Loan " means a Loan in respect of which interest is computed on the basis of the Adjusted London Interbank Offered Rate pursuant to the applicable Notice of Borrowing or Notice of Conversion/Continuation.

" Euro-Dollar Reserve Percentage " of any Lender for the Interest Period of any LIBOR Rate Loan means the reserve percentage applicable to such Lender during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) then applicable to such Lender with respect to liabilities or assets consisting of or including "Eurocurrency Liabilities" (as defined in Regulation D). The Adjusted London Interbank Offered Rate shall be adjusted automatically on and as of the effective date of any change in the Euro-Dollar Reserve Percentage.

" Event of Default " has the meaning set forth in Section 7.01.

" Existing Credit Agreement " has the meaning set forth in the recitals hereto.

" Existing Debt " means the Debt outstanding on the Effective Date and listed on Schedule 6.12 hereto.

" Existing Letters of Credit " means, collectively the standby letters of credit issued before the Effective Date pursuant to the Existing Credit Agreement.

" Extending Lenders " has the meaning set forth in Section 9.15 hereto.

" FATCA " means Sections 1471 through 1474 of the Internal Revenue Code and any regulations (whether final, temporary or proposed) that are issued thereunder or official government interpretations thereof and any agreements entered into pursuant to Section 1471(b) of the Code.

" Federal Funds Rate " means for any day the rate per annum (rounded upward, if necessary, to the nearest

1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided , that (i) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average of quotations for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by the Administrative Agent.

" Fee Letter " means the fee letter dated as of September 24, 2012 among the Borrower, Wells Fargo Securities, Wells Fargo Bank, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bank of America, N.A., RBS Securities Inc. and The Royal Bank of Scotland plc as amended, modified or supplemented from time to time.

" Foreign Subsidiary " means a Subsidiary which is not formed under the laws of the United States or any territory thereof.

" Fronting Fee " has the meaning set forth in Section 2.07(b).

" Fronting Sublimit " means, (a) for each JLA Issuing Bank, the amount of such JLA Issuing Bank's commitment to issue and honor payment obligations under Letters of Credit, as set forth on the JLA L/C Fronting Sublimits Appendix hereto and (b) with respect to any other Issuing Lender, an amount as agreed between the Borrower and such Issuing Lender.

" GAAP " means United States generally accepted accounting principles applied on a consistent basis.

" Governmental Authority " means any federal, state or local government, authority, agency, central bank, quasi-governmental authority, court or other body or entity and any arbitrator with authority to bind a party at law.

" Group of Loans " means at any time a group of Revolving Loans consisting of (i) all Revolving Loans which are Base Rate Loans at such time or (ii) all Revolving Loans which are Euro-Dollar Loans of the same Type having the same Interest Period at such time; provided , that, if a Loan of any particular Lender is converted to or made as a Base Rate Loan pursuant to Sections 2.15 or 2.18, such Loan shall be included in the same Group or Groups of Loans from time to time as it would have been in if it had not been so converted or made.

" Guarantee " of or by any Person means any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Debt of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or to purchase (or to advance or supply funds for the purchase of) any security for payment of such Debt, (ii) to purchase or lease property, securities or services for the purpose of assuring the owner of such Debt of the payment of such Debt or (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Debt; provided , however , that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

" Hazardous Substances " means any toxic, caustic or otherwise hazardous substance, including petroleum, its derivatives, by-products and other hydrocarbons, or any substance having any constituent elements displaying any of the foregoing characteristics.

" Hybrid Securities " means any trust preferred securities, or deferrable interest subordinated debt with a maturity of at least 20 years issued by the Borrower, or any business trusts, limited liability companies, limited partnerships (or similar entities) (i) all of the common equity, general partner or similar interests of which are owned (either directly or indirectly through one or more Wholly Owned Subsidiaries) at all times by the Borrower or any of its Subsidiaries, (ii) that have been formed for the purpose of issuing hybrid preferred securities and (iii) substantially all the assets of which consist of (A) subordinated debt of the Borrower or a Subsidiary of the Borrower, as the case may be, and (B) payments made from time to time on the subordinated debt.

" Indemnitee " has the meaning set forth in Section 9.03(b).

" Interest Period " means with respect to each Euro-Dollar Loan, a period commencing on the date of borrowing specified in the applicable Notice of Borrowing or on the date specified in the applicable Notice of

Conversion/Continuation and ending one, two, three or six months thereafter, as the Borrower may elect in the applicable notice; provided, that:

(i) any Interest Period which would otherwise end on a day which is not a Business Day shall, subject to clauses (iii) and (iv) below, be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (iii) below, end on the last Business Day of a calendar month; and

(iii) no Interest Period shall end after the Termination Date.

"Interest Rate Protection Agreements" means any agreement providing for an interest rate swap, cap or collar, or any other financial agreement designed to protect against fluctuations in interest rates.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, or any successor statute.

"Issuing Lender" means (i) each JLA Issuing Bank, each in its capacity as an issuer of Letters of Credit under Section 3.02, and each of their respective successor or successors in such capacity, (ii) any other Lender approved as an "Issuing Lender" pursuant to Section 3.01, and (iii) each issuer of an Existing Letter of Credit, subject in each case to the Fronting Sublimit.

"Joint Lead Arrangers" means Wells Fargo Securities, Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBS Securities Inc., Barclays Bank PLC, The Bank of Nova Scotia and Mitsubishi UFJ Financial Group, Inc., acting through The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Union Bank, N.A., each in their capacity as joint lead arranger and joint bookrunner in respect of this Agreement.

"JLA Issuing Bank" means Wells Fargo Bank, Bank of America, N.A., The Royal Bank of Scotland plc, Barclays Bank PLC, The Bank of Nova Scotia, Mitsubishi UFJ Financial Group, Inc., acting through The Bank of Tokyo-Mitsubishi UFJ, Ltd. and each other Lender (or Affiliate of a Lender) that shall become (or whose Affiliate shall become) a joint lead arranger pursuant to the terms of the Commitment Letters.

"Lender" means each bank or other lending institution listed in the Commitment Appendix as having a Commitment, each Eligible Assignee that becomes a Lender pursuant to Section 9.06(c) and their respective successors and shall include, as the context may require, each Issuing Lender and the Swingline Lender in such capacity.

"Lender Default" means (i) the failure (which has not been cured) of any Lender to make available any Loan or any reimbursement for a drawing under a Letter of Credit or refunding of a Swingline Loan, in each case, within one Business Day from the date it is obligated to make such amount available under the terms and conditions of this Agreement or (ii) a Lender having notified, in writing, the Administrative Agent and the Borrower that such Lender does not intend to comply with its obligations under Article II following the appointment of a receiver or conservator with respect to such Lender at the direction or request of any regulatory agency or authority.

"Letter of Credit" means an Existing Letter of Credit or an Additional Letter of Credit, and "Letters of Credit" means any combination of the foregoing.

"Letter of Credit Fee" has the meaning set forth in Section 2.07(b).

"Letter of Credit Liabilities" means, for any Lender at any time, the product derived by multiplying (i) the sum, without duplication, of (A) the aggregate amount that is (or may thereafter become) available for drawing under all Letters of Credit outstanding at such time plus (B) the aggregate unpaid amount of all Reimbursement Obligations outstanding at such time by (ii) such Lender's Commitment Ratio.

"Letter of Credit Request" has the meaning set forth in Section 3.03.

"LIBOR Market Index Rate" means, for any day, the rate for 1 month U.S. dollar deposits as reported on Reuters Screen LIBOR01 as of 11:00 a.m., London time, for such day, provided, if such day is not a London Business

Day, the immediately preceding London Business Day (or if not so reported, then as determined by the Swingline Lender from another recognized source or interbank quotation).

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance intended to confer or having the effect of conferring upon a creditor a preferential interest.

"Loan" means a Base Rate Loan, whether such loan is a Revolving Loan or Swingline Loan, or a Euro-Dollar Loan and "Loans" means any combination of the foregoing.

"Loan Documents" means this Agreement and the Notes.

"London Business Day" means a day on which commercial banks are open for international business (including dealings in Dollar deposits) in London.

"London Interbank Offered Rate" means:

(a) for any Euro-Dollar Loan for any Interest Period, the interest rate for deposits in Dollars for a period of time comparable to such Interest Period which appears on Reuters Screen LIBOR01 at approximately 11:00 A.M. (London time) two Business Days before the first day of such Interest Period; provided, however, that if more than one such rate is specified on Reuters Screen LIBOR01, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100 of 1%). If for any reason such rate is not available on Reuters Screen LIBOR01, the term "London Interbank Offered Rate" means for any Interest Period, the arithmetic mean of the rate per annum at which deposits in Dollars are offered by first class banks in the London interbank market to the Administrative Agent at approximately 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loan of Wells Fargo Bank to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

(b) for any interest rate calculation with respect to a Base Rate Loan, the interest rate for deposits in Dollars for a period equal to one month (commencing on the date of determination of such interest rate) which appears on Reuters Screen LIBOR01 at approximately 11:00 A.M. (London time) on such date of determination (provided that if such day is not a Business Day for which a London Interbank Offered Rate is quoted, the next preceding Business Day for which a London Interbank Offered Rate is quoted); provided, however, that if more than one such rate is specified on Reuters Screen LIBOR01, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100 of 1%). If for any reason such rate is not available on Reuters Screen LIBOR01, the term "London Interbank Offered Rate" means for any applicable one-month interest period, the arithmetic mean of the rate per annum at which deposits in Dollars are offered by first class banks in the London interbank market to the Administrative Agent at approximately 11:00 A.M. (London time) on such date of determination (provided that if such day is not a Business Day for which a London Interbank Offered Rate is quoted, the next preceding Business Day for which a London Interbank Offered Rate is quoted) in an amount approximately equal to the principal amount of the Base Rate Loan of Wells Fargo Bank.

"Lower Mt. Bethel Lease Financing" means the existing lease financing associated with the Lower Mount Bethel project.

"Mandatory Letter of Credit Borrowing" has the meaning set forth in Section 3.09.

"Margin Stock" means "margin stock" as such term is defined in Regulation U.

"Material Adverse Effect" means (i) any material adverse effect upon the business, assets, financial condition or operations of the Borrower or the Borrower and its Subsidiaries, taken as a whole; (ii) a material adverse effect on the ability of the Borrower to perform its obligations under this Agreement, the Notes or the other Loan Documents or (iii) a material adverse effect on the validity or enforceability of this Agreement, the Notes or any of the other Loan Documents.

"Material Debt" means Debt (other than the Notes) of the Borrower and/or one or more of its Restricted Subsidiaries in a principal or face amount exceeding $40,000,000.

"Material Plan" means at any time a Plan or Plans having aggregate Unfunded Liabilities in excess of $50,000,000. For the avoidance of doubt, where any two or more Plans, which individually do not have Unfunded Liabilities in excess of $50,000,000, but collectively have aggregate Unfunded Liabilities in excess of $50,000,000, all references to Material Plan shall be deemed to apply to such Plans as a group.

"Moody's" means Moody's Investors Service, Inc., a Delaware corporation, and its successors or, absent any such successor, such nationally recognized statistical rating organization as the Borrower and the Administrative Agent may select.

"Multiemployer Plan" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"New Lender" means with respect to any event described in Section 2.08(b), an Eligible Assignee which becomes a Lender hereunder as a result of such event, and "New Lenders" means any two or more of such New Lenders.

"Non-Defaulting Lender" means each Lender other than a Defaulting Lender, and "Non-Defaulting Lenders" means any two or more of such Lenders.

"Non-Recourse Debt" shall mean Debt that is nonrecourse to the Borrower or any Restricted Subsidiary.

"Non-U.S. Lender" has the meaning set forth in Section 2.17(e).

"Note" shall mean a promissory note, substantially in the form of Exhibit B hereto, issued at the request of a Lender evidencing the obligation of the Borrower to repay outstanding Revolving Loans or Swingline Loans, as applicable.

"Notice of Borrowing" has the meaning set forth in Section 2.03.

"Notice of Conversion/Continuation" has the meaning set forth in Section 2.06(d)(ii).

"Obligations" means:

(i) all principal of and interest (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Borrower, whether or not allowed or allowable as a claim in any such proceeding) on any Loan, fees payable or Reimbursement Obligation under, or any Note issued pursuant to, this Agreement or any other Loan Document;

(ii) all other amounts now or hereafter payable by the Borrower and all other obligations or liabilities now existing or hereafter arising or incurred (including, without limitation, any amounts which accrue after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Borrower, whether or not allowed or allowable as a claim in any such proceeding) on the part of the Borrower pursuant to this Agreement or any other Loan Document;

(iii) all expenses of the Agents as to which such Agents have a right to reimbursement under Section 9.03(a) hereof or under any other similar provision of any other Loan Document; and

(iv) all amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement under Section 9.03 hereof or under any other similar provision of any other Loan Document;

together in each case with all renewals, modifications, consolidations or extensions thereof.

"OFAC" means the U.S. Department of the Treasury's Office of Foreign Assets Control.

"Optional Increase" has the meaning set forth in Section 2.19(a).

"Other Taxes" has the meaning set forth in Section 2.17(b).

"Participant" has the meaning set forth in Section 9.06(b).

"Participant Register" has the meaning set forth in Section 9.06(b).

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

" Permitted Business " with respect to any Person means a business that is the same or similar to the business of the Borrower or any Subsidiary as of the Effective Date, or any business reasonably related thereto.

" Person " means an individual, a corporation, a partnership, an association, a limited liability company, a trust or an unincorporated association or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

" Plan " means at any time an employee pension benefit plan (including a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

" Prime Rate " means the rate of interest publicly announced by Wells Fargo Bank from time to time as its Prime Rate.

" Quarterly Date " means the last Business Day of each of March, June, September and December.

" Rating Agency " means S&P or Moody's, and " Rating Agencies " means both of them.

" Register " has the meaning set forth in Section 9.06(e).

" Regulation U " means Regulation U of the Board of Governors of the Federal Reserve System, as amended, or any successor regulation.

" Regulation X " means Regulation X of the Board of Governors of the Federal Reserve System, as amended, or any successor regulation.

" Reimbursement Obligations " means at any time all obligations of the Borrower to reimburse the Issuing Lenders pursuant to Section 3.07 for amounts paid by the Issuing Lenders in respect of drawings under Letters of Credit, including any portion of any such obligation to which a Lender has become subrogated pursuant to Section 3.09.

" Replacement Date " has the meaning set forth in Section 2.08(b).

" Replacement Lender " has the meaning set forth in Section 2.08(b).

" Required Lenders " means at any time Non-Defaulting Lenders having at least 51% of the aggregate amount of the Commitments of all Non-Defaulting Lenders or, if the Commitments shall have been terminated, having at least 51% of the aggregate amount of the Revolving Outstandings of the Non-Defaulting Lenders at such time.

" Responsible Officer " means, as to any Person, the chief executive officer, president, chief financial officer, controller, treasurer or assistant treasurer of such Person or any other officer of such Person reasonably acceptable to the Administrative Agent. Any document delivered hereunder that is signed by a Responsible Officer of a Person shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Person and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Person.

" Restricted Subsidiary " means each Subsidiary listed on Schedule 5.11 and each other Subsidiary designated by the Borrower as a "Restricted Subsidiary" in writing to the Administrative Agent, in either case, for so long as such Restricted Subsidiary shall be a direct Wholly Owned Subsidiary of the Borrower or a direct Wholly Owned Subsidiary of a Restricted Subsidiary.

" Retiring Lender " means a Lender that ceases to be a Lender hereunder pursuant to the operation of Section 2.08(b).

" Revolving " means, when used with respect to (i) a Borrowing, a Borrowing made by the Borrower under Section 2.01, as identified in the Notice of Borrowing with respect thereto, a Borrowing of Revolving Loans to refund outstanding Swingline Loans pursuant to Section 2.02(b)(i), or a Mandatory Letter of Credit Borrowing and (ii) a

Loan, a Loan made under Section 2.01; provided , that, if any such loan or loans (or portions thereof) are combined or subdivided pursuant to a Notice of Conversion/Continuation, the term " Revolving Loan " shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be.

" Revolving Outstandings " means at any time, with respect to any Lender, the sum of (i) the aggregate principal amount of such Lender's outstanding Revolving Loans plus (ii) the aggregate amount of such Lender's Swingline Exposure plus (iii) aggregate amount of such Lender's Letter of Credit Liabilities.

" Revolving Outstandings Excess " has the meaning set forth in Section 2.09.

" Sanctioned Entity " shall mean (i) an agency of the government of, (ii) an organization directly or indirectly controlled by, or (iii) a Person resident in, a country that is subject to a sanctions program identified on the list maintained by OFAC and available at http://www.treas.gov/offices/enforcement/ofac/sanctions/index.html, or as otherwise published from time to time as such program may be applicable to such agency, organization or Person.

" Sanctioned Person " shall mean a Person named on the list of Specially Designated Nationals or Blocked Persons maintained by OFAC available at http://www.treas.gov/offices/enforcement/ofac/sdn/index.html, or as otherwise published from time to time.

" SEC " means the Securities and Exchange Commission.

" S&P " means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., a New York corporation, and its successors or, absent any such successor, such nationally recognized statistical rating organization as the Borrower and the Administrative Agent may select.

" Special Purpose Subsidiary " means any Wholly Owned Subsidiary (regardless of the form of organization) of the Borrower formed solely for the purpose of, and which engages in no other activities except those necessary for, effecting financings related to Synthetic Leases.

" Subsidiary " means any Corporation, a majority of the outstanding Voting Stock of which is owned, directly or indirectly, by the Borrower or one or more other Subsidiaries of the Borrower.

" Swingline Borrowing " means a Borrowing made by the Borrower under Section 2.02, as identified in the Notice of Borrowing with respect thereto.

" Swingline Exposure " means, for any Lender at any time, the product derived by multiplying (i) the aggregate principal amount of all outstanding Swingline Loans at such time by (ii) such Lender's Commitment Ratio.

" Swingline Lender " means Wells Fargo Bank, in its capacity as Swingline Lender.

" Swingline Loan " means any swingline loan made by the Swingline Lender to the Borrower pursuant to Section 2.02.

" Swingline Sublimit " means the lesser of (a) $200,000,000 and (b) the aggregate Commitments of all Lenders.

" Swingline Termination Date " means the first to occur of (a) the resignation of Wells Fargo Bank as Administrative Agent in accordance with Section 8.09 and (b) the Termination Date.

" Syndication Agents " means Bank of America, N.A. and The Royal Bank of Scotland plc, each in its capacity as a syndication agent in respect of this Agreement.

" Synthetic Lease " means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an operating lease in accordance with GAAP.

" Taxes " has the meaning set forth in Section 2.17(a).

" Termination Date " means the earliest to occur of (a) November 6, 2017 and (b) such earlier date upon which all Commitments shall have been terminated in their entirety in accordance with this Agreement.

" Type ", when used in respect of any Loan or Borrowing, shall refer to the rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined.

" Unfunded Liabilities " means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

" United States " means the United States of America, including the States and the District of Columbia, but excluding its territories and possessions.

" Voting Stock " means stock (or other interests) of a Corporation having ordinary voting power for the election of directors, managers or trustees thereof, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

" Wells Fargo Bank " means Wells Fargo Bank, National Association, and its successors.

" Wells Fargo Securities " means Wells Fargo Securities, LLC, and its successors and assigns.

" Wholly Owned Subsidiary " means, with respect to any Person at any date, any Subsidiary of such Person all of the Voting Stock of which (except directors' qualifying shares) is at the time directly or indirectly owned by such Person.

ARTICLE II
THE CREDITS

Section 2.01. Commitments to Lend . Each Lender severally agrees, on the terms and conditions set forth in this Agreement, to make Revolving Loans to the Borrower pursuant to this Section 2.01 from time to time during the Availability Period in amounts such that its Revolving Outstandings shall not exceed its Commitment; provided , that, immediately after giving effect to each such Revolving Loan, the aggregate principal amount of all outstanding Revolving Loans (after giving effect to any amount requested) shall not exceed the aggregate Commitments less the sum of all outstanding Swingline Loans and Letter of Credit Liabilities. Each Revolving Borrowing (other than Mandatory Letter of Credit Borrowings) shall be in an aggregate principal amount of $10,000,000 or any larger integral multiple of $1,000,000 (except that any such Borrowing may be in the aggregate amount of the unused Commitments) and shall be made from the several Lenders ratably in proportion to their respective Commitments. Within the foregoing limits, the Borrower may borrow under this Section 2.01, repay, or, to the extent permitted by Section 2.10, prepay, Revolving Loans and reborrow under this Section 2.01.

Section 2.02. Swingline Loans .

(a) *Availability* . Subject to the terms and conditions of this Agreement, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time from the Effective Date through, but not including, the Swingline Termination Date; provided , that the aggregate principal amount of all outstanding Swingline Loans (after giving effect to any amount requested), shall not exceed the lesser of (i) the aggregate Commitments less the sum of the aggregate principal amount of all outstanding Revolving Loans and all outstanding Letter of Credit Liabilities and (ii) the Swingline Sublimit; and provided further , that the Borrower shall not use the proceeds of any Swingline Loan to refinance any outstanding Swingline Loan. Each Swingline Loan shall be in an aggregate principal amount of $5,000,000 or any larger integral multiple of $1,000,000 (except that any such Borrowing may be in the aggregate amount of the unused Swingline Sublimit). Within the foregoing limits, the Borrower may borrow, repay and reborrow Swingline Loans, in each case under this Section 2.02. Each Swingline Loan shall be a Base Rate Loan.

(b) *Refunding* .

(i) Swingline Loans shall be refunded by the Lenders on demand by the Swingline Lender. Such refundings shall be made by the Lenders in accordance with their respective Commitment Ratios and shall thereafter be reflected as Revolving Loans of the Lenders on the books and records of the Administrative Agent. Each Lender shall fund its respective Commitment Ratio of Revolving Loans as required to repay

Swingline Loans outstanding to the Swingline Lender upon demand by the Swingline Lender but in no event later than 1:00 P.M. (Charlotte, North Carolina time) on the next succeeding Business Day after such demand is made. No Lender's obligation to fund its respective Commitment Ratio of a Swingline Loan shall be affected by any other Lender's failure to fund its Commitment Ratio of a Swingline Loan, nor shall any Lender's Commitment Ratio be increased as a result of any such failure of any other Lender to fund its Commitment Ratio of a Swingline Loan.

(ii) The Borrower shall pay to the Swingline Lender on demand, and in no case more than fourteen (14) days after the date that such Swingline Loan is made, the amount of such Swingline Loan to the extent amounts received from the Lenders are not sufficient to repay in full the outstanding Swingline Loans requested or required to be refunded. In addition, the Borrower hereby authorizes the Administrative Agent to charge any account maintained by the Borrower with the Swingline Lender (up to the amount available therein) in order to immediately pay the Swingline Lender the amount of such Swingline Loans to the extent amounts received from the Lenders are not sufficient to repay in full the outstanding Swingline Loans requested or required to be refunded. If any portion of any such amount paid to the Swingline Lender shall be recovered by or on behalf of the Borrower from the Swingline Lender in bankruptcy or otherwise, the loss of the amount so recovered shall be ratably shared among all the Lenders in accordance with their respective Commitment Ratios (unless the amounts so recovered by or on behalf of the Borrower pertain to a Swingline Loan extended after the occurrence and during the continuance of an Event of Default of which the Administrative Agent has received notice in the manner required pursuant to Section 8.05 and which such Event of Default has not been waived by the Required Lenders or the Lenders, as applicable).

(iii) Each Lender acknowledges and agrees that its obligation to refund Swingline Loans (other than Swingline Loans extended after the occurrence and during the continuation of an Event of Default of which the Administrative Agent has received notice in the manner required pursuant to Section 8.05 and which such Event of Default has not been waived by the Required Lenders or the Lenders, as applicable) in accordance with the terms of this Section is absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, non-satisfaction of the conditions set forth in Article IV. Further, each Lender agrees and acknowledges that if prior to the refunding of any outstanding Swingline Loans pursuant to this Section, one of the events described in Section 7.01(h) or (i) shall have occurred, each Lender will, on the date the applicable Revolving Loan would have been made, purchase an undivided participating interest in the Swingline Loan to be refunded in an amount equal to its Commitment Ratio of the aggregate amount of such Swingline Loan. Each Lender will immediately transfer to the Swingline Lender, in immediately available funds, the amount of its participation and upon receipt thereof the Swingline Lender will deliver to such Lender a certificate evidencing such participation dated the date of receipt of such funds and for such amount. Whenever, at any time after the Swingline Lender has received from any Lender such Lender's participating interest in a Swingline Loan, the Swingline Lender receives any payment on account thereof, the Swingline Lender will distribute to such Lender its participating interest in such amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded).

Section 2.03. Notice of Borrowings . The Borrower shall give the Administrative Agent notice substantially in the form of Exhibit A-1 hereto (a " Notice of Borrowing ") not later than (a)11:30 A.M. (Charlotte, North Carolina time) on the date of each Base Rate Borrowing and (b) 12:00 Noon (Charlotte, North Carolina time) on the third Business Day before each Euro-Dollar Borrowing, specifying:

(i) the date of such Borrowing, which shall be a Business Day;

(ii) the aggregate amount of such Borrowing;

(iii) whether such Borrowing is comprised of Revolving Loans or a Swingline Loan;

(iv) in the case of a Revolving Borrowing, the initial Type of the Loans comprising such Borrowing; and

(v) in the case of a Euro-Dollar Borrowing, the duration of the initial Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

Notwithstanding the foregoing, no more than six (6) Groups of Euro-Dollar Loans shall be outstanding at any one time, and any Loans which would exceed such limitation shall be made as Base Rate Loans.

Section 2.04. Notice to Lenders; Funding of Revolving Loans and Swingline Loans.

(a) Notice to Lenders. Upon receipt of a Notice of Borrowing (other than in respect of a Borrowing of a Swingline Loan), the Administrative Agent shall promptly notify each Lender of such Lender's ratable share (if any) of the Borrowing referred to in the Notice of Borrowing, and such Notice of Borrowing shall not thereafter be revocable by the Borrower.

(b) Funding of Loans. Not later than (a) 1:00 P.M. (Charlotte, North Carolina time) on the date of each Base Rate Borrowing and (b) 12:00 Noon (Charlotte, North Carolina time) on the date of each Euro-Dollar Borrowing, each Lender shall make available its ratable share of such Borrowing, in Federal or other funds immediately available in Charlotte, North Carolina, to the Administrative Agent at its address referred to in Section 9.01. Unless the Administrative Agent determines that any applicable condition specified in Article IV has not been satisfied, the Administrative Agent shall apply any funds so received in respect of a Borrowing available to the Borrower at the Administrative Agent's address not later than (a) 3:00 P.M. (Charlotte, North Carolina time) on the date of each Base Rate Borrowing and (b) 2:00 P.M. (Charlotte, North Carolina time) on the date of each Euro-Dollar Borrowing. Revolving Loans to be made for the purpose of refunding Swingline Loans shall be made by the Lenders as provided in Section 2.02(b).

(c) Funding By the Administrative Agent in Anticipation of Amounts Due from the Lenders. Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing (except in the case of a Base Rate Borrowing, in which case prior to the time of such Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available to the Administrative Agent on the date of such Borrowing in accordance with subsection (b) of this Section, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such share available to the Administrative Agent, such Lender and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount, together with interest thereon for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent at (i) a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.06, in the case of the Borrower, and (ii) the Federal Funds Rate, in the case of such Lender. Any payment by the Borrower hereunder shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make its share of a Borrowing available to the Administrative Agent. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Lender's Loan included in such Borrowing for purposes of this Agreement.

(d) Obligations of Lenders Several. The failure of any Lender to make a Loan required to be made by it as part of any Borrowing hereunder shall not relieve any other Lender of its obligation, if any, hereunder to make any Loan on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Loan to be made by such other Lender on such date of Borrowing.

Section 2.05. Noteless Agreement; Evidence of Indebtedness.

(a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(b) The Administrative Agent shall also maintain accounts in which it will record (a) the amount of each Loan made hereunder, the Type thereof and the Interest Period with respect thereto, (b) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (c) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(c) The entries maintained in the accounts maintained pursuant to paragraphs (a) and (b) above shall be prima facie evidence of the existence and amounts of the Obligations therein recorded; provided, however, that the failure of the Administrative Agent or any Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Obligations in accordance with their terms.

(d) Any Lender may request that its Loans be evidenced by a Note. In such event, the Borrower shall prepare, execute and deliver to such Lender a Note payable to the order of such Lender. Thereafter, the Loans evidenced by such Note and interest thereon shall at all times (including after any assignment pursuant to Section 9.06(c)) be represented by one or more Notes payable to the order of the payee named therein or any assignee pursuant to Section 9.06(c), except to the extent that any such Lender or assignee subsequently returns any such Note for cancellation and requests that such Loans once again be evidenced as described in paragraphs (a) and (b) above.

Section 2.06. Interest Rates.

(a) Interest Rate Options. The Loans shall, at the option of the Borrower and except as otherwise provided herein, be incurred and maintained as, or converted into, one or more Base Rate Loans or Euro-Dollar Loans.

(b) Base Rate Loans. Each Loan which is made as, or converted into, a Base Rate Loan (other than a Swingline Loan) shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made as, or converted into, a Base Rate Loan until it becomes due or is converted into a Loan of any other Type, at a rate per annum equal to the sum of the Base Rate for such day plus the Applicable Percentage for Base Rate Loans for such day. Each Loan which is made as a Swingline Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due at a rate per annum equal to the LIBOR Market Index Rate for such day plus the Applicable Percentage for Euro-Dollar Loans for such day. Such interest shall, in each case, be payable quarterly in arrears on each Quarterly Date (or, with respect to Base Rate Loans that are Swingline Loans, as the Swingline Lender and the Borrower may otherwise agree in writing) and, with respect to the principal amount of any Base Rate Loan (other than a Swingline Loan) converted to a Euro-Dollar Loan, on the date such Base Rate Loan is so converted. Any overdue principal of or interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the rate otherwise applicable to Base Rate Loans for such day.

(c) Euro-Dollar Loans. Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for each day during the Interest Period applicable thereto, at a rate per annum equal to the sum of the Adjusted London Interbank Offered Rate for such Interest Period plus the Applicable Percentage for Euro-Dollar Loans for such day. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof. Any overdue principal of or interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the sum of (A) the Adjusted London Interbank Offered Rate applicable to such Loan at the date such payment was due plus (B) the Applicable Percentage for Euro-Dollar Loans for such day (or, if the circumstance described in Section 2.14 shall exist, at a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate Loans for such day).

(d) Method of Electing Interest Rates.

(i) Subject to Section 2.06(a), the Loans included in each Revolving Borrowing shall bear interest initially at the type of rate specified by the Borrower in the applicable Notice of Borrowing. Thereafter, with respect to each Group of Loans, the Borrower shall have the option (A) to convert all or any part of (y) so long as no Default is in existence on the date of conversion, outstanding Base Rate Loans to Euro-Dollar Loans and (z) outstanding Euro-Dollar Loans to Base Rate Loans; provided, in each case, that the amount so converted shall be equal to $10,000,000 or any larger integral multiple of $1,000,000, or (B) upon the expiration of any Interest Period applicable to outstanding Euro-Dollar Loans, so long as no Default is in existence on the date of continuation, to continue all or any portion of such Loans, equal to $10,000,000 and any larger integral multiple of $1,000,000 in excess of that amount as Euro-Dollar Loans. The Interest Period of any Base Rate Loan converted to a Euro-Dollar Loan pursuant to clause (A) above shall commence on the date of such conversion. The succeeding Interest Period of any Euro-Dollar Loan continued pursuant to clause (B) above shall commence on the last day of the Interest Period of the Loan so continued. Euro-Dollar Loans may only be converted on the last day of the then current Interest Period applicable thereto or on the date required pursuant to Section 2.18.

(ii) The Borrower shall deliver a written notice of each such conversion or continuation (a "Notice of Conversion/Continuation") to the Administrative Agent no later than (A) 12:00 Noon (Charlotte, North Carolina time) at least three (3) Business Days before the effective date of the proposed conversion to, or continuation of, a Euro Dollar Loan and (B) 11:30 A.M. (Charlotte, North Carolina time) on the day of a conversion to a Base Rate Loan. A written Notice of Conversion/Continuation shall be substantially in the form of Exhibit A-2 attached hereto and shall specify: (A) the Group of Loans (or portion thereof) to which such notice applies, (B) the proposed conversion/continuation date (which shall be a Business Day), (C) the aggregate amount of the Loans being converted/continued, (D) an election between the Base Rate and the Adjusted London Interbank Offered Rate and (E) in the case of a conversion to, or a continuation of, Euro-Dollar Loans, the requested Interest Period. Upon receipt of a Notice of Conversion/Continuation, the Administrative Agent shall give each Lender prompt notice of the contents thereof and such Lender's pro rata share of all conversions and continuations requested therein. If no timely Notice of Conversion/Continuation is delivered by the Borrower as to any Euro-Dollar Loan, and such Loan is not repaid by the Borrower at the end of the applicable Interest Period, such Loan shall be converted automatically to a Base Rate Loan on the last day of the then applicable Interest Period.

(e) Determination and Notice of Interest Rates. The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the Borrower and the participating Lenders of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error. Any notice with respect to Euro-Dollar Loans shall, without the necessity of the Administrative Agent so stating in such notice, be subject to adjustments in the Applicable Percentage applicable to such Loans after the beginning of the Interest Period applicable thereto. When during an Interest Period any event occurs that causes an adjustment in the Applicable Percentage applicable to Loans to which such Interest Period is applicable, the Administrative Agent shall give prompt notice to the Borrower and the Lenders of such event and the adjusted rate of interest so determined for such Loans, and its determination thereof shall be conclusive in the absence of manifest error.

Section 2.07. Fees.

(a) Commitment Fees. The Borrower shall pay to the Administrative Agent for the account of each Lender a fee (the "Commitment Fee") for each day at a rate per annum equal to the Applicable Percentage for the Commitment Fee for such day. The Commitment Fee shall accrue from and including the Effective Date to but excluding the last day of the Availability Period on the amount by which such Lender's Commitment exceeds the sum of its Revolving Outstandings (solely for this purpose, exclusive of Swingline Exposure) on such day. The Commitment Fee shall be payable on the last day of each of March, June, September and December and on the Termination Date.

(b) Letter of Credit Fees. The Borrower shall pay to the Administrative Agent a fee (the "Letter of Credit Fee") for each day at a rate per annum equal to the Applicable Percentage for the Letter of Credit Fee for such day. The Letter of Credit Fee shall accrue from and including the Effective Date to but excluding the last day of the Availability Period on the aggregate amount available for drawing under any Letters of Credit outstanding on such day and shall be payable for the account of the Lenders ratably in proportion to their participations in such Letter(s) of Credit. In addition, the Borrower shall pay to each Issuing Lender a fee (the "Fronting Fee") in respect of each Letter of Credit issued by such Issuing Lender computed at the rate of 0.20% per annum on the average amount available for drawing under such Letter(s) of Credit. Fronting Fees shall be due and payable quarterly in arrears on each Quarterly Date and on the Termination Date (or such earlier date as all Letters of Credit shall be canceled or expire). In addition, the Borrower agrees to pay to each Issuing Lender, upon each issuance of, payment under, and/or amendment of, a Letter of Credit, such amount as shall at the time of such issuance, payment or amendment be the administrative charges and expenses which such Issuing Lender is customarily charging for issuances of, payments under, or amendments to letters of credit issued by it.

(c) Payments. Except as otherwise provided in this Section 2.07, accrued fees under this Section 2.07 in respect of Loans and Letter of Credit Liabilities shall be payable quarterly in arrears on each Quarterly Date, on the last day of the Availability Period and, if later, on the date the Loans and Letter of Credit Liabilities shall be repaid in their entirety. Fees paid hereunder shall not be refundable under any circumstances.

Section 2.08. Adjustments of Commitments.

(a) Optional Termination or Reductions of Commitments (Pro-Rata). The Borrower may, upon at least three Business Days' prior written notice to the Administrative Agent, permanently (i) terminate the Commitments, if there are no Revolving Outstandings at such time or (ii) ratably reduce from time to time by a minimum amount of $10,000,000 or any larger integral multiple of $5,000,000, the aggregate amount of the Commitments in excess of the aggregate Revolving Outstandings. Upon receipt of any such notice, the Administrative Agent shall promptly notify the Lenders. If the Commitments are terminated in their entirety, all accrued fees shall be payable on the effective date of such termination.

(b) Optional Termination of Commitments (Non-Pro-Rata). If (i) any Lender has demanded compensation or indemnification pursuant to Sections 2.14, 2.15, 2.16 or 2.17, (ii) the obligation of any Lender to make

Euro-Dollar Loans has been suspended pursuant to Section 2.15 or (iii) any Lender is a Defaulting Lender (each such Lender described in clauses (i), (ii) or (iii) being a "Retiring Lender"), the Borrower shall have the right, if no Default then exists, to replace such Lender with one or more Eligible Assignees (which may be one or more of the Continuing Lenders) (each a "Replacement Lender" and, collectively, the "Replacement Lenders") reasonably acceptable to the Administrative Agent. The replacement of a Retiring Lender pursuant to this Section 2.08(b) shall be effective on the tenth Business Day (the "Replacement Date") following the date of notice given by the Borrower of such replacement to the Retiring Lender and each Continuing Lender through the Administrative Agent, subject to the satisfaction of the following conditions:

(i) the Replacement Lender shall have satisfied the conditions to assignment and assumption set forth in Section 9.06(c) (with all fees payable pursuant to Section 9.06(c) to be paid by the Borrower) and, in connection therewith, the Replacement Lender(s) shall pay:

(A) to the Retiring Lender an amount equal in the aggregate to the sum of (x) the principal of, and all accrued but unpaid interest on, all outstanding Loans of the Retiring Lender, (y) all unpaid drawings that have been funded by (and not reimbursed to) the Retiring Lender under Section 3.10, together with all accrued but unpaid interest with respect thereto and (z) all accrued but unpaid fees owing to the Retiring Lender pursuant to Section 2.07; and

(B) to the Swingline Lender an amount equal to the aggregate amount owing by the Retiring Lender to the Swingline Lender in respect of all unpaid refundings of Swingline Loans requested by the Swingline Lender pursuant to Section 2.02(b)(i), to the extent such amount was not theretofore funded by such Retiring Lender; and

(C) to the Issuing Lenders an amount equal to the aggregate amount owing by the Retiring Lender to the Issuing Lenders as reimbursement pursuant to Section 3.09, to the extent such amount was not theretofore funded by such Retiring Lender; and

(ii) the Borrower shall have paid to the Administrative Agent for the account of the Retiring Lender an amount equal to all obligations owing to the Retiring Lender by the Borrower pursuant to this Agreement and the other Loan Documents (other than those obligations of the Borrower referred to in clause (i)(A) above).

On the Replacement Date, each Replacement Lender that is a New Lender shall become a Lender hereunder and shall succeed to the obligations of the Retiring Lender with respect to outstanding Swingline Loans and Letters of Credit to the extent of the Commitment of the Retiring Lender assumed by such Replacement Lender, and the Retiring Lender shall cease to constitute a Lender hereunder; provided, that the provisions of Sections 2.12, 2.16, 2.17 and 9.03 of this Agreement shall continue to inure to the benefit of a Retiring Lender with respect to any Loans made, any Letters of Credit issued or any other actions taken by such Retiring Lender while it was a Lender.

In lieu of the foregoing, subject to Section 2.08(e), upon express written consent of Continuing Lenders holding more than 50% of the aggregate amount of the Commitments of the Continuing Lenders, the Borrower shall have the right to permanently terminate the Commitment of a Retiring Lender in full. Upon payment by the Borrower to the Administrative Agent for the account of the Retiring Lender of an amount equal to the sum of (i) the aggregate principal amount of all Loans and Reimbursement Obligations owed to the Retiring Lender and (ii) all accrued interest, fees and other amounts owing to the Retiring Lender hereunder, including, without limitation, all amounts payable by the Borrower to the Retiring Lender under Sections 2.12, 2.16, 2.17 or 9.03, such Retiring Lender shall cease to constitute a Lender hereunder; provided, that the provisions of Sections 2.12, 2.16, 2.17 and 9.03 of this Agreement shall inure to the benefit of a Retiring Lender with respect to any Loans made, any Letters of Credit issued or any other actions taken by such Retiring Lender while it was a Lender.

(c) Optional Termination of Defaulting Lender Commitment (Non-Pro-Rata). At any time a Lender is a Defaulting Lender, subject to Section 2.08(e), the Borrower may terminate in full the Commitment of such Defaulting Lender by giving notice to such Defaulting Lender and the Administrative Agent, provided, that, (i) at the time of such termination, (A) no Default has occurred and is continuing (or alternatively, the Required Lenders shall consent to such termination) and (B) either (x) no Revolving Loans or Swingline Loans are outstanding or (y) the aggregate Revolving Outstandings of such Defaulting Lender in respect of Revolving Loans is zero; (ii) concurrently with such termination, the aggregate Commitments shall be reduced by the Commitment of the Defaulting Lender; and (iii) concurrently with any subsequent payment of interest or fees to the Lenders with respect to any period before the termination of a Defaulting Lender's Commitment, the Borrower shall pay to such Defaulting Lender its ratable share (based on its Commitment Ratio before giving effect to such termination) of such interest or fees, as applicable. The termination of a Defaulting Lender's Commitment pursuant to this Section 2.08(c) shall not be deemed to be a waiver of any right that the Borrower, Administrative Agent, any Issuing Lender or any other Lender may have against such Defaulting Lender.

(d) Termination Date. The Commitments shall terminate on the Termination Date.

(e) Redetermination of Commitment Ratios. On the date of termination of the Commitment of a Retiring Lender or Defaulting Lender pursuant to Section 2.08(b) or (c), the Commitment Ratios of the Continuing Lenders shall be redetermined after giving effect thereto, and the participations of the Continuing Lenders in and obligations of the Continuing Lenders in respect of any then outstanding Swingline Loans and Letters of Credit shall thereafter be based upon such redetermined Commitment Ratios (to the extent not previously adjusted pursuant to Section 2.20). The right of the Borrower to effect such a termination is conditioned on there being sufficient unused availability in the Commitments of the Continuing Lenders such that the aggregate Revolving Outstandings will not exceed the aggregate Commitments after giving effect to such termination and redetermination.

Section 2.09. Maturity of Loans; Mandatory Prepayments.

(a) *S*cheduled Repayments and Prepayments of Loans; Overline Repayments.

(i) The Revolving Loans shall mature on the Termination Date, and any Revolving Loans, Swingline Loans and Letter of Credit Liabilities then outstanding (together with accrued interest thereon and fees in respect thereof) shall be due and payable or, in the case of Letters of Credit, cash collateralized pursuant to Section 2.09(a)(ii), on such date.

(ii) If on any date the aggregate Revolving Outstandings exceed the aggregate amount of the Commitments (such excess, a "Revolving Outstandings Excess"), the Borrower shall prepay, and there shall become due and payable (together with accrued interest thereon) on such date, an aggregate principal amount of Revolving Loans and/or Swingline Loans equal to such Revolving Outstandings Excess. If, at a time when a Revolving Outstandings Excess exists and (x) no Revolving Loans or Swingline Loans are outstanding or (y) the Commitment has been terminated pursuant to this Agreement and, in either case, any Letter of Credit Liabilities remain outstanding, then, in either case, the Borrower shall cash collateralize any Letter of Credit Liabilities by depositing into a cash collateral account established and maintained (including the investments made pursuant thereto) by the Administrative Agent pursuant to a cash collateral agreement in form and substance satisfactory to the Administrative Agent an amount in cash equal to the then outstanding Letter of Credit Liabilities. In determining Revolving Outstandings for purposes of this clause (ii), Letter of Credit Liabilities shall be reduced to the extent that they are cash collateralized as contemplated by this Section 2.09(a)(ii).

(b) Applications of Prepayments and Reductions.

(i) Each payment or prepayment of Loans pursuant to this Section 2.09 shall be applied ratably to the respective Loans of all of the Lenders.

(ii) Each payment of principal of the Loans shall be made together with interest accrued on the amount repaid to the date of payment.

(iii) Each payment of the Loans shall be applied to such Groups of Loans as the Borrower may designate (or, failing such designation, as determined by the Administrative Agent).

Section 2.10. Optional Prepayments and Repayments.

(a) Prepayments of Loans. Other than in respect of Swingline Loans, the repayment of which is governed pursuant to Section 2.02(b), subject to Section 2.12, the Borrower may (i) upon at least one (1) Business Day's notice to the Administrative Agent, prepay any Base Rate Borrowing or (ii) upon at least three (3) Business Days' notice to the Administrative Agent, prepay any Euro-Dollar Borrowing, in each case in whole at any time, or from time to time in part in amounts aggregating $10,000,000 or any larger integral multiple of $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Lenders included in such Borrowing.

(b) Notice to Lenders. Upon receipt of a notice of prepayment pursuant to Section 2.10(a), the Administrative Agent shall promptly notify each Lender of the contents thereof and of such Lender's ratable share (if any) of such prepayment, and such notice shall not thereafter be revocable by the Borrower.

Section 2.11. General Provisions as to Payments.

(a) Payments by the Borrower. The Borrower shall make each payment of principal of and interest on the Loans and Letter of Credit Liabilities and fees hereunder (other than fees payable directly to the Issuing Lenders) not later than 12:00 Noon (Charlotte, North Carolina time) on the date when due, without set-off, counterclaim or other deduction, in Federal or other funds immediately available in Charlotte, North Carolina, to the Administrative Agent at its address referred to in Section 9.01. The Administrative Agent will promptly distribute to each Lender its ratable share of each such payment received by the Administrative Agent for the account of the Lenders. Whenever any payment of principal of or interest on the Base Rate Loans or Letter of Credit Liabilities or of fees shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day. Whenever any payment of principal of or interest on the Euro-Dollar Loans shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(b) Distributions by the Administrative Agent. Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date, and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent that the Borrower shall not have so made such payment, each Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate.

Section 2.12. Funding Losses. If the Borrower makes any payment of principal with respect to any Euro-Dollar Loan pursuant to the terms and provisions of this Agreement (any conversion of a Euro-Dollar Loan to a Base Rate Loan pursuant to Section 2.18 being treated as a payment of such Euro-Dollar Loan on the date of conversion for purposes of this Section 2.12) on any day other than the last day of the Interest Period applicable thereto, or the last day of an applicable period fixed pursuant to Section 2.06(c), or if the Borrower fails to borrow, convert or prepay any Euro-Dollar Loan after notice has been given in accordance with the provisions of this Agreement, or in the event of payment in respect of any Euro-Dollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.08(b), the Borrower shall reimburse each Lender within fifteen (15) days after demand for any resulting loss or expense incurred by it (and by an existing Participant in the related Loan), including, without limitation, any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or failure to borrow or prepay; provided, that such Lender shall have delivered to the Borrower a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

Section 2.13. Computation of Interest and Fees. Interest on Loans based on the Prime Rate hereunder and Letter of Credit Fees shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed. All other interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

Section 2.14. Basis for Determining Interest Rate Inadequate, Unfair or Unavailable. If on or prior to the first day of any Interest Period for any Euro-Dollar Loan: (a) Lenders having 50% or more of the aggregate amount of the Commitments advise the Administrative Agent that the Adjusted London Interbank Offered Rate as determined by the Administrative Agent, will not adequately and fairly reflect the cost to such Lenders of funding their Euro-Dollar Loans for such Interest Period; or (b) the Administrative Agent shall determine that no reasonable means exists for determining the Adjusted London Interbank Offered Rate, the Administrative Agent shall forthwith give notice thereof to the Borrower and the Lenders, whereupon, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such suspension no longer exist, (i) the obligations of the Lenders to make Euro-Dollar Loans, or to convert outstanding Loans into Euro-Dollar Loans shall be suspended; and (ii) each outstanding Euro-Dollar Loan shall be converted into a Base Rate Loan on the last day of the current Interest Period applicable thereto. Unless the

Borrower notifies the Administrative Agent at least two (2) Domestic Business Days before the date of (or, if at the time the Borrower receives such notice the day is the date of, or the date immediately preceding, the date of such Euro-Dollar Borrowing, by 10:00 A.M. on the date of) any Euro-Dollar Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, such Borrowing shall instead be made as a Base Rate Borrowing.

Section 2.15. Illegality. If, on or after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Euro-Dollar Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Lender (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans and such Lender shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Lenders and the Borrower, whereupon until such Lender notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Lender to make Euro-Dollar Loans, or to convert outstanding Loans into Euro-Dollar Loans, shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Lender shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender. If such notice is given, each Euro-Dollar Loan of such Lender then outstanding shall be converted to a Base Rate Loan either (i) on the last day of the then current Interest Period applicable to such Euro-Dollar Loan if such Lender may lawfully continue to maintain and fund such Loan to such day or (ii) immediately if such Lender shall determine that it may not lawfully continue to maintain and fund such Loan to such day.

Section 2.16. Increased Cost and Reduced Return.

(a) Increased Costs. If after the Effective Date, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System), special deposit, insurance assessment or similar requirement against Letters of Credit issued or participated in by, assets of, deposits with or for the account of or credit extended by, any Lender (or its Applicable Lending Office) or shall impose on any Lender (or its Applicable Lending Office) or on the United States market for certificates of deposit or the London interbank market any other condition affecting its Euro-Dollar Loans, Notes, obligation to make Euro-Dollar Loans or obligations hereunder in respect of Letters of Credit, and the result of any of the foregoing is to increase the cost to such Lender (or its Applicable Lending Office) of making or maintaining any Euro-Dollar Loan, or of issuing or participating in any Letter of Credit, or to reduce the amount of any sum received or receivable by such Lender (or its Applicable Lending Office) under this Agreement or under its Notes with respect thereto, then, within fifteen (15) days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts, as determined by such Lender in good faith, as will compensate such Lender for such increased cost or reduction, solely to the extent that any such additional amounts were incurred by the Lender within ninety (90) days of such demand.

(b) Capital Adequacy. If any Lender shall have determined that, after the Effective Date, the adoption of any applicable law, rule or regulation regarding capital adequacy or liquidity, or any change in any such law, rule or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Lender (or any Person controlling such Lender) as a consequence of such Lender's obligations hereunder to a level below that which such Lender (or any Person controlling such Lender) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy), then from time to time, within fifteen (15) days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender (or any Person controlling such Lender) for such reduction, solely to the extent that any such additional amounts were incurred by the Lender within ninety (90) days of such demand.

(c) Notices. Each Lender will promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge, occurring after the Effective Date, that will entitle such Lender to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender. A certificate of any Lender claiming compensation under this Section and setting forth in reasonable detail the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Lender may use any reasonable averaging and attribution methods.

(d) Notwithstanding anything to the contrary herein, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "change in law" under this Article II regardless of the date enacted, adopted or issued.

Section 2.17. Taxes.

(a) Payments Net of Certain Taxes. Any and all payments by the Borrower to or for the account of any Lender or any Agent hereunder or under any other Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges and withholdings and all liabilities with respect thereto, excluding: (i) taxes imposed on or measured by the net income (including branch profits or similar taxes) of, and gross receipts, franchise or similar taxes imposed on, any Agent or any Lender by the jurisdiction (or subdivision thereof) under the laws of which such Lender or Agent is organized or in which its principal executive office is located or, in the case of each Lender, in which its Applicable Lending Office is located, (ii) in the case of each Lender, any United States withholding tax imposed on such payments, but only to the extent that such Lender is subject to United States withholding tax at the time such Lender first becomes a party to this Agreement or changes its Applicable Lending Office, (iii) any backup withholding tax imposed by the United States (or any state or locality thereof) on a Lender or Administrative Agent that is a "United States person" within the meaning of Section 7701(a)(30) of the Internal Revenue Code, and (iv) any taxes imposed by FATCA (all such nonexcluded taxes, duties, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any other Loan Document to any Lender or any Agent, (i) the sum payable shall be increased as necessary so that after making all such required deductions (including deductions applicable to additional sums payable under this Section 2.17(a)) such Lender or Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) the Borrower shall furnish to the Administrative Agent, for delivery to such Lender, the original or a certified copy of a receipt evidencing payment thereof.

(b) Other Taxes. In addition, the Borrower agrees to pay any and all present or future stamp or court or documentary taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to this Agreement, any Note or any other Loan Document or from the execution, delivery, performance, registration or enforcement of, or otherwise with respect to, this Agreement, any Note or any other Loan Document (collectively, "Other Taxes").

(c) Indemnification. The Borrower agrees to indemnify each Lender and each Agent for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 2.17(c)), whether or not correctly or legally asserted, paid by such Lender or Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto as certified in good faith to the Borrower by each Lender or Agent seeking indemnification pursuant to this Section 2.17(c). This indemnification shall be paid within 15 days after such Lender or Agent (as the case may be) makes demand therefor.

(d) Refunds or Credits. If a Lender or Agent receives a refund, credit or other reduction from a taxation authority for any Taxes or Other Taxes for which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.17, it shall within fifteen (15) days from the date of such receipt pay over the amount of such refund, credit or other reduction to the Borrower (but only to the extent of indemnity payments made or additional amounts paid by the Borrower under this Section 2.17 with respect to the Taxes or Other Taxes giving rise to such refund, credit or other reduction), net of all reasonable out-of-pocket expenses of such Lender or Agent (as the case may be) and without interest (other than interest paid by the relevant taxation authority with respect to such refund, credit or other reduction); provided, however, that the Borrower agrees to repay, upon the request of such Lender or Agent (as the case may be), the amount paid over to the Borrower (plus penalties, interest or other charges) to such Lender or Agent in the event such Lender or Agent is required to repay such refund or credit to such taxation authority.

(e) Tax Forms and Certificates . On or before the date it becomes a party to this Agreement, from time to time thereafter if reasonably requested by the Borrower or the Administrative Agent, and at any time it changes its Applicable Lending Office: (i) each Lender that is a "United States person" within the meaning of Section 7701(a)(30) of the Internal Revenue Code shall deliver to the Borrower and the Administrative Agent two (2) properly completed and duly executed copies of Internal Revenue Service Form W-9, or any successor form prescribed by the Internal Revenue Service, or such other documentation or information prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent, as the case may be, certifying that such Lender is a United States person and is entitled to an exemption from United States backup withholding tax or information reporting requirements; and (ii) each Lender that is not a "United States person" within the meaning of Section 7701(a)(30) of the Internal Revenue Code (a " Non-U.S. Lender ") shall deliver to the Borrower and the Administrative Agent: (A) two (2) properly completed and duly executed copies of Internal Revenue Service Form W-8 BEN, or any successor form prescribed by the Internal Revenue Service, certifying that such Non-U.S. Lender is entitled to the benefits under an income tax treaty to which the United States is a party which exempts the Non-U.S. Lender from United States withholding tax or reduces the rate of withholding tax on payments of interest for the account of such Non-U.S. Lender; (B) two (2) properly completed and duly executed copies of Internal Revenue Service Form W-8 ECI, or any successor form prescribed by the Internal Revenue Service, certifying that the income receivable pursuant to this Agreement and the other Loan Documents is effectively connected with the conduct of a trade or business in the United States; or (C) two (2) properly completed and duly executed copies of Internal Revenue Service Form W-8 BEN, or any successor form prescribed by the Internal Revenue Service, together with a certificate to the effect that (x) such Non-U.S. Lender is not (1) a "bank" within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code, (2) a "10-percent shareholder" of the Borrower within the meaning of Section 871(h)(3)(B) of the Internal Revenue Code, or (3) a "controlled foreign corporation" that is described in Section 881(c)(3)(C) of the Internal Revenue Code and is related to the Borrower within the meaning of Section 864(d)(4) of the Internal Revenue Code and (y) the interest payments in question are not effectively connected with a U.S. trade or business conducted by such Non-U.S. Lender or are effectively connected but are not includible in the Non-U.S. Lender's gross income for United States federal income tax purposes under an income tax treaty to which the United States is a party; or (D) to the extent the Non-U.S. Lender is not the beneficial owner, two (2) properly completed and duly executed copies of Internal Revenue Service Form W-8 IMY, or any successor form prescribed by the Internal Revenue Service, accompanied by an Internal Revenue Service Form W-8 ECI, W-8 BEN, W-9, and/or other certification documents from each beneficial owner, as applicable. If a payment made to a Lender under any Loan Document would be subject to U.S. Federal withholding tax imposed by FATCA if such Lender fails to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Internal Revenue Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Internal Revenue Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (e), "FATCA" shall include any amendments made to FATCA after the date of this Agreement. In addition, each Lender agrees that from time to time after the Effective Date, when a lapse in time or change in circumstances renders the previous certification obsolete or inaccurate in any material respect, it will deliver to the Borrower and the Administrative Agent two new accurate and complete signed originals of Internal Revenue Service Form W-9, W-8 BEN, W-8 ECI or W-8 IMY or FATCA-related documentation described above, or successor forms, as the case may be, and such other forms as may be required in order to confirm or establish the entitlement of such Lender to a continued exemption from or reduction in United States withholding tax with respect to payments under this Agreement and any other Loan Document, or it shall immediately notify the Borrower and the Administrative Agent of its inability to deliver any such Form or certificate.

(f) Exclusions . The Borrower shall not be required to indemnify any Non-U.S. Lender, or to pay any additional amount to any Non-U.S. Lender, pursuant to Section 2.17(a) , (b) or (c) in respect of Taxes or Other Taxes to the extent that the obligation to indemnify or pay such additional amounts would not have arisen but for the failure of such Non-U.S. Lender to comply with the provisions of subsection (e) above.

(g) Mitigation . If the Borrower is required to pay additional amounts to or for the account of any

Lender pursuant to this Section 2.17, then such Lender will use reasonable efforts (which shall include efforts to rebook the Revolving Loans held by such Lender to a new Applicable Lending Office, or through another branch or affiliate of such Lender) to change the jurisdiction of its Applicable Lending Office if, in the good faith judgment of such Lender, such efforts (i) will eliminate or, if it is not possible to eliminate, reduce to the greatest extent possible any such additional payment which may thereafter accrue and (ii) is not otherwise disadvantageous, in the sole determination of such Lender, to such Lender. Any Lender claiming any indemnity payment or additional amounts payable pursuant to this Section shall use reasonable efforts (consistent with legal and regulatory restrictions) to deliver to Borrower any certificate or document reasonably requested in writing by the Borrower or to change the jurisdiction of its Applicable Lending Office if the making of such a filing or change would avoid the need for or reduce the amount of any such indemnity payment or additional amounts that may thereafter accrue and would not, in the sole determination of such Lender, be otherwise disadvantageous to such Lender.

(h) Confidentiality. Nothing contained in this Section shall require any Lender or any Agent to make available any of its tax returns (or any other information that it deems to be confidential or proprietary).

Section 2.18. Base Rate Loans Substituted for Affected Euro-Dollar Loans. If (a) the obligation of any Lender to make or maintain, or to convert outstanding Loans to, Euro-Dollar Loans has been suspended pursuant to Section 2.15 or (b) any Lender has demanded compensation under Section 2.16(a) with respect to its Euro-Dollar Loans and, in any such case, the Borrower shall, by at least four Business Days' prior notice to such Lender through the Administrative Agent, have elected that the provisions of this Section shall apply to such Lender, then, unless and until such Lender notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer apply:

(i) all Loans which would otherwise be made by such Lender as (or continued as or converted into) Euro-Dollar Loans shall instead be Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans of the other Lenders); and

(ii) after each of its Euro-Dollar Loans has been repaid, all payments of principal that would otherwise be applied to repay such Loans shall instead be applied to repay its Base Rate Loans.

If such Lender notifies the Borrower that the circumstances giving rise to such notice no longer apply, the principal amount of each such Base Rate Loan shall be converted into a Euro-Dollar Loan on the first day of the next succeeding Interest Period applicable to the related Euro-Dollar Loans of the other Lenders.

Section 2.19. Increases to the Commitment.

(a) Subject to the terms and conditions of this Agreement, the Borrower may, during the Availability Period by delivering to the Administrative Agent and the Lenders a Notice of Revolving Increase in the form of Exhibit E, request increases to the Lenders' Commitments (each such request, an "Optional Increase"); provided that: (i) the Borrower may not request any increase to the Commitments after the occurrence and during the continuance of a Default; (ii) each Optional Increase shall be in a minimum amount of $50,000,000 and (iii) the aggregate amount of all Optional Increases shall be no more than $500,000,000.

(b) Each Lender may, but shall not be obligated to, participate in any Optional Increase, subject to the approval of the Issuing Lenders and the Swingline Lender (such approval not to be unreasonably withheld), and the decision of any Lender to commit to an Optional Increase shall be at such Lender's sole discretion and shall be made in writing. The Borrower may, at its own expense, solicit additional Commitments from third party financial institutions reasonably acceptable to the Administrative Agent, the Swingline Lender and the Issuing Lender. Any such financial institution (if not already a Lender hereunder) shall become a party to this Agreement as a Lender, pursuant to a joinder agreement in form and substance reasonably satisfactory to the Administrative Agent and the Borrower.

(c) As a condition precedent to the Optional Increase, the Borrower shall deliver to the Administrative Agent a certificate of the Borrower dated the effective date of the Optional Increase, signed by a Responsible Officer of the Borrower, certifying that: (i) the resolutions adopted by the Borrower approving or consenting to such Optional Increase are attached thereto and such resolutions are true and correct and have not been altered, amended or repealed and are in full force and effect and (ii) before and after giving effect to the Optional Increase, (A) the representations and warranties contained in Article V and the other Loan Documents are true and correct in all material respects on and as of the effective date of the Optional Increase, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and (B) that no Default exists, is continuing, or would result from the Optional Increase.

(d) The Revolving Outstandings will be reallocated by the Administrative Agent on the effective date of any Optional Increase among the Lenders in accordance with their revised Commitment Ratios, and the Borrower hereby agrees to pay any and all costs (if any) required pursuant to Section 2.12 incurred by any Lender in connection with the exercise of the Optional Increase.

Section 2.20. Defaulting Lenders .

(a) Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(i) fees shall cease to accrue on the unfunded portion of the Commitment of such Defaulting Lender pursuant to Section 2.07(a);

(ii) with respect to any Letter of Credit Liabilities or Swingline Exposure of such Defaulting Lender that exists at the time a Lender becomes a Defaulting Lender or thereafter:

(A) all or any part of such Defaulting Lender's Letter of Credit Liabilities and its Swingline Exposure shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Commitment Ratios (calculated without regard to such Defaulting Lender's Commitment) but only to the extent that (x) the conditions set forth in Section 4.02 are satisfied at such time and (y) such reallocation does not cause the Revolving Outstandings of any Non-Defaulting Lender to exceed such Non-Defaulting Lender's Commitment;

(B) if the reallocation described in clause (ii)(A) above cannot, or can only partially, be effected, each Issuing Lender and the Swingline Lender, in its discretion may require the Borrower to (i) reimburse all amounts paid by an Issuing Lender upon any drawing under a Letter of Credit, (ii) repay an outstanding Swingline Loan, and/or (iii) cash collateralize (in accordance with Section 2.09(a)(ii)) all obligations of such Defaulting Lender in respect of outstanding Letters of Credit and Swingline Loans, in each case, in an amount at least equal to the aggregate amount of the obligations (contingent or otherwise) of such Defaulting Lender in respect of such Letters of Credit or Swingline Loans (after giving effect to any partial reallocation pursuant to Section 2.20(a)(ii)(A) above);

(iii) if the Borrower cash collateralizes any portion of such Defaulting Lender's pursuant to Section 2.20(a)(ii)(B) then the Borrower shall not be required to pay any fees to such Defaulting Lender pursuant to Section 2.07(b) with respect to such Defaulting Lender's Letter of Credit Liabilities during the period such Defaulting Lender's Letter of Credit Liabilities are cash collateralized;

(iv) if the Letter of Credit Liabilities and/or Swingline Exposure of the Non-Defaulting Lenders is reallocated pursuant to Section 2.20(a)(ii)(A) above, then the fees payable to the Lenders pursuant to Section 2.07(a) and Section 2.07(b) shall be adjusted in accordance with such Non-Defaulting Lenders' Commitment Ratios (calculated without regard to such Defaulting Lender's Commitment); and

(v) if any Defaulting Lender's Letter of Credit Liabilities and/or Swingline Exposure is neither reimbursed, repaid, cash collateralized nor reallocated pursuant to this Section 2.20(a)(ii), then, without prejudice to any rights or remedies of the Issuing Lenders, the Swingline Lender or any other Lender hereunder, all fees that otherwise would have been payable to such Defaulting Lender (solely with respect to the portion of such Defaulting Lender's Commitment that was utilized by such Letter of Credit Liabilities and/or Swingline Exposure) and letter of credit fees payable under Section 2.07(b) with respect to such Defaulting Lender's Letter of Credit Liabilities shall be payable to the Issuing Lenders and the Swingline Lender, pro rata, until such Letter of Credit Liabilities and/or Swingline Exposure is cash collateralized, reallocated and/or repaid in full.

(b) So long as any Lender is a Defaulting Lender, (i) no Issuing Lender shall be required to issue, amend or increase any Letter of Credit, unless it is satisfied that the related exposure will be 100% covered by the Commitments of the Non-Defaulting Lenders and/or cash collateral will be provided by the Borrower in accordance with Section 2.20(a), and participating interests in any such newly issued or increased Letter of Credit shall be allocated among Non-Defaulting Lenders in a manner consistent with Section 3.05 (and Defaulting Lenders shall not participate therein) and (ii) the Swingline Lender shall not be required to advance any Swingline Loan, unless it is satisfied that the related exposure will be 100% covered by the Commitments of the Non-Defaulting Lenders.

ARTICLE III
LETTERS OF CREDIT

Section 3.01. Issuing Lenders. Subject to the terms and conditions hereof, the Borrower may from time to time identify and arrange for one or more of the Lenders (in addition to the JLA Issuing Banks) to act as Issuing Lenders hereunder. Any such designation by the Borrower shall be notified to the Administrative Agent at least four Business Days prior to the first date upon which the Borrower proposes that such Issuing Lender issue its first Letter of Credit, so as to provide adequate time for such proposed Issuing Lender to be approved by the Administrative Agent hereunder (such approval not to be unreasonably withheld). Within two Business Days following the receipt of any such designation of a proposed Issuing Lender, the Administrative Agent shall notify the Borrower as to whether such designee is acceptable to the Administrative Agent. Nothing contained herein shall be deemed to require any Lender (other than a JLA Issuing Bank) to agree to act as an Issuing Lender, if it does not so desire.

Section 3.02. Letters of Credit.

(a) Existing Letters of Credit. On the Effective Date, each Issuing Lender under the Existing Credit Agreement (as defined therein) that has issued an Existing Letter of Credit shall be deemed, without further action by any party to this Agreement, to have issued such Existing Letter of Credit under this Agreement pursuant to the terms and subject to the conditions of this Article III; provided, that immediately after each Letter of Credit is deemed to have been issued, the aggregate Revolving Outstandings shall not exceed the aggregate amount of the Commitments.

(b) Additional Letters of Credit. Each Issuing Lender agrees, on the terms and conditions set forth in this Agreement, to issue Letters of Credit from time to time before the fifth day prior to the Termination Date, for the account, and upon the request, of the Borrower and in support of such obligations of the Borrower or any Affiliate of the Borrower (other than PPL Electric Utilities Corporation) that are reasonably acceptable to such Issuing Lender; provided, that immediately after each Letter of Credit is issued, (A) the aggregate Revolving Outstandings shall not exceed the aggregate amount of the Commitments and (B) the aggregate fronting exposure of any Issuing Lender shall not exceed its Fronting Sublimit.

Section 3.03. Method of Issuance of Additional Letters of Credit. The Borrower shall give an Issuing Lender notice substantially in the form of Exhibit A-3 to this Agreement (a "Letter of Credit Request") of the requested issuance or extension of an Additional Letter of Credit prior to 1:00 P.M. (Charlotte, North Carolina time) on the proposed date of the issuance or extension of Additional Letters of Credit (which shall be a Business Day) (or such shorter period as may be agreed by such Issuing Lender in any particular instance), specifying the date such Letter of Credit is to be issued or extended and describing the terms of such Letter of Credit and the nature of the transactions to be supported thereby. The extension or renewal of any Letter of Credit shall be deemed to be an issuance of such Letter of Credit, and if any Letter of Credit contains a provision pursuant to which it is deemed to be extended unless notice of termination is given by an Issuing Lender, such Issuing Lender shall timely give such notice of termination unless it has theretofore timely received a Letter of Credit Request and the other conditions to issuance of a Letter of Credit have theretofore been met with respect to such extension. No Letter of Credit shall have a term of more than one year, provided, that no Letter of Credit shall have a term extending or be so extendible beyond the fifth Business Day before the Termination Date.

Section 3.04. Conditions to Issuance of Letters of Credit. The issuance by an Issuing Lender of each Additional Letter of Credit shall, in addition to the conditions precedent set forth in Article IV, be subject to the conditions precedent that (i) such Letter of Credit shall be satisfactory in form and substance to such Issuing Lender, (ii) the Borrower and, if applicable, any such Affiliate of the Borrower, shall have executed and delivered such other instruments and agreements relating to such Letter of Credit as such Issuing Lender shall have reasonably requested and (iii) such Issuing Lender shall have confirmed on the date of (and after giving effect to) such issuance that (A) the aggregate Revolving Outstandings will not exceed the aggregate amount of the Commitments and (B) the aggregate fronting exposure of any Issuing Lender shall not exceed the Fronting Sublimit. Notwithstanding any other provision of this Section 3.04, no Issuing Lender shall be under any obligation to issue any Additional Letter of Credit if: any order, judgment or decree of any governmental authority shall by its terms purport to enjoin or restrain such Issuing Lender from issuing such Additional Letter of Credit, or any requirement of law applicable to such Issuing Lender or any request or directive (whether or not having the force of law) from any governmental authority with jurisdiction over such Issuing Lender shall prohibit, or request that such Issuing Lender refrain from, the issuance of letters of credit generally or such Additional Letter of Credit in particular or shall impose upon such Issuing Lender with respect to such Additional Letter of Credit any restriction, reserve or capital requirement (for which such Issuing Lender is not otherwise compensated hereunder) not in effect on the Effective Date, or shall impose upon such Issuing Lender any unreimbursed loss, cost or expense which was not applicable on the Effective Date and which such Issuing Lender in good faith deems material to it.

Section 3.05. Purchase and Sale of Letter of Credit Participations. Upon the issuance by an Issuing Lender of a Letter of Credit, such Issuing Lender shall be deemed, without further action by any party hereto, to have sold to each Lender, and each Lender shall be deemed, without further action by any party hereto, to have purchased from such Issuing Lender, without recourse or warranty, an undivided participation interest in such Letter of Credit and the related Letter of Credit Liabilities in accordance with its respective Commitment Ratio (although the Fronting Fee payable under Section 2.07(b) shall be payable directly to the Administrative Agent for the account of the applicable Issuing Lender, and the Lenders (other than such Issuing Lender) shall have no right to receive any portion of any such Fronting Fee) and any security therefor or guaranty pertaining thereto.

Section 3.06. Drawings under Letters of Credit. Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the applicable Issuing Lender shall determine in accordance with the terms of such Letter of Credit whether such drawing should be honored. If such Issuing Lender determines that any such drawing shall be honored, such Issuing Lender shall make available to such beneficiary in accordance with the terms of such Letter of Credit the amount of the drawing and shall notify the Borrower as to the amount to be paid as a result of such drawing and the payment date.

Section 3.07. Reimbursement Obligations. The Borrower shall be irrevocably and unconditionally obligated forthwith to reimburse the applicable Issuing Lender for any amounts paid by such Issuing Lender upon any drawing under any Letter of Credit, together with any and all reasonable charges and expenses which such Issuing Lender may pay or incur relative to such drawing and interest on the amount drawn at the rate applicable to Base Rate Loans for each day from and including the date such amount is drawn to but excluding the date such reimbursement payment is due and payable. Such reimbursement payment shall be due and payable (i) at or before 1:00 P.M. (Charlotte, North Carolina time) on the date the applicable Issuing Lender notifies the Borrower of such drawing, if such notice is given at or before 10:00 A.M. (Charlotte, North Carolina time) on such date or (ii) at or before 10:00 A.M. (Charlotte, North Carolina time) on the next succeeding Business Day; provided, that no payment otherwise required by this sentence to be made by the Borrower at or before 1:00 P.M. (Charlotte, North Carolina time) on any day shall be overdue hereunder if arrangements for such payment satisfactory to the applicable Issuing Lender, in its reasonable discretion, shall have been made by the Borrower at or before 1:00 P.M. (Charlotte, North Carolina time) on such day and such payment is actually made at or before 3:00 P.M. (Charlotte, North Carolina time) on such day. In addition, the Borrower agrees to pay to the applicable Issuing Lender interest, payable on demand, on any and all amounts not paid by the Borrower to such Issuing Lender when due under this Section 3.07, for each day from and including the date when such amount becomes due to but excluding the date such amount is paid in full, whether before or after judgment, at a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate Loans for such day. Each payment to be made by the Borrower pursuant to this Section 3.07 shall be made to the applicable Issuing Lender in Federal or other funds immediately available to it at its address referred to Section 9.01.

Section 3.08. Duties of Issuing Lenders to Lenders; Reliance. In determining whether to pay under any Letter of Credit, the relevant Issuing Lender shall not have any obligation relative to the Lenders participating in such Letter of Credit or the related Letter of Credit Liabilities other than to determine that any document or documents required to be delivered under such Letter of Credit have been delivered and that they substantially comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by an Issuing Lender under or in connection with any Letter of Credit shall not create for such Issuing Lender any resulting liability if taken or omitted in the absence of gross negligence or willful misconduct. Each Issuing Lender shall be entitled (but not obligated) to rely, and shall be fully protected in relying, on the representation and warranty by the Borrower set forth in the last sentence of Section 4.02 to establish whether the conditions specified in clauses (b) and (c) of Section 4.02 are met in connection with any issuance or extension of a Letter of Credit. Each Issuing Lender shall be entitled to rely, and shall be fully protected in relying, upon advice and statements of legal counsel, independent accountants and other experts selected by such Issuing Lender and upon any Letter of Credit, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopier, telex or teletype message, statement, order or other document believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary unless the beneficiary and the Borrower shall have notified such Issuing Lender that such documents do not comply with the terms and conditions of the Letter of Credit. Each Issuing Lender shall be fully justified in refusing to take any action requested of it under this Section in respect of any Letter of Credit unless it shall first have received such advice or concurrence of the Required Lenders as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take, or omitting or continuing to omit, any such action. Notwithstanding any other provision of this Section, each Issuing Lender shall in all cases be fully protected in acting, or in refraining from acting, under this Section in respect of any Letter of Credit in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant hereto shall be binding upon all Lenders and all future holders of participations in such Letter of Credit; provided, that this sentence shall not affect any rights the Borrower may have against any Issuing Lender or the Lenders that make such request.

Section 3.09. Obligations of Lenders to Reimburse Issuing Lender for Unpaid Drawings. If any Issuing Lender makes any payment under any Letter of Credit and the Borrower shall not have reimbursed such amount in full to such Issuing Lender pursuant to Section 3.07, such Issuing Lender shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify each Lender (other than the relevant Issuing Lender), and each such Lender shall promptly and unconditionally pay to the Administrative Agent, for the account of such Issuing Lender, such Lender's share of such payment (determined in accordance with its respective Commitment Ratio) in Dollars in Federal or other immediately available funds, the aggregate of such payments relating to each unreimbursed amount being referred to herein as a "Mandatory Letter of Credit Borrowing"; provided, however, that no Lender shall be obligated to pay to the Administrative Agent its pro rata share of such unreimbursed amount for any wrongful payment made by the relevant Issuing Lender under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence by such Issuing Lender. If the Administrative Agent so notifies a Lender prior to 11:00 A.M. (Charlotte, North Carolina time) on any Business Day, such Lender shall make available to the Administrative Agent at its address referred to in Section 9.01 and for the account of the relevant Issuing Lender such Lender's pro rata share of the amount of such payment by 3:00 P.M. (Charlotte, North Carolina time) on the Business Day following such Lender's receipt of notice from the Administrative Agent, together with interest on such amount for each day from and including the date of such drawing to but excluding the day such payment is due from such Lender at the Federal Funds Rate for such day (which funds the Administrative Agent shall promptly remit to such Issuing Lender). The failure of any Lender to make available to the Administrative Agent for the account of an Issuing Lender its pro rata share of any unreimbursed drawing under any Letter of Credit shall not relieve any other Lender of its obligation hereunder to make available to the Administrative Agent for the account of such Issuing Lender its pro rata share of any payment made under any Letter of Credit on the date required, as specified above, but no such Lender shall be responsible for the failure of any other Lender to make available to the Administrative Agent for the account of such Issuing Lender such other Lender's pro rata share of any such payment. Upon payment in full of all amounts payable by a Lender under this Section 3.09, such Lender shall be subrogated to the rights of the relevant Issuing Lender against the Borrower to the extent of such Lender's pro rata share of the related Letter of Credit Liabilities (including interest accrued thereon). If any Lender fails to pay any amount required to be paid by it pursuant to this Section 3.09 on the date on which such payment is due, interest shall accrue on such Lender's obligation to make such payment, for each day from and including the date such payment became due to but excluding the date such Lender makes such payment, whether before or after judgment, at a rate per annum equal to (i) for each day from the date such payment is due to the third succeeding Business Day, inclusive, the Federal Funds Rate for such day as determined by the relevant Issuing Lender and (ii) for each day thereafter, the sum of 2% plus the rate applicable to its Base Rate Loans for such day. Any payment made by any Lender after 3:00 P.M. (Charlotte, North Carolina time) on any Business Day shall be deemed for purposes of the preceding sentence to have been made on the next succeeding Business Day.

Section 3.10. Funds Received from the Borrower in Respect of Drawn Letters of Credit. Whenever an Issuing Lender receives a payment of a Reimbursement Obligation as to which the Administrative Agent has received for the account of such Issuing Lender any payments from the other Lenders pursuant to Section 3.09 above, such Issuing Lender shall pay the amount of such payment to the Administrative Agent, and the Administrative Agent shall promptly pay to each Lender which has paid its pro rata share thereof, in Dollars in Federal or other immediately available funds, an amount equal to such Lender's pro rata share of the principal amount thereof and interest thereon for each day after relevant date of payment at the Federal Funds Rate.

Section 3.11. Obligations in Respect of Letters of Credit Unconditional. The obligations of the Borrower under Section 3.07 above shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) any lack of validity or enforceability of this Agreement or any Letter of Credit or any document related hereto or thereto;

(b) any amendment or waiver of or any consent to departure from all or any of the provisions of this Agreement or any Letter of Credit or any document related hereto or thereto;

(c) the use which may be made of the Letter of Credit by, or any acts or omission of, a beneficiary of a Letter of Credit (or any Person for whom the beneficiary may be acting);

(d) the existence of any claim, set-off, defense or other rights that the Borrower may have at any time against a beneficiary of a Letter of Credit (or any Person for whom the beneficiary may be acting), any Issuing Lender or any other Person, whether in connection with this Agreement or any Letter of Credit or any document related hereto or thereto or any unrelated transaction;

(e) any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(f) payment under a Letter of Credit against presentation to an Issuing Lender of a draft or certificate that does not comply with the terms of such Letter of Credit; provided, that the relevant Issuing Lender's determination that documents presented under such Letter of Credit comply with the terms thereof shall not have constituted gross negligence or willful misconduct of such Issuing Lender; or

(g) any other act or omission to act or delay of any kind by any Issuing Lender or any other Person or any other event or circumstance whatsoever that might, but for the provisions of this subsection (g), constitute a legal or equitable discharge of the Borrower's obligations hereunder.

Nothing in this Section 3.11 is intended to limit the right of the Borrower to make a claim against any Issuing Lender for damages as contemplated by the proviso to the first sentence of Section 3.12.

Section 3.12. Indemnification in Respect of Letters of Credit. The Borrower hereby indemnifies and holds harmless each Lender (including each Issuing Lender) and the Administrative Agent from and against any and all claims, damages, losses, liabilities, costs or expenses which such Lender or the Administrative Agent may incur by reason of or in connection with the failure of any other Lender to fulfill or comply with its obligations to such Issuing Lender hereunder (but nothing herein contained shall affect any rights which the Borrower may have against such defaulting Lender), and none of the Lenders (including any Issuing Lender) nor the Administrative Agent, their respective affiliates nor any of their respective officers, directors, employees or agents shall be liable or responsible, by reason of or in connection with the execution and delivery or transfer of or payment or failure to pay under any Letter of Credit, including, without limitation, any of the circumstances enumerated in Section 3.11, as well as (i) any error, omission, interruption or delay in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, (ii) any error in interpretation of technical terms, (iii) any loss or delay in the transmission of any document required in order to make a drawing under a Letter of Credit, (iv) any consequences arising from causes beyond the control of such indemnitee, including without limitation, any government acts, or (v) any other circumstances whatsoever in making or failing to make payment under such Letter of Credit; provided, that the Borrower shall not be required to indemnify any Issuing Lender for any claims, damages, losses, liabilities, costs or expenses, and the Borrower shall have a claim against such Issuing Lender for direct (but not consequential) damages suffered by it, to the extent found by a court of competent jurisdiction in a final, non-appealable judgment or order to have been caused by (i) the willful misconduct or gross negligence of such Issuing Lender in determining whether a request presented under any Letter of Credit issued by it complied with the terms of such Letter of Credit or (ii) such Issuing Lender's failure to pay under any Letter of Credit issued by it after the presentation to it of a request strictly complying with the terms and conditions of such Letter of Credit. Nothing in this Section 3.12 is intended to limit the obligations of the Borrower under any other provision of this Agreement.

Section 3.13. ISP98. The rules of the "International Standby Practices 1998" as published by the International Chamber of Commerce most recently at the time of issuance of any Letter of Credit shall apply to such Letter of Credit unless otherwise expressly provided in such Letter of Credit.

ARTICLE IV
CONDITIONS

Section 4.01. Conditions to Closing. The obligation of each Lender to make a Loan or issue a Letter of Credit on the occasion of the first Credit Event hereunder is subject to the satisfaction of the following conditions:

(a) This Agreement. The Administrative Agent shall have received counterparts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Administrative Agent in form satisfactory to it of telegraphic, telex, facsimile or other written confirmation from such party of execution of a counterpart hereof by such party) to be held in escrow and to be delivered to the Borrower upon satisfaction of the other conditions set forth in this Section 4.01.

(b) Notes. On or prior to the Effective Date, the Administrative Agent shall have received a duly executed Note for the account of each Lender requesting delivery of a Note pursuant to Section 2.05.

(c) Officers' Certificates. The Administrative Agent shall have received a certificate dated the Effective Date signed on behalf of the Borrower by the Chairman of the Board, the President, any Vice President, the Treasurer or the Assistant Treasurer of the Borrower stating that (A) on the Effective Date and after giving effect to the Loans and Letters of Credit being made or issued on the Effective Date, no Default shall have occurred and be continuing and (B) the representations and warranties of the Borrower contained in the Loan Documents are true and correct on and as of the Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they were true and correct as of such earlier date.

(d) Proceedings. On the Effective Date, the Administrative Agent shall have received (i) a certificate of the Secretary of State of the State of Delaware, dated as of a recent date, as to the good standing of the Borrower and (ii) a certificate of the Secretary or an Assistant Secretary of the Borrower dated the Effective Date and certifying (A) that attached thereto is a true, correct and complete copy of (x) the Borrower's certificate of formation certified by the Secretary of State of the State of Delaware and (y) the limited liability company agreement of the Borrower, (B) as to the absence of dissolution or liquidation proceedings by or against the Borrower, (C) that attached thereto is a true, correct and complete copy of resolutions adopted by the managers of the Borrower authorizing the execution, delivery and performance of the Loan Documents to which the Borrower is a party and each other document delivered in connection herewith or therewith and that such resolutions have not been amended and are in full force and effect on the date of such certificate and (D) as to the incumbency and specimen signatures of each officer of the Borrower executing the Loan Documents to which the Borrower is a party or any other document delivered in connection herewith or therewith.

(e) Opinions of Counsel. On the Effective Date, the Administrative Agent shall have received from counsel to the Borrower, opinions addressed to the Administrative Agent and each Lender, dated the Effective Date, substantially in the form of Exhibit D hereto.

(f) [Intentionally Omitted]

(g) Consents. All necessary governmental (domestic or foreign), regulatory and third party approvals, if any, in connection with the transactions contemplated by this Agreement and the other Loan Documents shall have been obtained and remain in full force and effect, in each case without any action being taken by any competent authority which could restrain or prevent such transaction or impose, in the reasonable judgment of the Administrative Agent, materially adverse conditions upon the consummation of such transactions; provided, that any such approvals with respect to elections by the Borrower to increase the Commitment as contemplated by Section 2.19 need not be obtained or provided until the Borrower makes any such election.

(h) Payment of Fees. All costs, fees and expenses due to the Administrative Agent, the Joint Lead Arrangers and the Lenders accrued through the Effective Date (including Commitment Fees and Letter of Credit Fees) shall have been paid in full.

(i) Counsel Fees. The Administrative Agent shall have received full payment from the Borrower of the fees and expenses of Davis Polk & Wardwell LLP described in Section 9.03 which are billed through the Effective Date and which have been invoiced one Business Day prior to the Effective Date.

(j) Amendment Fee. The Borrower shall have paid to the Administrative Agent for the account of each Lender a non-refundable and fully earned fee (the "Amendment Fee") as set forth in the Fee Letter, on or before the Effective Date.

Section 4.02. Conditions to All Credit Events. The obligation of any Lender to make any Loan, and the obligation of any Issuing Lender to issue (or renew or extend the term of) any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) receipt by the Administrative Agent of a Notice of Borrowing as required by Section 2.03, or receipt by an Issuing Lender of a Letter of Credit Request as required by Section 3.03;

(b) the fact that, immediately before and after giving effect to such Credit Event, no Default shall have occurred and be continuing; and

(c) the fact that the representations and warranties of the Borrower contained in this Agreement and the other Loan Documents shall be true and correct on and as of the date of such Credit Event, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they were true and correct as of such earlier date and except for the representations in Section 5.04(c),Section 5.06, Section 5.15 and Section 5.16, which shall be deemed only to relate to the matters referred to therein on and as of the Effective Date.

Each Credit Event under this Agreement shall be deemed to be a representation and warranty by the Borrower on the date of such Credit Event as to the facts specified in clauses (b) and (c) of this Section.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

Section 5.01. Status. The Borrower is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and has the limited liability company authority to make and perform this Agreement and each other Loan Document to which it is a party.

Section 5.02. Authority; No Conflict. The execution, delivery and performance by the Borrower of this Agreement and each other Loan Document to which it is a party have been duly authorized by all necessary limited liability company action and do not violate (i) any provision of law or regulation, or any decree, order, writ or judgment, (ii) any provision of its limited liability company agreement, or (iii) result in the breach of or constitute a default under any indenture or other agreement or instrument to which the Borrower is a party; provided, that any exercise of the option to increase the Commitment as contemplated in Section 2.19 may require further authorization of the Borrower's Board of Managers.

Section 5.03. Legality; Etc. This Agreement and each other Loan Document (other than the Notes) to which the Borrower is a party constitute the legal, valid and binding obligations of the Borrower, and the Notes, when executed and delivered in accordance with this Agreement, will constitute legal, valid and binding obligations of the Borrower, in each case enforceable against the Borrower in accordance with their terms except to the extent limited by (a) bankruptcy, insolvency, fraudulent conveyance or reorganization laws or by other similar laws relating to or affecting the enforceability of creditors' rights generally and by general equitable principles which may limit the right to obtain equitable remedies regardless of whether enforcement is considered in a proceeding of law or equity or (b) any applicable public policy on enforceability of provisions relating to contribution and indemnification.

Section 5.04. Financial Condition.

(a) Audited Financial Statements. The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 2011 and the related consolidated statements of income and cash flows for the fiscal year then ended, reported on by Ernst & Young, LLP, copies of which have been delivered to each of the Administrative Agent and the Lenders, fairly present, in conformity with GAAP, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year.

(b) Interim Financial Statements. The unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of June 30, 2012 and the related unaudited consolidated statements of income and cash flows for the six months then ended fairly present, in conformity with GAAP applied on a basis consistent with the financial statements referred to in subsection (a) of this Section, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such six-month period (subject to normal year-end audit adjustments).

(c) Material Adverse Change. Since December 31, 2011 there has been no change in the business, assets, financial condition or operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, that would materially and adversely affect the Borrower's ability to perform any of its obligations under this Agreement, the

Notes or the other Loan Documents.

Section 5.05. Rights to Properties. The Borrower and its Restricted Subsidiaries have good and valid fee, leasehold, easement or other right, title or interest in or to all the properties necessary to the conduct of their business as conducted on the Effective Date and as then proposed to be conducted, except to the extent the failure to have such rights or interests would not have a Material Adverse Effect.

Section 5.06. Litigation. Except as disclosed in or contemplated by the Borrower's Form 10-K Report to the SEC for the year ended December 31, 2011 or in any subsequent Form 10-K, 10-Q or 8-K Report, no litigation, arbitration or administrative proceeding against the Borrower is pending or, to the Borrower's knowledge, threatened, which would reasonably be expected to materially and adversely affect the ability of the Borrower to perform any of its obligations under this Agreement, the Notes or the other Loan Documents. There is no litigation, arbitration or administrative proceeding pending or, to the knowledge of the Borrower, threatened which questions the validity of this Agreement or the other Loan Documents to which it is a party.

Section 5.07. No Violation. No part of the proceeds of the borrowings by hereunder will be used, directly or indirectly by the Borrower for the purpose of purchasing or carrying any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, or for any other purpose which violates, or which conflicts with, the provisions of Regulations U or X of said Board of Governors. The Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any such "margin stock".

Section 5.08. ERISA. Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Material Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Material Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Material Plan, (ii) failed to make any contribution or payment to any Material Plan, or made any amendment to any Material Plan, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Internal Revenue Code or (iii) incurred any material liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

Section 5.09. Governmental Approvals. No authorization, consent or approval from any Governmental Authority is required for the execution, delivery and performance by the Borrower of this Agreement, the Notes and the other Loan Documents to which it is a party, except such authorizations, consents and approvals as shall have been obtained prior to the Effective Date and shall be in full force and effect.

Section 5.10. Investment Company Act. The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 5.11. Restricted Subsidiaries, Etc. Set forth in Schedule 5.11 hereto is a complete and correct list as of the Effective Date of the Restricted Subsidiaries of the Borrower, together with, for each such Subsidiary, the jurisdiction of organization of such Subsidiary. Except as disclosed in Schedule 5.11 hereto, as of the Effective Date, each such Subsidiary (i) is a Wholly Owned Subsidiary of the Borrower and (ii) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all corporate or other organizational powers to carry on its businesses.

Section 5.12. Tax Returns and Payments. The Borrower and each of its Restricted Subsidiaries has filed or caused to be filed all Federal, state, local and foreign income tax returns required to have been filed by it and has paid or caused to be paid all income taxes shown to be due on such returns except income taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or its Restricted Subsidiaries, as the case may be, shall have set aside on its books appropriate reserves with respect thereto in accordance with GAAP or that would not reasonably be expected to have a Material Adverse Effect.

Section 5.13. Compliance with Laws. To the knowledge of the Borrower or any of its Restricted Subsidiaries, the Borrower and each of its Restricted Subsidiaries is in compliance with all applicable laws, regulations and orders of any Governmental Authority, domestic or foreign, in respect of the conduct of its business and the ownership of its property (including, without limitation, compliance with all applicable ERISA and Environmental Laws and the requirements of any permits issued under such Environmental Laws), except to the extent (a) such compliance is being contested in good faith by appropriate proceedings or (b) non-compliance would not reasonably be expected to materially and adversely affect its ability to perform any of its obligations under this Agreement, the Notes or any other Loan Document to which it is a party.

Section 5.14. No Default. No Default has occurred and is continuing.

Section 5.15. Environmental Matters.

(a) Except (i) as disclosed in or contemplated by the Borrower's Form 10-K Report to the SEC for the year ended December 31, 2011 or in any subsequent Form 10-K, 10-Q or 8-K Report, or (ii) to the extent that the liabilities of the Borrower and its Subsidiaries, taken as a whole, that relate to or could reasonably be expected to result from the matters referred to in clauses (i) through (iii) of this Section 5.15(a), inclusive, would not reasonably be expected to result in a Material Adverse Effect:

(i) no notice, notification, citation, summons, complaint or order has been received by the Borrower or any of its Subsidiaries, no penalty has been assessed nor is any investigation or review pending or, to the Borrower's or any of its Subsidiaries' knowledge, threatened by any governmental or other entity with respect to any (A) alleged violation by or liability of the Borrower or any of its Subsidiaries of or under any Environmental Law, (B) alleged failure by the Borrower or any of its Subsidiaries to have any environmental permit, certificate, license, approval, registration or authorization required in connection with the conduct of its business or (C) generation, storage, treatment, disposal, transportation or release of Hazardous Substances;

(ii) to the Borrower's or any of its Subsidiaries' knowledge, no Hazardous Substance has been released (and no written notification of such release has been filed) (whether or not in a reportable or threshold planning quantity) at, on or under any property now or previously owned, leased or operated by the Borrower or any of its Subsidiaries; and

(iii) no property now or previously owned, leased or operated by the Borrower or any of its Subsidiaries or, to the Borrower's or any of its Subsidiaries' knowledge, any property to which the Borrower or any of its Subsidiaries has, directly or indirectly, transported or arranged for the transportation of any Hazardous Substances, is listed or, to the Borrower's or any of its Subsidiaries' knowledge, proposed for listing, on the National Priorities List promulgated pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (" CERCLA "), on CERCLIS (as defined in CERCLA) or on any similar federal, state or foreign list of sites requiring investigation or clean-up.

(b) Except as disclosed in or contemplated by the Borrower's Form 10-K Report to the SEC for the year ended December 31, 2011 or in any subsequent Form 10-K, 10-Q or 8-K Report, to the Borrower's or any of its Subsidiaries' knowledge, there are no Environmental Liabilities that have resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) For purposes of this Section 5.15, the terms "the Borrower" and "Subsidiary" shall include any business or business entity (including a corporation) which is a predecessor, in whole or in part, of the Borrower or any of its Subsidiaries from the time such business or business entity became a Subsidiary of PPL Corporation, a Pennsylvania corporation.

Section 5.16. Guarantees. As of the Effective Date, except as set forth in Schedule 5.16 hereto, the Borrower has no Guarantees of any Debt of any Foreign Subsidiary of the Borrower other than such Debt not in excess of $25,000,000 in the aggregate.

Section 5.17. OFAC. None of the Borrower, any Subsidiary of the Borrower or any Affiliate of the Borrower: (i) is a Sanctioned Person, (ii) has more than 10% of its assets in Sanctioned Entities, or (iii) derives more than 10% of its operating income from investments in, or transactions with Sanctioned Persons or Sanctioned Entities. The proceeds of any Loan will not be used and have not been used to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Person or a Sanctioned Entity.

ARTICLE VI
COVENANTS

The Borrower agrees that so long as any Lender has any Commitment hereunder or any amount payable hereunder or under any Note or other Loan Document remains unpaid or any Letter of Credit Liability remains outstanding:

Section 6.01. Information. The Borrower will deliver or cause to be delivered to each of the Lenders (it being understood that the posting of the information required in clauses (a), (b) and (f) of this Section 6.01 on the Borrower's website (http://www.pplweb.com) or making such information available on IntraLinks, Syndtrak (or similar service) shall be deemed to be effective delivery to the Lenders):

(a) Annual Financial Statements. Promptly when available and in any event within ten (10) days after the date such information is required to be delivered to the SEC, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of income and cash flows for such fiscal year and accompanied by an opinion thereon by independent public accountants of recognized national standing, which opinion shall state that such consolidated financial statements present fairly the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of the date of such financial statements and the results of their operations for the period covered by such financial statements in conformity with GAAP applied on a consistent basis.

(b) Quarterly Financial Statements. Promptly when available and in any event within ten (10) days after the date such information is required to be delivered to the SEC, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such quarter and the related consolidated statements of income and cash flows for such fiscal quarter, all certified (subject to normal year-end audit adjustments) as to fairness of presentation, GAAP and consistency by any vice president, the treasurer or the controller of the Borrower.

(c) Officer's Certificate. Simultaneously with the delivery of each set of financial statements referred to in subsections (a) and (b) above, a certificate of the chief accounting officer or controller of the Borrower, (i) setting forth in reasonable detail the calculations required to establish compliance with the requirements of Section 6.11 on the date of such financial statements and (ii) stating whether there exists on the date of such certificate any Default and, if any Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto.

(d) Default. Forthwith upon acquiring knowledge of the occurrence of any (i) Default or (ii) Event of Default, in either case a certificate of a vice president or the treasurer of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto.

(e) Change in Borrower's Ratings. Promptly, upon the chief executive officer, the president, any vice president or any senior financial officer of the Borrower obtaining knowledge of any change in a Borrower's Rating, a notice of such Borrower's Rating in effect after giving effect to such change.

(f) Securities Laws Filing. Promptly when available and in any event within ten (10) days after the date such information is required to be delivered to the SEC, a copy of any Form 10-K Report to the SEC and a copy of any Form 10-Q Report to the SEC, and promptly upon the filing thereof, any other filings with the SEC.

(g) ERISA Matters. If and when any member of the ERISA Group: (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Material Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Material Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives, with respect to any Material Plan that is a Multiemployer Plan, notice of any complete or partial withdrawal liability under Title IV of ERISA, or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose material liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Material Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code with respect to a Material Plan, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA; or (vii) fails to make any payment or contribution to any Plan or makes any amendment to any Plan which has resulted or could result in the imposition of a Lien or the posting of a bond or other security, a copy of such notice, a certificate of the chief accounting officer or controller of the Borrower setting forth details as to such occurrence and action, if any, which the Borrower or applicable member of the ERISA Group is required or proposes to take.

(h) Other Information. From time to time such additional financial or other information regarding the financial condition, results of operations, properties, assets or business of the Borrower or any of its Subsidiaries as any Lender may reasonably request.

The Borrower hereby acknowledges that (a) the Administrative Agent will make available to the Lenders and each Issuing Lender materials and/or information provided by or on behalf of the Borrower hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on IntraLinks or another similar electronic system (the "Platform") and (b) certain of the Lenders may be "public-side" Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to the Borrower or its securities) (each, a "Public Lender"). The Borrower hereby agrees that it will use commercially reasonable efforts to identify that portion of the Borrower Materials that may be distributed to the Public Lenders and that (w) all such Borrower Materials shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," the Borrower shall be deemed to have authorized the Administrative Agent, the Issuing Lenders and the Lenders to treat such Borrower Materials as not containing any material non-public information (although it may be sensitive and proprietary) with respect to the Borrower or its securities for purposes of United States Federal and state securities laws (*provided*, *however*, that to the extent such Borrower Materials constitute Information (as defined below), they shall be treated as set forth in Section 9.12); (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor;" and (z) the Administrative Agent shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting (subject to Section 9.12) on a portion of the Platform not designated "Public Investor." "Information" means all information received from the Borrower or any of its Subsidiaries relating to the Borrower or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Administrative Agent, any Lender or any Issuing Lender on a nonconfidential basis prior to disclosure by the Borrower or any of its Subsidiaries; *provided* that, in the case of information received from the Borrower or any of its Subsidiaries after the Effective Date, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Section 6.02. Maintenance of Property; Insurance.

(a) Maintenance of Properties. The Borrower will keep, and will cause each of its Restricted Subsidiaries to keep, all property useful and necessary in their respective businesses in good working order and condition, subject to ordinary wear and tear, unless the Borrower determines in good faith that the continued maintenance of any of such properties is no longer economically desirable and so long as the failure to so maintain such properties would not reasonably be expected to have a Material Adverse Effect.

(b) Insurance. The Borrower will maintain, or cause to be maintained, insurance with financially sound (determined in the reasonable judgment of the Borrower) and responsible companies in such amounts (and with such risk retentions) and against such risks as is usually carried by owners of similar businesses and properties in the same general areas in which the Borrower and its Restricted Subsidiaries operate.

Section 6.03. Conduct of Business and Maintenance of Existence. The Borrower will (i) continue, and will cause each of its Restricted Subsidiaries to continue, to engage in businesses of the same general type as now conducted by the Borrower and its Subsidiaries and businesses related thereto or arising out of such businesses, except to the extent that the failure to maintain any existing business would not have a Material Adverse Effect and (ii) except as otherwise permitted in Section 6.08, preserve, renew and keep in full force and effect, and will cause each of its Subsidiaries to preserve, renew and keep in full force and effect, their respective limited liability company (or other entity) existence and their respective rights, privileges and franchises necessary or material to the normal conduct of business, except, in each case, where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

Section 6.04. Compliance with Laws, Etc. The Borrower will comply, and will cause each of its Restricted Subsidiaries to comply, with all applicable laws, regulations and orders of any Governmental Authority, domestic or foreign, in respect of the conduct of its business and the ownership of its property (including, without limitation, compliance with all applicable ERISA and Environmental Laws and the requirements of any permits issued under such Environmental Laws), except to the extent (a) such compliance is being contested in good faith by appropriate proceedings or (b) non-compliance could not reasonably be expected to have a Material Adverse Effect.

Section 6.05. Books and Records. The Borrower (i) will keep, and will cause each of its Restricted Subsidiaries to keep, proper books of record and account in conformity with GAAP and (ii) will permit representatives of the Administrative Agent and each of the Lenders to visit and inspect any of their respective properties, to examine and make copies from any of their respective books and records and to discuss their respective affairs, finances and accounts with their officers, any employees and independent public accountants, all at such reasonable times and as often as may reasonably be desired; provided, that, the rights created in this Section 6.05 to "visit", "inspect", "discuss" and copy shall not extend to any matters which the Borrower deems, in good faith, to be confidential, unless the Administrative Agent and any such Lender agree in writing to keep such matters confidential.

Section 6.06. Use of Proceeds. The proceeds of the Loans made under this Agreement will be used by the Borrower to repay loans under the Existing Credit Agreement on the Effective Date and for general corporate purposes of the Borrower and its Affiliates, including for working capital purposes, and for making investments in or loans to Affiliates. The Borrower will request the issuance of Letters of Credit solely for general corporate purposes of the Borrower and its Affiliates. No such use of the proceeds for general corporate purposes will be, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any Margin Stock within the meaning of Regulation U.

Section 6.07. Restriction on Liens. The Borrower will not, nor will it permit any of its Restricted Subsidiaries to, create, incur, assume or suffer to exist any Lien upon or with respect to any property or assets of any kind (real or personal, tangible or intangible) of the Borrower or any such Restricted Subsidiary (including, without limitation, their Voting Stock), except:

(a) Liens for taxes, assessments or governmental charges or levies not yet due or which are being contested in good faith and by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books;

(b) Liens imposed by law, such as carriers', landlords', warehousemen's and mechanics' Liens and other similar Liens arising in the ordinary course of business which secure payment of obligations not more than 45 days past due or which are being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books;

(c) Liens arising out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation;

(d) easements (including, without limitation, reciprocal easement agreements and utility agreements), rights-of-way, covenants, consents, reservations, encroachments, variances and other restrictions, charges or encumbrances (whether or not recorded) affecting the use of real property;

(e) Liens existing on the Effective Date and described in Schedule 6.07 hereto;

(f) judgment Liens arising from judgments which secure payment of legal obligations that would not constitute a Default under Section 7.01;

(g) any vendor's Liens, purchase money Liens or any other Lien on any property or asset acquired by the Borrower or any of its Restricted Subsidiaries after the Effective Date existing on any such property or asset at the time of acquisition thereof (and not created in anticipation thereof); provided, that, in any such case no such Lien shall extend to or cover any other asset of the Borrower or such Restricted Subsidiaries, as the case may be;

(h) Liens, deposits and/or similar arrangements to secure the performance of bids, tenders or contracts (other than contracts for borrowed money), public or statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business by the Borrower or any of its Restricted Subsidiaries, including Liens to secure obligations under agreements for or relating to the purchase and sale of any commodity (including power purchase and sale agreements, any commodity hedge or derivative regardless of whether any such transaction is a "financial" or "physical transaction") provided, that, with respect to any Lien on electric generating plants of any Restricted Subsidiary to secure obligations under agreements for or relating to the purchase and sale of any commodity, the amount of the outstanding obligations secured by such Lien or Liens shall not, at any time, in the aggregate, exceed $1.5 billion;

(i) Liens on assets of the Borrower and its Restricted Subsidiaries arising out of obligations or duties to any municipality or public authority with respect to any franchise, grant, license, permit or certificate;

(j) rights reserved to or vested in any municipality or public authority to control or regulate any asset of the Borrower or any of its Restricted Subsidiaries or to use such asset in a manner which does not materially impair the use of such asset for the purposes for which it is held by the Borrower or any of its Restricted Subsidiaries;

(k) irregularities in or deficiencies of title to any asset which do not materially adversely affect the use of such property by the Borrower or any of its Restricted Subsidiaries in the normal course of its business;

(l) any Lien on any property or asset of any corporation or other entity existing at the time such corporation or entity is acquired, merged or consolidated or amalgamated with or into the Borrower or any of its Restricted Subsidiaries and not created in contemplation of such event;

(m) any Lien on any asset securing Debt incurred or assumed for the purpose of financing all or any part of the cost of acquiring, constructing or improving such asset; provided , that any such Lien attaches to such asset, solely to extent of the value of the obligation secured by such Lien, concurrently with or within 180 days after the acquisition, construction or improvement thereof:

(n) any Liens in connection with the issuance of tax-exempt industrial development or pollution control bonds or other similar bonds issued pursuant to Section 103(b) of the Internal Revenue Code of 1986, as amended, to finance all or any part of the purchase price of or the cost of constructing, equipping or improving property;

(o) rights of lessees arising under leases entered into by the Borrower or any of its Restricted Subsidiaries as lessor, in the ordinary course of business;

(p) any Liens on or reservations with respect to governmental and other licenses, permits, franchises, consents and allowances; any Liens on patents, patent licenses and other patent rights, patent applications, trade names, trademarks, copyrights, claims, credits, choses in action and other intangible property and general intangibles including, but not limited to, computer software;

(q) any Liens on automobiles, buses, trucks and other similar vehicles and movable equipment; marine equipment; airplanes, helicopters and other flight equipment; and parts, accessories and supplies used in connection with any of the foregoing;

(r) any Liens on furniture and furnishings; and computers and data processing, data storage, data transmission, telecommunications and other facilities, equipment and apparatus, which, in any case, are used primarily for administrative or clerical purposes;

(s) Liens securing letters of credit entered into in the ordinary course of business;

(t) Liens granted on the capital stock of Subsidiaries that are not Restricted Subsidiaries for the purpose of securing the obligations of such Subsidiaries;

(u) Liens in addition to those permitted by clauses (a) through (t) on the property or assets of a Special Purpose Subsidiary arising in connection with the Lower Mt. Bethel Lease Financing or the lease of such property or assets through one or more other lease financings;

(v) Liens by any Wholly Owned Subsidiary of the Borrower or any Restricted Subsidiary for the benefit of the Borrower or any such Restricted Subsidiary;

(w) Liens on property which is the subject of a Capital Lease Obligation designating the Borrower or any of its Restricted Subsidiaries as lessee and all right, title and interest of the Borrower or any of its Restricted Subsidiaries in and to such property and in, to and under such lease agreement, whether or not such lease agreement is intended as a security; provided , that the aggregate fair market value of the obligations subject to such Liens shall not at any time exceed $500,000,000;

(x) Liens on property which is the subject of one or more leases designating the Borrower or any of its Restricted Subsidiaries as lessee and all right, title and interest of the Borrower or any of its Restricted Subsidiaries in and to such property and in, to and under any such lease agreement, whether or not any such lease agreement is intended as a security;

(y) Liens arising out of the refinancing, extension, renewal or refunding of any Debt or other obligation secured by any Lien permitted by clauses (a) through (x) of this Section; provided, that such Debt or other obligation is not increased and is not secured by any additional assets;

(z) other Liens on assets or property of the Borrower or any of its Restricted Subsidiaries, so long as the aggregate value of the obligations secured by such Liens does not exceed the greater of $250,000,000 or 15% of the total consolidated assets of the Borrower and its Consolidated Subsidiaries as of the most recent fiscal quarter of the Borrower for which financial statements are available.

(aa) Liens granted to the Administrative Agent pursuant to Sections 2.09(a)(ii) and 2.20(a)(ii)(B) on cash collateral securing Letter of Credit Liabilities.

Section 6.08. Merger or Consolidation. The Borrower will not merge with or into or consolidate with or into any other corporation or entity, unless (i) immediately after giving effect thereto, no event shall occur and be continuing which constitutes a Default, (ii) the surviving or resulting Person, as the case may be, assumes and agrees in writing to pay and perform all of the obligations of the Borrower under this Agreement, (iii) substantially all of the consolidated assets and consolidated revenues of the surviving or resulting Person, as the case may be, are anticipated to come from the utility or energy businesses and (iv) the senior long-term debt ratings from both Rating Agencies of the surviving or resulting Person, as the case may be, immediately following the merger or consolidation is equal to or greater than the senior long-term debt ratings from both Rating Agencies of the Borrower immediately preceding the announcement of such consolidation or merger. No Restricted Subsidiary will merge or consolidate with any other Person if such Restricted Subsidiary is not the surviving or resulting Person, unless such other Person is (a) the Borrower or a successor of the Borrower permitted hereunder or (b) any other Person which is a Wholly Owned Restricted Subsidiary of the Borrower or a successor of the Borrower permitted hereunder.

Section 6.09. Asset Sales. Except for the sale of assets required to be sold to conform with governmental requirements, the Borrower shall not, and shall not permit any of its Restricted Subsidiaries to, consummate any Asset Sale, if the aggregate net book value of all such Asset Sales consummated during the four calendar quarters immediately preceding any date of determination would exceed 25% of the total assets of the Borrower and its Consolidated Subsidiaries as of the beginning of the Borrower's most recently ended full fiscal quarter; provided, however, that any such Asset Sale will be disregarded for purposes of the 25% limitation specified above: (a) if any such Asset Sale is in the ordinary course of business of the Borrower and its Subsidiaries; (b) if the assets subject to any such Asset Sale are worn out or are no longer useful or necessary in connection with the operation of the businesses of the Borrower or its Subsidiaries; (c) if the assets subject to any such Asset Sale are being transferred to a Wholly Owned Subsidiary of the Borrower; (d) if the proceeds from any such Asset Sale (i) are, within twelve (12) months of such Asset Sale, invested or reinvested by the Borrower or any Subsidiary in a Permitted Business, (ii) are used by the Borrower or a Subsidiary to repay Debt of the Borrower or such Subsidiary, or (iii) are retained by the Borrower or its Subsidiaries; or (e) if, prior to any such Asset Sale, both Rating Agencies confirm the then-current Borrower Ratings after giving effect to any such Asset Sale.

Section 6.10. Restrictive Agreements. Except as set forth in Schedule 6.10, the Borrower will not permit any of its Restricted Subsidiaries to enter into or assume any agreement prohibiting or otherwise restricting the ability of any Restricted Subsidiary to pay dividends or other distributions on its respective equity and equity equivalents to the Borrower or any of its Restricted Subsidiaries.

Section 6.11. Consolidated Debt to Consolidated Capitalization Ratio. The ratio of Consolidated Debt of the Borrower to Consolidated Capitalization of the Borrower shall not exceed 65%, measured as of the end of each fiscal quarter.

Section 6.12. Indebtedness. The Borrower will not permit any of its Restricted Subsidiaries to incur, create, assume or permit to exist any Debt of such Restricted Subsidiaries except:

(a) Existing Debt and any extensions, renewals or refinancings thereof;

(b) Debt owing to the Borrower or a Wholly Owned Restricted Subsidiary;

(c) any Debt incurred in respect of the Lower Mt. Bethel Lease Financing;

(d) Non-Recourse Debt; and

(e) other Debt, the aggregate principal amount of which does not exceed $500,000,000 at any time.

ARTICLE VII
DEFAULTS

Section 7.01. Events of Default. If one or more of the following events (each an "Event of Default") shall have occurred and be continuing:

(a) the Borrower shall fail to pay when due any principal on any Loans or Reimbursement Obligations; or

(b) the Borrower shall fail to pay when due any interest on the Loans and Reimbursement Obligations, any fee or any other amount payable hereunder or under any other Loan Document for five (5) days following the date such payment becomes due hereunder; or

(c) the Borrower shall fail to observe or perform any covenant or agreement contained in clause (ii) of Section 6.05, or Sections 6.06, 6.08, 6.09, 6.11 or 6.12; or

(d) the Borrower shall fail to observe or perform any covenant or agreement contained in Section 6.01 (d)(i) for 30 days after any such failure or in Section 6.01(d)(ii) for ten (10) days after any such failure; or

(e) the Borrower shall fail to observe or perform any covenant or agreement contained in this Agreement or any other Loan Document (other than those covered by clauses (a), (b), (c) or (d) above) for thirty (30) days after written notice thereof has been given to the defaulting party by the Administrative Agent, or at the request of the Required Lenders; or

(f) any representation, warranty or certification made by the Borrower in this Agreement or any other Loan Document or in any certificate, financial statement or other document delivered pursuant hereto or thereto shall prove to have been incorrect in any material respect when made or deemed made; or

(g) the Borrower or any Restricted Subsidiary shall (i) fail to pay any principal or interest, regardless of amount, due in respect of any Material Debt beyond any period of grace provided with respect thereto, or (ii) fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any such Material Debt beyond any period of grace provided with respect thereto if the effect of any failure referred to in this clause (ii) is to cause, or to permit the holder or holders of such Debt or a trustee on its or their behalf to cause, such Debt to become due prior to its stated maturity; or

(h) the Borrower or any Restricted Subsidiary of the Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay, or shall admit in writing its inability to pay, its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(i) an involuntary case or other proceeding shall be commenced against the Borrower or any Restricted Subsidiary seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Borrower or any Restricted Subsidiary under the Bankruptcy Code; or

(j) any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of $50,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could reasonably be expected to cause one or more members of the ERISA Group to incur a current payment obligation in excess of $50,000,000; or

(k) the Borrower or any of its Restricted Subsidiaries shall fail within sixty (60) days to pay, bond or otherwise discharge any judgment or order for the payment of money in excess of $20,000,000, entered against the Borrower or any such Restricted Subsidiary that is not stayed on appeal or otherwise being appropriately contested in good faith; or

(l) a Change of Control shall have occurred;

then, and in every such event, while such event is continuing, the Administrative Agent may (A) if requested by the Required Lenders, by notice to the Borrower terminate the Commitments, and the Commitments shall thereupon terminate, and (B) if requested by the Lenders holding more than 50% of the sum of the aggregate outstanding principal amount of the Loans and Letter of Credit Liabilities at such time, by notice to the Borrower declare the Loans and Letter of Credit Liabilities (together with accrued interest and accrued and unpaid fees thereon and all other amounts due hereunder) to be, and the Loans and Letter of Credit Liabilities shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind (except as set forth in clause (A) above), all of which are hereby waived by the Borrower and require the Borrower to, and the Borrower shall, cash collateralize (in accordance with Section 2.09(a)(ii)) all Letter of Credit Liabilities then outstanding; provided, that, in the case of any Default or any Event of Default specified in clause 7.01(h) or 7.01(i) above with respect to the Borrower, without any notice to the Borrower or any other act by the Administrative Agent or any Lender, the Commitments shall thereupon terminate and the Loans and Letter of Credit Liabilities (together with accrued interest and accrued and unpaid fees thereon and all other amounts due hereunder) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower, and the Borrower shall cash collateralize (in accordance with Section 2.09(a)(ii)) all Letter of Credit Liabilities then outstanding.

ARTICLE VIII
THE AGENTS

Section 8.01. Appointment and Authorization. Each Lender hereby irrevocably designates and appoints the Administrative Agent to act as specified herein and in the other Loan Documents and to take such actions on its behalf under the provisions of this Agreement and the other Loan Documents and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. The Administrative Agent agrees to act as such upon the express conditions contained in this Article VIII. Notwithstanding any provision to the contrary elsewhere in this Agreement or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein or in the other Loan Documents, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Administrative Agent. The provisions of this Article VIII are solely for the benefit of the Administrative Agent and Lenders, and no other Person shall have any rights as a third party beneficiary of any of the provisions hereof. For the sake of clarity, the Lenders hereby agree that no Agent other than the Administrative Agent shall have, in such capacity, any duties or powers with respect to this Agreement or the other Loan Documents.

Section 8.02. Individual Capacity. The Administrative Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower and its Affiliates as though the Administrative Agent were not an Agent. With respect to the Loans made by it and all obligations owing to it, the Administrative Agent shall have the same rights and powers under this Agreement as any Lender and may exercise the same as though it were not an Agent, and the terms “Required Lenders”, “Lender” and “Lenders” shall include the Administrative Agent in its individual capacity.

Section 8.03. Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents or attorneys-in-fact. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care except to the extent otherwise required by Section 8.07.

Section 8.04. Reliance by the Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy or other electronic facsimile transmission, telex, telegram, cable, teletype, electronic transmission by modem, computer disk or any other message, statement, order or other writing or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders, or all of the Lenders, if applicable, as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders or all of the Lenders, if applicable, and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders.

Section 8.05. Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default hereunder unless the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default and stating that such notice is a “notice of default”. If the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default as shall be reasonably directed by the Required Lenders; provided, that, unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable in the best interests of the Lenders.

Section 8.06. Non-Reliance on the Agents and Other Lenders. Each Lender expressly acknowledges that no Agent or officer, director, employee, agent, attorney-in-fact or affiliate of any Agent has made any representations or warranties to it and that no act by any Agent hereafter taken, including any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by such Agent to any Lender. Each Lender acknowledges to the Agents that it has, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, assets, operations, property, financial and other condition, prospects and creditworthiness of the Borrower and made its own decision to make its Loans hereunder and to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, assets, operations, property, financial and other condition, prospects and creditworthiness of the Borrower. No Agent shall have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, assets, property, financial and other condition, prospects or creditworthiness of the Borrower which may come into the possession of such Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

Section 8.07. Exculpatory Provisions. The Administrative Agent shall not, and no officers, directors, employees, agents, attorneys-in-fact or affiliates of the Administrative Agent, shall (i) be liable for any action lawfully taken or omitted to be taken by it under or in connection with this Agreement or any other Loan Document (except for its own gross negligence, willful misconduct or bad faith) or (ii) be responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower or any of its officers contained in this Agreement, in any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document or for any failure of the Borrower or any of its officers to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower. The Administrative Agent shall not be responsible to any Lender for the effectiveness, genuineness, validity, enforceability, collectibility or sufficiency of this Agreement or any other Loan Document or for any representations, warranties, recitals or statements made by any other Person herein or therein or made by any other Person in any written or oral statement or in any financial or other statements, instruments, reports, certificates or any other documents in connection herewith or therewith furnished or made by the Administrative Agent to the Lenders or by or on behalf of the Borrower to the Administrative Agent or any Lender or be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained herein or therein or as to the use of the proceeds of the Loans or of the existence or possible existence of any Default.

Section 8.08. Indemnification. To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under Sections 9.03(a), (b) or (c) to be paid by it to the Administrative Agent (or any sub-agent thereof), the Lenders severally agree to indemnify the Administrative Agent, in its capacity as such, and hold the Administrative Agent, in its capacity as such, harmless ratably according to their respective Commitments from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and reasonable expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the full payment of the obligations of the Borrower hereunder) be imposed on, incurred by or asserted against the Administrative Agent, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Document, or any documents contemplated hereby or referred to herein or the transactions contemplated hereby or any action taken or omitted to be taken by the Administrative Agent under or in connection with any of the foregoing, but only to the extent that any of the foregoing is not paid by the Borrower; provided, that no Lender shall be liable to the Administrative Agent for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs or expenses or disbursements resulting from the gross negligence, willful misconduct or bad faith of the Administrative Agent. If any indemnity furnished to the Administrative Agent for any purpose shall, in the reasonable opinion of the Administrative Agent, be insufficient or become impaired, the Administrative Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished. The agreement in this Section 8.08 shall survive the payment of all Loans, Letter of Credit Liabilities, fees and other obligations of the Borrower arising hereunder.

Section 8.09. Resignation; Successors. The Administrative Agent may resign as Administrative Agent upon twenty (20) days notice to the Lenders. Upon the resignation of the Administrative Agent, the Required Lenders shall have the right to appoint from among the Lenders a successor to the Administrative Agent, subject to prior approval by the Borrower (so long as no Event of Default exists) (such approval not to be unreasonably withheld), whereupon such successor Administrative Agent shall succeed to and become vested with all the rights, powers and duties of the retiring Administrative Agent, and the term “Administrative Agent” shall include such successor Administrative Agent effective upon its appointment, and the retiring Administrative Agent’s rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any other Loan Document. If no successor shall have been appointed by the Required Lenders and approved by the Borrower and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may at its election give notice to the Lenders and the Borrower of the immediate effectiveness of its resignation and such resignation shall thereupon become effective and the Lenders collectively shall perform all of the duties of the Administrative Agent hereunder and under the other Loan Documents until such time, if any, as the Required Lenders appoint a successor agent as provided for above. After the retiring Administrative Agent’s resignation hereunder as Administrative Agent, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement or any other Loan Document.

Section 8.10. Administrative Agent’s Fees. The Borrower shall pay to the Administrative Agent for its own account fees in the amount and at the times agreed to and accepted by the Borrower pursuant to the Fee Letter.

ARTICLE IX
MISCELLANEOUS

Section 9.01. Notices. Except as otherwise expressly provided herein, all notices and other communications hereunder shall be in writing (for purposes hereof, the term “writing” shall include information in electronic format such as electronic mail and internet web pages) or by telephone subsequently confirmed in writing; provided that the foregoing shall not apply to notices to any Lender, the Swingline Lender or Issuing Lender pursuant to Article II or Article III, as applicable, if such Lender, Swingline Lender or Issuing Lender, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Article in electronic format. Any notice shall have been duly given and shall be effective if delivered by hand delivery or sent via electronic mail, telecopy, recognized overnight courier service or certified or registered mail, return receipt requested, or posting on an internet web page, and shall be presumed to be received by a party hereto (i) on the date of delivery if delivered by hand or sent by electronic mail, posting on an internet web page, or telecopy, (ii) on the Business Day following the day on which the same has been delivered prepaid (or on an invoice basis) to a reputable national overnight air courier service or (iii) on the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid, in each case to the respective parties at the address or telecopy numbers, in the case of the Borrower and the Administrative Agent, set forth below, and, in the case of the Lenders, set forth on signature pages hereto, or at such other address as such party may specify by written notice to the other parties hereto:

if to the Borrower:

PPL Energy Supply, LLC
Two North Ninth Street (GENTW14)
Allentown, Pennsylvania 18101-1179
Attention: Russell R. Clelland
Telephone: 610-774-5151
Facsimile: 610-774-5235

with a copy to:

PPL Energy Supply, LLC
Two North Ninth Street (GENTW4)
Allentown, Pennsylvania 18101-1179
Attention: Frederick C. Paine, Esq.
Telephone: 610-774-7445
Facsimile: 610-774-6726

if to the Administrative Agent:

Wells Fargo Bank, National Association
1525 West W.T. Harris Boulevard
Mail Code: MAC D1109-019
Charlotte, NC 28262
Attention: Syndication Agency Services
Telephone: 704.590.2706
Telecopier: 704.590.2790
Electronic Mail: agencyservices.requests@wellsfargo.com

with a copy to:

Wells Fargo Bank, National Association
90 S 7th Street, MAC: N9305-070
Minneapolis, MN 55402
Attention: Keith Luettel
Telephone: 612-667-4747
Facsimile: 602-316-0506

with a copy to:

Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York 10017
Attention: Jason Kyrwood
Telephone : 212-450-4653
Facsimile: 212-450-5653

Section 9.02. No Waivers; Non-Exclusive Remedies. No failure by any Agent or any Lender to exercise, no course of dealing with respect to, and no delay in exercising any right, power or privilege hereunder or under any Note or other Loan Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided herein and in the other Loan Documents shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 9.03. Expenses; Indemnification.

(a) Expenses. The Borrower shall pay (i) all out-of-pocket expenses of the Agents, including legal fees and disbursements of Davis Polk & Wardwell LLP and any other local counsel retained by the Administrative Agent, in its reasonable discretion, in connection with the preparation, execution, delivery and administration of the Loan Documents, the syndication efforts of the Agents with respect thereto, any waiver or consent thereunder or any amendment thereof or any Default or alleged Default thereunder and (ii) all reasonable out-of-pocket expenses incurred by the Agents and each Lender, including (without duplication) the fees and disbursements of outside counsel, in connection with any restructuring, workout, collection, bankruptcy, insolvency and other enforcement proceedings in connection with the enforcement and protection of its rights; provided, that the Borrower shall not be liable for any legal fees or disbursements of any counsel for the Agents and the Lenders other than Davis Polk & Wardwell LLP associated with the preparation, execution and delivery of this Agreement and the closing documents contemplated hereby.

(b) Indemnity in Respect of Loan Documents. The Borrower agrees to indemnify the Agents and each Lender, their respective Affiliates and the respective directors, officers, trustees, agents, employees, trustees and advisors of the foregoing (each an "Indemnitee") and hold each Indemnitee harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and expenses or disbursements of any kind whatsoever (including, without limitation, the reasonable fees and disbursements of counsel and any civil penalties or fines assessed by OFAC), which may at any time (including, without limitation, at any time following the payment of the obligations of the Borrower hereunder) be imposed on, incurred by or asserted against such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) brought or threatened (by any third party, by the Borrower or any Subsidiary of the Borrower) in any way relating to or arising out of this Agreement, any other Loan Document or any documents contemplated hereby or referred to herein or any actual or proposed use of proceeds of Loans hereunder; provided, that no Indemnitee shall have the right to be indemnified hereunder for such Indemnitee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final, non-appealable judgment or order.

(c) Indemnity in Respect of Environmental Liabilities. The Borrower agrees to indemnify each Indemnitee and hold each Indemnitee harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs and expenses or disbursements of any kind whatsoever (including, without limitation, reasonable expenses of investigation by engineers, environmental consultants and similar technical personnel and reasonable fees and disbursements of counsel) which may at any time (including, without limitation, at any time following the payment of the obligations of the Borrower hereunder) be imposed on, incurred by or asserted against such Indemnitee in respect of or in connection with any actual or alleged presence or release of Hazardous Substances on or from any property now or previously owned or operated by the Borrower or any of its Subsidiaries or any predecessor of the Borrower or any of its Subsidiaries, or any and all Environmental Liabilities. Without limiting the generality of the foregoing, the Borrower hereby waives all rights of contribution or any other rights of recovery with respect to liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and expenses and disbursements in respect of or in connection with Environmental Liabilities that it might have by statute or otherwise against any Indemnitee.

(d) Waiver of Damages. To the fullest extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in clause (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby; provided that nothing in this Section 9.03(d) shall relieve any Lender from its obligations under Section 9.12.

Section 9.04. Sharing of Set-Offs. Each Lender agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest due with respect to any Loan made or Note held by it and any Letter of Credit Liabilities which is greater than the proportion received by any other Lender in respect of the aggregate amount of principal and interest due with respect to any Loan, Note and Letter of Credit Liabilities made or held by such other Lender, the Lender receiving such proportionately greater payment shall purchase such participations in the Loan made or Notes and Letter of Credit Liabilities held by the other Lenders, and such other adjustments shall be made, in each case as may be required so that all such payments of principal and interest with respect to the Loan made or Notes and Letter of Credit Liabilities made or held by the Lenders shall be shared by the Lenders pro rata; provided, that nothing in this Section shall impair the right of any Lender to exercise any right of set-off or counterclaim it may have for payment of indebtedness of the Borrower other than its indebtedness hereunder.

Section 9.05. Amendments and Waivers. Any provision of this Agreement or the Notes may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Required Lenders (and, if the rights or duties of the Administrative Agent, Swingline Lender or any Issuing Lenders are affected thereby, by the Administrative Agent, Swingline Lender or such Issuing Lender, as relevant); provided, that no such amendment or waiver shall, (a) unless signed by each Lender adversely affected thereby, (i) increase the Commitment of any Lender or subject any Lender to any additional obligation (it being understood that waivers or modifications of conditions precedent, covenants, Defaults or of mandatory reductions in the Commitments shall not constitute an increase of the Commitment of any Lender, and that an increase in the available portion of any Commitment of any Lender as in effect at any time shall not constitute an increase in such Commitment), (ii) reduce the principal of or rate of interest on any Loan (except in connection with a waiver of applicability of any post-default increase in interest rates) or the amount to be reimbursed in respect of any Letter of Credit or any interest thereon or any fees hereunder, (iii) postpone the date fixed for any payment of interest on any Loan or the amount to be reimbursed in respect of any Letter of Credit or any interest thereon or any fees hereunder or for any scheduled reduction or termination of any Commitment or (except as expressly provided in Article III) expiration date of any Letter of Credit, (iv) postpone or change the date fixed for any scheduled payment of principal of any Loan, (v) change any provision hereof in a manner that would alter the pro rata funding of Loans required by Section 2.04(b), the pro rata sharing of payments required by Sections 2.11(a), 2.09(b) or 9.04 or the pro rata reduction of Commitments required by Section 2.08(a) or (vi) change the currency in which Loans are to be made, Letters of Credit are to be issued or payment under the Loan Documents is to be made, or add additional borrowers or (b) unless signed by each Lender, change the definition of Required Lender or this Section 9.05 or Section 9.06(a).

Section 9.06. Successors and Assigns.

(a) Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or otherwise transfer any of its rights under this Agreement without the prior written consent of all of the Lenders, except to the extent any such assignment results from the consummation of a merger or consolidation permitted pursuant to Section 6.08 of this Agreement.

(b) Participations. Any Lender may at any time grant to one or more banks or other financial institutions or special purpose funding vehicle (each a "Participant") participating interests in its Commitments and/or any or all of its Loans and Letter of Credit Liabilities. In the event of any such grant by a Lender of a participating interest to a Participant, whether or not upon notice to the Borrower and the Administrative Agent, such Lender shall remain responsible for the performance of its obligations hereunder, and the Borrower, the Issuing Lenders, Swingline Lender and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which any Lender may grant such a participating interest shall provide that such Lender shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided, that such participation agreement may provide that such Lender will not agree to any modification, amendment or waiver of this Agreement which would (i) extend the Termination Date, reduce the rate or extend the time of payment of principal, interest or fees on any Loan or Letter of Credit Liability in which such Participant is participating (except in connection with a waiver of applicability of any post-default increase in interest rates) or reduce the principal amount thereof, or increase the amount of the Participant's participation over the amount thereof then in effect (it being understood that a waiver of any Default or of a mandatory reduction in the Commitments shall not constitute a change in the terms of such participation, and that an increase in any Commitment or Loan or Letter of Credit Liability shall be permitted without the consent of any Participant if the Participant's participation is not increased as a result thereof) or (ii) allow the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement, without the consent of the Participant, except to the extent any such assignment results from the consummation of a merger or consolidation permitted pursuant to Section 6.08 of this Agreement. The Borrower agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article II with respect to its participating interest to the same extent as if it were a Lender, subject to the same limitations, and in no case shall any Participant be entitled to receive any amount payable pursuant to Article II that is greater than the amount the Lender granting such Participant's participating interest would have been entitled to receive had such Lender not sold such participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b). Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register (solely for tax purposes) on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"). The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary.

(c) Assignments Generally. Any Lender may at any time assign to one or more Eligible Assignees (each, an "Assignee") all, or a proportionate part (equivalent to an initial amount of not less than $5,000,000 or any larger integral multiple of $1,000,000), of its rights and obligations under this Agreement and the Notes with respect to its Loans and, if still in existence, its Commitment, and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit C attached hereto executed by such Assignee and such transferor, with (and subject to) the consent of the Borrower, which shall not be unreasonably withheld or delayed, the Administrative Agent, Swingline Lender and the Issuing Lenders, which consent shall not be unreasonably withheld or delayed; provided, that if an Assignee is an Affiliate of such transferor Lender or was a Lender immediately prior to such assignment, no such consent of the Borrower or the Administrative Agent shall be required; provided, further, that if at the time of such assignment a Default or an Event of Default has occurred and is continuing, no such consent of the Borrower shall be required; provided, further, that no such assignment may be made prior to the Effective Date without the prior written consent of the Joint Lead Arrangers; provided, further, that the provisions of Sections 2.12, 2.16, 2.17 and 9.03 of this Agreement shall inure to the benefit of a transferor with respect to any Loans made, any Letters of Credit issued or any other actions taken by such transferor while it was a Lender. Upon execution and delivery of such instrument and payment by such Assignee to such transferor of an amount equal to the purchase price agreed between such transferor and such Assignee, such Assignee shall be a Lender party to this Agreement and shall have all the rights and obligations of a Lender with a Commitment, if any, as set forth in such instrument of assumption, and the transferor shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this subsection (c), the transferor, the Administrative Agent and the Borrower shall make appropriate arrangements so that, if required, a new Note is issued to the Assignee. In connection with any such assignment, the transferor shall pay to the Administrative Agent an administrative fee for processing such assignment in the amount of $3,500; provided that the Administrative Agent may, in its sole discretion, elect to waive such administrative fee in the case of any assignment. Each Assignee shall, on or before the effective date of such assignment, deliver to the Borrower and the Administrative Agent certification as to exemption from deduction or withholding of any United States Taxes in accordance with Section 2.17(e).

(d) Assignments to Federal Reserve Banks. Any Lender may at any time assign all or any portion of its rights under this Agreement and its Note to a Federal Reserve Bank. No such assignment shall release the transferor Lender from its obligations hereunder.

(e) Register. The Borrower hereby designates the Administrative Agent to serve as the Borrower's agent, solely for purposes of this Section 9.06(e), to (i) maintain a register (the "Register") on which the Administrative Agent will record the Commitments from time to time of each Lender, the Loans made by each Lender and each repayment in respect of the principal amount of the Loans of each Lender and to (ii) retain a copy of each Assignment and Assumption Agreement delivered to the Administrative Agent pursuant to this Section. Failure to make any such recordation, or any error in such recordation, shall not affect the Borrower's obligation in respect of such Loans. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent, Swingline Lender, the Issuing Lenders and the other Lenders shall treat each Person in whose name a Loan and the Note evidencing the same is registered as the owner thereof for all purposes of this Agreement, notwithstanding notice or any provision herein to the contrary. With respect to any Lender, the assignment or other transfer of the Commitments of such Lender and the rights to the principal of, and interest on, any Loan made and any Note issued pursuant to this Agreement shall not be effective until such assignment or other transfer is recorded on the Register and, except to the extent provided in this subsection 9.06(e), otherwise complies with Section 9.06, and prior to such recordation all amounts owing to the transferring Lender with respect to such Commitments, Loans and Notes shall remain owing to the transferring Lender. The registration of assignment or other transfer of all or part of any Commitments, Loans and Notes for a Lender shall be recorded by the Administrative Agent on the Register only upon the acceptance by the Administrative Agent of a properly executed and delivered Assignment and Assumption Agreement and payment of the administrative fee referred to in Section 9.06(c). The Register shall be available for inspection by each of the Borrower, the Swingline Lender and each Issuing Lender at any reasonable time and from time to time upon reasonable prior notice. In addition, at any time that a request for a consent for a material or substantive change to the Loan Documents is pending, any Lender wishing to consult with other Lenders in connection therewith may request and receive from the Administrative Agent a copy of the Register. The Borrower may not replace any Lender pursuant to Section 2.08(b), unless, with respect to any Notes held by such Lender, the requirements of subsection 9.06(c) and this subsection 9.06(e) have been satisfied.

Section 9.07. Governing Law; Submission to Jurisdiction. This Agreement and each Note shall be governed by and construed in accordance with the internal laws of the State of New York. The Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Borrower irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such court and any claim that any such proceeding brought in any such court has been brought in an inconvenient forum.

Section 9.08. Counterparts; Integration; Effectiveness. This Agreement shall become effective on the Effective Date. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. On and after the Effective Date, this Agreement, the other Loan Documents, and the Fee Letter constitute the entire agreement and understanding among the parties hereto and supersede any and all prior agreements and understandings, oral or written, relating to the subject matter hereof and thereof.

Section 9.09. Generally Accepted Accounting Principles. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries most recently delivered to the Lenders; provided, that, if the Borrower notifies the Administrative Agent that the Borrower wishes to amend any covenant in Article VI to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Administrative Agent notifies the Borrower that the Required Lenders wish to amend Article VI for such purpose), then the Borrower's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Lenders.

Section 9.10. Usage. The following rules of construction and usage shall be applicable to this Agreement and to any instrument or agreement that is governed by or referred to in this Agreement.

(a) All terms defined in this Agreement shall have the defined meanings when used in any instrument governed hereby or referred to herein and in any certificate or other document made or delivered pursuant hereto or thereto unless otherwise defined therein.

(b) The words "hereof", "herein", "hereunder" and words of similar import when used in this Agreement or in any instrument or agreement governed here shall be construed to refer to this Agreement or such instrument or agreement, as applicable, in its entirety and not to any particular provision or subdivision hereof or thereof.

(c) References in this Agreement to "Article", "Section", "Exhibit", "Schedule" or another subdivision or attachment shall be construed to refer to an article, section or other subdivision of, or an exhibit, schedule or other attachment to, this Agreement unless the context otherwise requires; references in any instrument or agreement governed by or referred to in this Agreement to "Article", "Section", "Exhibit", "Schedule" or another subdivision or attachment shall be construed to refer to an article, section or other subdivision of, or an exhibit, schedule or other attachment to, such instrument or agreement unless the context otherwise requires.

(d) The definitions contained in this Agreement shall apply equally to the singular and plural forms of such terms. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The word "will" shall be construed to have the same meaning as the word "shall". The term "including" shall be construed to have the same meaning as the phrase "including without limitation".

(e) Unless the context otherwise requires, any definition of or reference to any agreement, instrument, statute or document contained in this Agreement or in any agreement or instrument that is governed by or referred to in this Agreement shall be construed (i) as referring to such agreement, instrument, statute or document as the same may be amended, supplemented or otherwise modified from time to time (subject to any restrictions on such amendments, supplements or modifications set forth in this Agreement or in any agreement or instrument governed by or referred to in this Agreement), including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and (ii) to include (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein. Any reference to any Person shall be construed to include such Person's successors and permitted assigns.

(f) Unless the context otherwise requires, whenever any statement is qualified by "to the best knowledge of" or "known to" (or a similar phrase) any Person that is not a natural person, it is intended to indicate that the senior management of such Person has conducted a commercially reasonable inquiry and investigation prior to making such statement and no member of the senior management of such Person (including managers, in the case of limited liability companies, and general partners, in the case of partnerships) has current actual knowledge of the inaccuracy of such statement.

Section 9.11. WAIVER OF JURY TRIAL. THE BORROWER HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 9.12. Confidentiality. Each Lender agrees to hold all non-public information obtained pursuant to the requirements of this Agreement in accordance with its customary procedure for handling confidential information of this nature and in accordance with safe and sound banking practices; provided, that nothing herein shall prevent any Lender from disclosing such information (i) to any other Lender or to any Agent, (ii) to any other Person if reasonably incidental to the administration of the Loans and Letter of Credit Liabilities, (iii) upon the order of any court or administrative agency, (iv) to the extent requested by, or required to be disclosed to, any rating agency or regulatory agency or similar authority (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (v) which had been publicly disclosed other than as a result of a disclosure by any Agent or any Lender prohibited by this Agreement, (vi) in connection with any litigation to which any Agent, any Lender or any of their respective Subsidiaries or Affiliates may be party, (vii) to the extent necessary in connection with the exercise of any remedy hereunder, (viii) to such Lender's or Agent's Affiliates and their respective directors, officers, employees and agents including legal counsel and independent auditors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such information and instructed to keep such information confidential), (ix) with the consent of the Borrower, (x) to Gold Sheets and other similar bank trade publications, such information to consist solely of deal terms and other information customarily found in such publications and (xi) subject to provisions substantially similar to those contained in this Section, to any actual or proposed Participant or Assignee or to any actual or prospective counterparty (or its advisors) to any securitization, swap or derivative transaction relating to the Borrower's Obligations hereunder. Notwithstanding the foregoing, any Agent, any Lender or Davis Polk & Wardwell LLP may circulate promotional materials and place advertisements in financial and other newspapers and periodicals or on a home page or similar place for dissemination of information on the Internet or worldwide web, in each case, after the closing of the transactions contemplated by this Agreement in the form of a "tombstone" or other release limited to describing the names of the Borrower or its Affiliates, or any of them, and the amount, type and closing date of such transactions, all at their sole expense.

Section 9.13. USA PATRIOT Act Notice. Each Lender that is subject to the Patriot Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub.L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Patriot Act.

Section 9.14. No Fiduciary Duty. Each Agent, each Lender and their respective Affiliates (collectively, solely for purposes of this paragraph, the "Lender Parties"), may have economic interests that conflict with those of the Borrower, its Affiliates and/or their respective stockholders (collectively, solely for purposes of this paragraph, the "Borrower Parties"). The Borrower agrees that nothing in the Loan Documents or otherwise will be deemed to create an advisory, fiduciary or agency relationship or fiduciary or other implied duty (other than any implied duty of good faith) between any Lender Party, on the one hand, and any Borrower Party, on the other. The Lender Parties acknowledge and agree that (a) the transactions contemplated by the Loan Documents (including the exercise of rights and remedies hereunder and thereunder) are arm's-length commercial transactions between the Lender Parties, on the one hand, and the Borrower, on the other and (b) in connection therewith and with the process leading thereto, (i) no Lender Party has assumed an advisory or fiduciary responsibility in favor of any Borrower Party with respect to the transactions contemplated hereby (or the exercise of rights or remedies with respect thereto) or the process leading thereto (irrespective of whether any Lender Party has advised, is currently advising or will advise any Borrower Party on other matters) or any other obligation to any Borrower Party except the obligations expressly set forth in the Loan Documents and (ii) each Lender Party is acting solely as principal and not as the agent or fiduciary of any Borrower Party. The Borrower acknowledges and agrees that the Borrower has consulted its own legal and financial advisors to the extent it deemed appropriate and that it is responsible for making its own independent judgment with respect to such transactions and the process leading thereto. The Borrower agrees that it will not claim that any Lender Party has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to any Borrower Party, in connection with such transaction or the process leading thereto.

Section 9.15. Amendment and Restatement of Existing Credit Agreement. Upon the execution and delivery of this Agreement, the Existing Credit Agreement shall be amended and restated to read in its entirety as set forth herein. With effect from and including the Effective Date, (i) the Commitments of each Lender party hereto (the "**Extending Lenders**") shall be as set forth on the Commitment Appendix (and any Lender under the Existing Credit Agreement that is not listed on the Commitment Appendix shall cease to be a Lender hereunder; provided that, for the avoidance of doubt, such Lender under the Existing Credit Agreement shall continue to be entitled to the benefits of Section 9.03 of the Existing Credit Agreement), (ii) the Commitment Ratio of the Extending Lenders shall be redetermined based on the Commitments set forth in the Commitment Appendix and the participations of the Extending Lenders in, and the obligations of the Extending Lenders in respect of, any Letters of Credit or Swingline Loans outstanding on the Effective Date shall be reallocated to reflect such redetermined Commitment Ratio and (iii) each JLA Issuing Bank shall have the Fronting Sublimit set forth in the JLA L/C Fronting Sublimits Appendix.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

PPL ENERGY SUPPLY, LLC

By: /s/ Russell R. Clelland
Name: Russell R. Clelland
Title: Assistant Treasurer

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent, Issuing Lender, Swingline Lender and Lender

By: /s/ Keith Luettel
Name: Keith Luettel
Title: Vice President

BANK OF AMERICA, N.A., as Issuing Lender and Lender

By: /s/ Mike Mason
Name: Mike Mason
Title: Director

THE ROYAL BANK OF SCOTLAND PLC, as Issuing Lender and Lender

By: /s/ Tyler J. McCarthy
Name: Tyler J. McCarthy
Title: Director

BARCLAYS BANK PLC, as Issuing Lender and Lender

By: /s/ Ronnie Glenn
Name: Ronnie Glenn
Title: Vice President

THE BANK OF NOVA SCOTIA, as Issuing Lender and Lender

By: /s/ Thane Rattew
Name: Thane Rattew
Title: Managing Director

THE BANK OF TOKYO-MITSUBISHI UFJ, INC. as Issuing Lender and Lender

By: /s/ Alan Reiter
Name: Alan Reiter
Title: Vice President

UNION BANK, N.A., as Issuing Lender and Lender

By: /s/ Carmelo Restifo
Name: Carmelo Restifo
Title: Director

BNP PARIBAS, as a Lender

By: /s/ Denis O'Meara
Name: Denis O'Meara
Title: Managing Director

BNP PARIBAS, as a Lender

By: /s/ Pasquale A. Perraglia IV
Name: Pasquale A. Perraglia IV
Title: Vice President

CITIBANK, N.A., as a Lender

By: /s/ Amit Vasani
Name: Amit Vasani
Title: Vice President

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as a Lender

By: /s/ Christopher Reo Day
Name: Christopher Reo Day
Title: Vice President

By: /s/ Vipul Dhadda
Name: Vipul Dhadda
Title: Associate

GOLDMAN SACHS BANK USA, as a Lender

By: /s/ Mark Walton
Name: Mark Walton
Title: Authorized Signatory

J.P. MORGAN CHASE BANK, N.A., as a Lender

By: /s/ Juan Javellana
Name: Juan Javellana
Title: Executive Director

MORGAN STANLEY BANK, N.A., as a Lender

By: /s/ Kelly Chin
Name: Kelly Chin
Title: Authorized Signatory

ROYAL BANK OF CANADA, as a Lender

By: /s/ Frank Lambrinos
Name: Frank Lambrinos
Title: Authorized Signatory

UBS LOAN FINANCE LLC, as a Lender

By: /s/ Irja R. Otsa
Name: Irja R. Otsa
Title: Associated Director

UBS LOAN FINANCE LLC, as a Lender

By: /s/ David Urban
Name: David Urban
Title: Associated Director

CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK, as a Lender

By: /s/ Dixon Schultz
Name: Dixon Schultz
Title: Managing Director

By: /s/ Sharada Manne
Name: Sharada Manne
Title: Managing Director

KEYBANK NATIONAL ASSOCIATION., as a Lender

By: /s/ Craig A. Hanselman
Name: Craig A. Hanselman
Title: Vice President

LLOYDS TSB BANK PLC, as a Lender

By: /s/ Stephen Giacolone
Name: Stephen Giacolone
Title: Assistant Vice President –G011

LLOYDS TSB BANK PLC, as a Lender

By: /s/ Julia R. Franklin
Name: Julia R. Franklin
Title: Vice President - F014

MUZUHO CORPORATE BANK, LTD., as a Lender

By: /s/ Leon Mo
Name: Leon Mo
Title: Authorized Signatory

SUNTRUST BANK, as a Lender

By: /s/ Andrew Johnson
Name: Andrew Johnson
Title: Director

THE BANK OF NEW YORK MELLON, as a Lender

By: /s/ Mark W. Rogers
Name: Mark W. Rogers
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ John M. Eyerman
Name: John M. Eyerman
Title: Vice President

CANADIAN IMPERIAL BANK OF COMMERCE, New York Agency, as a Lender

By: /s/ Robert Casey
Name: Robert Casey
Title: Authorized Signatory

By: /s/ Jonathan J. Kim
Name: Jonathan J. Kim
Title: Authorized Signatory

COMPASS BANK, as a Lender

By: /s/ Susana Campuzano
Name: Susana Campuzano
Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Edward M. Tessalone
Name: Edward M. Tessalone
Title: Senior Vice President PNC Bank, N.A.

SOVEREIGN BANK, N.A., as a Lender

By: /s/ William Maag
Name: William Maag
Title: Senior Vice President

SUMITOMO MITSUI BANKING CORPORATION, as a Lender

By: /s/ Shugi Yabe
Name: Shugi Yabe
Title: Managing Director

THE NORTHERN TRUST COMPANY, as a Lender

By: /s/ Daniel Boote
Name: Daniel Boote
Title: Senior Vice President

Commitment Appendix

Lender	Revolving Commitment
Wells Fargo Bank, National Association	$154,285,714.30
Bank of America, N.A.	$154,285,714.30
The Royal Bank of Scotland plc	$154,285,714.29
Barclays Bank PLC	$141,071,428.57
The Bank of Nova Scotia	$141,071,428.57
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	$70,535,714.29
Union Bank, N.A.	$70,535,714.29
BNP Paribas	$141,071,428.57
Citibank, N.A.	$141,071,428.57
Credit Suisse AG, Cayman Islands Branch	$141,071,428.57
Goldman Sachs Bank USA	$141,071,428.57
JPMorgan Chase Bank, N.A.	$141,071,428.57
Morgan Stanley Bank, N.A.	$141,071,428.57
Royal Bank of Canada	$141,071,428.57
UBS Loan Finance LLC	$141,071,428.57
Credit Agricole Corporate & Investment Bank	$100,714,285.71
KeyBank National Association	$100,714,285.71
Lloyds Bank	$100,714,285.71
Mizuho Corporate Bank, Ltd.	$100,714,285.71
SunTrust Bank	$100,714,285.71
The Bank of New York Mellon	$100,714,285.71
U.S. Bank National Association	$100,714,285.71
Canadian Imperial Bank of Commerce	$48,928,571.43
Compass Bank	$48,928,571.43
PNC Bank, National Association	$48,928,571.43
Sovereign Bank, N.A.	$48,928,571.43
Sumitomo Mitsui Banking Corporation	$48,928,571.43
The Northern Trust Company	$35,714,285.71
Total	**$3,000,000,000.00**

JLA L/C Fronting Sublimits Appendix

Issuing Lender	L/C Fronting Sublimit
Wells Fargo Bank, National Association	$583,333,333.33
Bank of America, N.A.	$583,333,333.33
The Royal Bank of Scotland plc	$583,333,333.33
Barclays Bank PLC	$416,666,666.67
The Bank of Nova Scotia	$416,666,666.67
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	$416,666,666.67
Total	**$3,000,000,000.00**

SCHEDULE 5.11

Restricted Subsidiaries [1]

Restricted Subsidiary	Jurisdiction of Organization
PPL Generation, LLC	Delaware
PPL Montana Holdings, LLC	Delaware
PPL Montana, LLC	Delaware
PPL Martins Creek, LLC	Delaware
PPL Brunner Island, LLC	Delaware
PPL Montour, LLC	Delaware
PPL Susquehanna, LLC	Delaware
PPL Holtwood, LLC	Delaware
PPL EnergyPlus, LLC	Pennsylvania
PPL Investment Corporation	Delaware

[1] As of November 6, 2012

SCHEDULE 5.16

Guaranties of Foreign Subsidiary Debt

None.

SCHEDULE 6.07

Existing Liens

Debtor	State	Jurisdiction	Services	Original File Date and Number	Secured Party	Related Filings
PPL Brunner Island, LLC	DE	Secretary of State	UCC/FTL Search-Central	10-10-08 #2008 3433164	Golf Cart Services, Inc.	
PPL EnergyPlus, LLC	PA	Department of State	UCC Search - Central - Direct Access	10-28-09 #2009102806037	Midwest Transmission System Operator, Inc.	
PPL Generation, LLC	DE	Secretary of State	UCC/FTL Search-Central	05-30-07 #2007 2013067	General Electric Capital Corporation	
PPL Montana, LLC	DE	Secretary of State	UCC/FTL Search-Central	07-21-00 #0046682	The Bank of New York, as Assignee of the Secured Party	Continuation 06-03-05 Amendment 11-30-06
PPL Montana, LLC	DE	Secretary of State	UCC/FTL Search-Central	07-21-00 #0046686	The Bank of New York, as Assignee of the Secured Party	Continuation 06-03-05 Amendment 11-30-06
PPL Montana, LLC	DE	Secretary of State	UCC/FTL Search-Central	07-21-00 #0046689	The Bank of New York, as Assignee of the Secured Party	Continuation 06-03-05 Amendment 11-30-06
PPL Montana, LLC	DE	Secretary of State	UCC/FTL Search-Central	07-21-00 #046695	The Bank of New York, as Assignee of the Secured Party	Continuation 06-03-05 Amendment 11-30-06
PPL Montana, LLC	DE	Secretary of State	UCC/FTL Search-Central	09-27-01 #112644 1	Dell Financial Services, L.P.	Continuation 09-06-06
PPL Montana, LLC	MT	US District Court	Pending Suits and Judgments	01-09-03 #03-cv-00001	Margaret A. McGreevey	
PPL Montana, LLC (add'l defendants ABC Corporation, John Does 1-10)	MT	US District Court	Pending Suits and Judgments	03-02-10 #10-cv-00023	Patrick Campbell	

SCHEDULE 6.10

Restrictive Agreements

PPL Montana, LLC and PPL Montana Holdings, LLC: Restrictions on the payment of dividends and similar distributions arising in connection with the pass-through certificates, lessor notes and other lease obligations relating to PPL Montana's leases relating to the Colstrip Facility.

SCHEDULE 6.12

Existing Debt

None.

EXHIBIT A-1

Form of Notice of Borrowing

Wells Fargo Bank, National Association,
as Administrative Agent
1525 W WT Harris Boulevard
Charlotte, NC 28262
Attention: Syndication Agency Services

Ladies and Gentlemen:

This notice shall constitute a "Notice of Borrowing" pursuant to Section 2.03 of the $3,000,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012 (the " Credit Agreement ") among PPL Energy Supply, LLC, the lending institutions party thereto from time to time and Wells Fargo Bank, National Association, as Administrative Agent. Terms defined in the Credit Agreement and not otherwise defined herein have the respective meanings provided for in the Credit Agreement.

1. The date of the Borrowing will be _______________, _____________. [2]

2. The aggregate principal amount of the Borrowing will be __________. [3]

3. The Borrowing will consist of **[** Revolving **] [** Swingline **]** Loans.

4. The Borrowing will consist of **[** Base Rate **] [** Euro-Dollar **]** Loans. [4]

5. The initial Interest Period for the Loans comprising such Borrowing shall be __________________. [5]

[Insert appropriate delivery instructions, which shall include bank and account number **]** .

PPL ENERGY SUPPLY, LLC

By: ______________________________
Name:
Title:

---

2 Must be a Business Day.
3 Revolving Borrowings must be an aggregate principal amount of $10,000,000 or any larger integral multiple of $1,000,000, except the Borrowing may be in the aggregate amount of the remaining unused Revolving Commitment. Swingline Borrowings must be an aggregate principal amount of $5,000,000 or any larger integral multiple of $1,000,000.
4 Applicable for Revolving Loans only.
5 Applicable for Euro-Dollar Loans only. Insert "one month", "two months", "three months" or "six months" (subject to the provisions of the definition of "Interest Period").

EXHIBIT A-2

Form of Notice of Conversion/Continuation

______________, ____

Wells Fargo Bank, National Association,
as Administrative Agent
1525 W WT Harris Boulevard
Charlotte, NC 28262
Attention: Syndication Agency Services

Ladies and Gentlemen:

This notice shall constitute a "Notice of Conversion/Continuation" pursuant to Section 2.06(d)(ii) of the $3,000,000,000 Amended and Restated Amended and Restated Revolving Credit Agreement dated as of November 6, 2012 (the "Credit Agreement") among PPL Energy Supply, LLC, the lending institutions party thereto from time to time and Wells Fargo Bank, National Association, as Administrative Agent. Terms defined in the Credit Agreement and not otherwise defined herein have the respective meanings provided for in the Credit Agreement.

1. The Group of Loans (or portion thereof) to which this notice applies is **[** all or a portion of all Base Rate Loans currently outstanding **] [** all or a portion of all Euro-Dollar Loans currently outstanding having an Interest Period of ___ months and ending on the Election Date specified below **]** .

2. The date on which the conversion/continuation selected hereby is to be effective is __________, ___________(the "Election Date"). [6]

3. The principal amount of the Group of Loans (or portion thereof) to which this notice applies is $_________________. [7]

4. [The Group of Loans (or portion thereof) which are to be converted will bear interest based upon the [Base Rate] [Adjusted London Interbank Offered Rate].] [The Group of Loans (or portion thereof) which are to be continued will bear interest based upon the [Base Rate][Adjusted London Interbank Offered Rate].]

5. The Interest Period for such Loans will be _______________. [8]

---

6 Must be a Business Day.

7 May apply to a portion of the aggregate principal amount of the relevant Group of Loans; provided that (i) such portion is allocated ratably among the Loans comprising such Group and (ii) the portion to which such notice applies, and the remaining portion to which it does not apply, are each $10,000,000 or any larger integral multiple of $1,000,000.

8 Applicable only in the case of a conversion to, or a continuation of, Euro-Dollar Loans. Insert "one month", "two months", "three months" or "six months" (subject to the provisions of the definition of Interest Period).

PPL ENERGY SUPPLY, LLC

By: ______________________________

Name:

Title:

EXHIBIT A-3

Form of Letter of Credit Request

______________, ____

[Insert details of Issuing Lender]

Ladies and Gentlemen:

This notice shall constitute a "Letter of Credit Request" pursuant to Section 3.03 of the $3,000,000,000 Amended and Restated Amended and Restated Revolving Credit Agreement dated as of November 6, 2012 (the "Credit Agreement") among PPL Energy Supply, LLC, the lending institutions party thereto from time to time and Wells Fargo Bank, National Association, as Administrative Agent. Terms defined in the Credit Agreement and not otherwise defined herein have the respective meanings provided for in the Credit Agreement.

The undersigned hereby requests that _______________ [9] issue a Standby Letter of Credit on _______________, ________ [10] in the aggregate amount of $________________. [This request is to extend a Letter of Credit previously issued under the Credit Agreement; Letter of Credit No. __________.]

The beneficiary of the requested Standby Letter of Credit will be ________________ [11], and such Standby Letter of Credit will be in support of _____________________ [12] and will have a stated termination date of __________________ [13].

Copies of all documentation with respect to the supported transaction are attached hereto.

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9 Insert name of Issuing Lender.
10 Must be a Business Day.
11 Insert name and address of beneficiary.
12 Insert a description of the obligations, the name of each agreement and/or a description of the commercial transaction to which this Letter of Credit Request relates.
13 Insert the last date upon which drafts may be presented (which may not be later than one year after the date of issuance specified above or beyond the fifth Business Day prior to the Termination Date).

PPL ENERGY SUPPLY, LLC

By: ________________________________
Name:
Title:

APPROVED:

[ISSUING LENDER]

By: ________________________________
Name:
Title:

EXHIBIT B

Form of Note

FOR VALUE RECEIVED, the undersigned, PPL ENERGY SUPPLY, LLC, a Delaware limited liability company (the " Borrower "), promises to pay to the order of __________________ (hereinafter, together with its successors and assigns, called the " Holder "), at the Administrative Agent's Office or such other place as the Holder may designate in writing to the Borrower, the principal sum of _____________________ AND _______/100s DOLLARS ($_______________), or, if less, the principal amount of all Loans advanced by the Holder to the Borrower pursuant to the Credit Agreement (as defined below), plus interest as hereinafter provided. Such Loans may be endorsed from time to time on the grid attached hereto, but the failure to make such notations shall not affect the validity of the Borrower's obligation to repay unpaid principal and interest hereunder.

All capitalized terms used herein shall have the meanings ascribed to them in that certain $3,000,000,000 Amended and Restated Amended and Restated Revolving Credit Agreement dated as of November 6, 2012 (as the same may be amended, modified or supplemented from time to time, the " Credit Agreement ") by and among the Borrower, the lenders party thereto (collectively, the " Lenders ") and Wells Fargo Bank, National Association, as administrative agent (the " Administrative Agent ") for itself and on behalf of the Lenders and the Issuing Lenders, except to the extent such capitalized terms are otherwise defined or limited herein.

The Borrower shall repay principal outstanding hereunder from time to time, as necessary, in order to comply with the Credit Agreement. All amounts paid by the Borrower shall be applied to the Obligations in such order of application as provided in the Credit Agreement.

A final payment of all principal amounts and other Obligations then outstanding hereunder shall be due and payable on the maturity date provided in the Credit Agreement, or such earlier date as payment of the Loans shall be due, whether by acceleration or otherwise.

The Borrower shall be entitled to borrow, repay, reborrow, continue and convert the Holder's Loans (or portion thereof) hereunder pursuant to the terms and conditions of the Credit Agreement. Prepayment of the principal amount of any Loan may be made as provided in the Credit Agreement.

The Borrower hereby promises to pay interest on the unpaid principal amount hereof as provided in Article II of the Credit Agreement. Interest under this Note shall also be due and payable when this Note shall become due (whether at maturity, by reason of acceleration or otherwise). Overdue principal and, to the extent permitted by law, overdue interest, shall bear interest payable on DEMAND at the default rate as provided in the Credit Agreement.

In no event shall the amount of interest due or payable hereunder exceed the maximum rate of interest allowed by applicable law, and in the event any such payment is inadvertently made by the Borrower or inadvertently received by the Holder, then such excess sum shall be credited as a payment of principal, unless the Borrower shall notify the Holder in writing that it elects to have such excess sum returned forthwith. It is the express intent hereof that the Borrower not pay and the Holder not receive, directly or indirectly in any manner whatsoever, interest in excess of that which may legally be paid by the Borrower under applicable law.

All parties now or hereafter liable with respect to this Note, whether the Borrower, any guarantor, endorser or any other Person or entity, hereby waive presentment for payment, demand, notice of non-payment or dishonor, protest and notice of protest.

No delay or omission on the part of the Holder or any holder hereof in exercising its rights under this Note, or delay or omission on the part of the Holder, the Administrative Agent or the Lenders collectively, or any of them, in exercising its or their rights under the Credit Agreement or under any other Loan Document, or course of conduct relating thereto, shall operate as a waiver of such rights or any other right of the Holder or any holder hereof, nor shall any waiver by the Holder, the Administrative Agent, the Required Lenders or the Lenders collectively, or any of them, or any holder hereof, of any such right or rights on any one occasion be deemed a bar to, or waiver of, the same right or rights on any future occasion.

The Borrower promises to pay all reasonable costs of collection, including reasonable attorneys' fees, should this

Note be collected by or through an attorney-at-law or under advice therefrom.

This Note evidences the Holder’s Loans (or portion therof) under, and is entitled to the benefits and subject to the terms of, the Credit Agreement, which contains provisions with respect to the acceleration of the maturity of this Note upon the happening of certain stated events, and provisions for prepayment.

This Note shall be governed by and construed in accordance with the internal laws of the State of New York.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned has caused this Note to be executed by its duly authorized representative as of the day and year first above written.

PPL ENERGY SUPPLY, LLC

By: ______________________________
Name:
Title:

LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Loan	Type	Amount of Principal Repaid	Notation Made By

EXHIBIT C

Form of Assignment and Assumption Agreement

This Assignment and Assumption (the " Assignment and Assumption ") is dated as of the Effective Date set forth below and is entered into by and between [the] [each] [14] Assignor identified on the Schedules hereto as " Assignor " [or " Assignors " (collectively, the " Assignors " and each] an " Assignor ") and [the] [each] [15] Assignee identified on the Schedules hereto as " Assignee " or " Assignees " (collectively, the " Assignees " and each an " Assignee "). [It is understood and agreed that the rights and obligations of [the Assignors] [the Assignees] [16] hereunder are several and not joint.] [17] Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (the " Credit Agreement "), receipt of a copy of which is hereby acknowledged by [the] [each] Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, [the] [each] Assignor hereby irrevocably sells and assigns to [the Assignee] [the respective Assignees], and [the] [each] Assignee hereby irrevocably purchases and assumes from [the Assignor] [the respective Assignors], subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (a) all of [the Assignor's] [the respective Assignors'] rights and obligations in [its capacity as a Lender] [their respective capacities as Lenders] under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of [the Assignor] [the respective Assignors] under the respective facilities identified below (including without limitation any letters of credit, guarantees, and swingline loans included in such facilities) and (b) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of [the Assignor (in its capacity as a Lender)] [the respective Assignors (in their respective capacities as Lenders)] against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (a) above (the rights and obligations sold and assigned by [the] [any] Assignor to [the] [any] Assignee pursuant to clauses (a) and (b) above being referred to herein collectively as, the " Assigned Interest "). Each such sale and assignment is without recourse to [the] [any] Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by [the] [any] Assignor.

1. Assignor: *See Schedule attached hereto*

2. Assignee: *See Schedule attached hereto*

3. Borrower: PPL Energy Supply, LLC

4. Administrative Agent: Wells Fargo Bank, National Association, as the administrative agent under the Credit Agreement

5. Credit Agreement: The $3,000,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012 by and among PPL Energy Supply, LLC, as Borrower, the Lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent (as amended, restated, supplemented or otherwise modified)

6. Assigned Interest: *See Schedule attached hereto*

[7. Trade Date: ______________________] [18]

---

[14] For bracketed language here and elsewhere in this form relating to the Assignor(s), if the assignment is from a single Assignor, choose the first bracketed language. If the assignment is from multiple Assignors, choose the second bracketed language.

[15] For bracketed language here and elsewhere in this form relating to the Assignee(s), if the assignment is to a single Assignee, choose the first bracketed language. If the assignment is to multiple Assignees, choose the second bracketed language.

[16] Select as appropriate.

[17] Include bracketed language if there are either multiple Assignors or multiple Assignees.

[18] To be completed if the Assignor(s) and the Assignee(s) intend that the minimum assignment amount is to be determined as of the Trade Date.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Effective Date: _____________, 20____

[TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

<u>ASSIGNOR</u>

[NAME OF ASSIGNOR]

By: ____
Title:

<u>ASSIGNEE</u>

See Schedule attached hereto

[Consented to and] [19] Accepted:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent, [Issuing Lender] and Swingline Lender

By ______________________________________
Title:

[Consented to:] [20]

PPL ENERGY SUPPLY, LLC

By ______________________________________
Title:

[Consented to]:

[Issuing Lender] [21] ,
as Issuing Lender

By ______________________________________
Title:

[Consented to]:

[JOINT LEAD ARRANGERS] [22]

WELLS FARGO BANK, N.A.

By: ______________________________________
Title:

BANK OF AMERICA, N.A.

By: ______________________________________
Title:

---

[19] To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.
[20] To be added only if the consent of the Borrower is required by the terms of the Credit Agreement.
[21] Add all Issuing Lender signature blocks.
[22] To be added if assignment is made before Effective Date.

SCHEDULE

To Assignment and Assumption

By its execution of this Schedule, the Assignee(s) agree(s) to the terms set forth in the attached Assignment and Assumption.

Assigned Interests:

Aggregate Amount of Commitment/ Loans for all Lenders [23]	Amount of Commitment/ Loans Assigned [24]	Percentage Assigned of Commitment/ Loans [25]	CUSIP Number
$	$	%	

[NAME OF ASSIGNEE] [26] [and is an Affiliate of [*identify Lender*]] [27]

---

[23] Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.
[24] Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.
[25] Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.
[26] Add additional signature blocks, as needed.
[27] Select as applicable.

ANNEX 1 to Assignment and Assumption

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT DATED AS OF NOVEMBER 6, 2012
BY AND AMONG
PPL ENERGY SUPPLY, LLC, AS BORROWER, THE LENDERS PARTY THERETO AND WELLS FARGO BANK, NATIONAL ASSOCIATION, AS ADMINISTRATIVE AGENT
STANDARD TERMS AND CONDITIONS FOR ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. [The] [Each] Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of [the] [the relevant] Assigned Interest, (ii) [the] [such] Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. [The] [Each] Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an Eligible Assignee under the Credit Agreement (subject to receipt of such consents as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 6.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the] [the relevant] Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, [the] [any] Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations that by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts that have accrued to but excluding the Effective Date and to the Assignee for amounts that have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by and construed in accordance with the internal laws of the State of New York.

EXHIBIT D

Forms of Opinions of Counsel for the Borrower

[Date]

To the Administrative Agent and
each of the Lenders party to the Revolving
Credit Agreement referred to below

Re: PPL Energy Supply, Corporation
$300,000,000 Amended and Restated Revolving Credit Agreement

Ladies and Gentlemen:

We have acted as special counsel to PPL Energy Supply, LLC, a Delaware limited liability company (the "Company"), in connection with the negotiation, execution and delivery of the $3,000,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012, among the Company, Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender, and the other Lenders from time to time party thereto (such Revolving Credit Agreement as so amended, the "Agreement"). This letter is being delivered to you at the request of the Company pursuant to Section 4.01(e) of the Agreement.

In preparing this letter, we have reviewed the Agreement[, and the Notes of the Company executed and delivered by the Company on the date hereof (the "Notes"),] and the other documents executed and delivered by the Company in connection with the Agreement. In addition, we have reviewed the Certificate of Formation of the Company filed with the office of the Secretary of State of the State of Delaware on November 14, 2000, the Company's limited liability company agreement dated March 20, 2001 and certified by an Assistant Secretary of the Company as of the date hereof, and the records of the Company's proceedings relating to the authorization of the Agreement.

Subject to the assumptions, qualifications and other limitations set forth below, it is our opinion that:

1. The Company is a limited liability company validly existing and, based solely upon a certificate issued by the Secretary of State of the State of Delaware dated November __, 2012, in good standing under the Delaware Limited Liability Company Act.

2. The Company has (a) the limited liability company power to execute and deliver, and to perform its obligations under, the Agreement and (b) duly taken or caused to be taken all necessary limited liability company action to authorize the execution, delivery and performance by it of the Agreement [and the Notes].

3. The Agreement [and the Notes] has[ve] been duly executed and delivered by the Company.

4. The Agreement constitutes a valid and legally binding agreement of the Company, enforceable against the Company in accordance with its terms.

5. [The Notes constitute valid and legally binding obligations of the Company, enforceable against the Company in accordance with their terms.]

6. The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

7. The borrowings under the Agreement and the use of proceeds thereof as contemplated by the Agreement do not violate Regulation U or X of the Board of Governors of the Federal Reserve System.

In rendering our opinions, we have (a) without independent verification, relied, with respect to factual matters, statements and conclusions, on certificates, notifications and statements, whether written or oral, of governmental officials and individuals identified to us as officers and representatives of the Company and on the representations made by the

Company in the Agreement and other documents delivered to you in connection therewith and (b) reviewed originals, or copies of such agreements, documents and records as we have considered relevant and necessary as a basis for our opinions. [In rendering the opinions set forth in paragraphs 1 through 3 above, we note that any exercise by the Company of the option to increase the Commitments as contemplated in Section 2.19 of the Agreement may require additional authorization by the Company's Board of Managers. We note that, as counsel to the Company, we do not represent it generally and there may be facts relating to the Company of which we have no knowledge.]

We have assumed (a) the accuracy and completeness of all certificates, agreements, documents, records and other materials submitted to us; (b) the authenticity of original certificates, agreements, documents, records and other materials submitted to us; (c) the conformity with the originals of any copies submitted to us; (d) the genuineness of all signatures; (e) the legal capacity of all natural persons; (f) that the Agreement constitutes the valid, legally binding and enforceable agreement of the parties thereto under all applicable law (other than, in the case of the Company, the law of the State of New York); (g) that the execution and delivery by the Company of, and the performance by the Company of its obligations under, the Agreement and the Notes does not and will not (i) breach or violate (A) any agreement or instrument to which the Company or any of its affiliates is a party or by which the Company or any of its affiliates or any of their respective properties may be bound, (B) any authorization, consent, approval or license (or the like) of, or exemption (or the like) from, or any registration or filing (or the like) with, or report or notice (or the like) to, any governmental unit, agency, commission, department or other authority granted to or otherwise applicable to the Company or any of its affiliates or any of their respective properties (each a "Governmental Approval"), (C) any order, decision, judgment or decree that may be applicable to the Company or any of its affiliates or any of their respective properties, or (D) any law (other than the law of the State of New York and the federal law of the United States), or (ii) require any Governmental Approval; (h) that the Company is engaged only in the businesses described in its Annual Report on Form 10-K for the year ended December 31, 2011 filed with the Securities and Exchange Commission; (i) that there are no agreements, understandings or negotiations between the parties not set forth in the Agreement that would modify the terms thereof or the rights and obligations of the parties thereunder; and (j) for purposes of our opinion in paragraph 4 as it relates to the choice-of-law provisions in the Agreement, that the choice of law of the State of New York as the governing law of the Agreement would not result in a violation of an important public policy of another state or country having greater contacts with the transactions contemplated by the agreement than the State of New York.

Our opinions are subject to and limited by the effect of (a) applicable bankruptcy, insolvency, fraudulent conveyance, fraudulent transfer, receivership, conservatorship, arrangement, moratorium and other similar laws affecting and relating to the rights of creditors generally; (b) general equitable principles; (c) requirements of reasonableness, good faith, fair dealing and materiality; (d) Article 9 of the Uniform Commercial Code regarding restrictions on assignment or transfer of rights; and (e) additionally in the case of (i) indemnities, a requirement that facts, known to the indemnitee but not the indemnitor, in existence at the time the indemnity becomes effective that would entitle the indemnitee to indemnification be disclosed to the indemnitor, and a requirement that an indemnity provision will not be read to impose obligations upon indemnitors which are neither disclosed at the time of its execution nor reasonably within the scope of its terms and overall intention of the parties at the time of its making, (ii) waivers, Sections 9-602 and 9-603 of the Uniform Commercial Code, and (iii) indemnities, waivers and exculpatory provisions, public policy.

We express no opinion with respect to the following sections of the Agreement: (i) Section 9.02 (cumulative remedies), (ii) provisions relating to rules of evidence or quantum of proof, (iii) Section 9.07 (submission to jurisdiction and waiver of inconvenient forum), insofar as such sections relate to federal courts (except as to the personal jurisdiction thereof), and (choice of venue, i.e., requiring actions to be commenced in a particular court in a particular jurisdiction), and (iv) Section 9.11 (waiver of jury trial), insofar as such section is sought to be enforced in a federal court.

We express no opinion as to the law of any jurisdiction other than the law of the State of New York and the federal law of the United States of America, and, with respect to our opinions in paragraphs 1 through 3, the Delaware Limited Liability Company Act, and in each case, only such law that in our experience is normally applicable to transactions of the type contemplated by the Agreement and excluding (i) any law that is part of a regulatory regime applicable to specific assets or businesses of the lenders and (ii) the statutes and ordinances, the administrative decisions, and the rules and regulations of counties, towns, municipalities and special political subdivisions.

This letter speaks only as of the date hereof. We have no responsibility or obligation to update this letter or to take into account changes in law or facts or any other development of which we may later become aware.

This letter is delivered by us as special counsel for the Company solely for your benefit in connection with the transaction referred to herein and may not be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person or entity without our prior written consent.

Very truly yours,

[Date]

To the Administrative Agent and
each of the Lenders party to the
Credit Agreement referred to below

Re: $3,000,000,000 Amended and Restated Revolving Credit Agreement

Ladies and Gentlemen:

I am Senior Counsel of PPL Services Corporation, an affiliate of PPL Energy Supply, LLC (the “Borrower”), and have acted as counsel to the Borrower in connection with the $3,000,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012 among the Borrower, Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender and the other Lenders from time to time party thereto (the “Agreement”). Capitalized terms used but not defined herein have the meaning assigned to such terms in the Agreement.

I am familiar with the Agreement [and the Notes of the Borrower executed and delivered by the Borrower on the date hereof (the “Notes”),] and the other documents executed and delivered by the Borrower in connection with the Agreement. I have also examined such other documents and satisfied myself as to such other matters as I have deemed necessary in order to render this opinion. I have assumed that the Agreement and instruments referred to in this opinion have been duly authorized, executed and delivered by all parties thereto other than the Borrower.

Based on the foregoing, I am of the opinion that:

1. The execution, delivery and performance by the Borrower of the Agreement [and the Notes] have been duly authorized by the Borrower and do not violate any provision of law or regulation or any decree, order, writ or judgment applicable to the Borrower, or any provision of its limited liability company agreement, or result in the breach of or constitute a default under any indenture or other agreement or instrument known to me to which it is a party.

2. [Each of] the Agreement [and the Notes] has been duly executed and delivered by the Borrower, and constitutes the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except to the extent limited by (a) bankruptcy, insolvency, reorganization or other similar laws relating to or affecting the enforceability of creditors’ rights generally and by general equitable principles that may limit the right to obtain equitable remedies regardless of whether enforcement is considered in a proceeding of law or equity or (b) any applicable public policy on enforceability of provisions relating to indemnification, contribution, waivers and exculpatory provisions.

3. Except as disclosed in or contemplated by the Borrower’s Annual Report on Form 10-K for the year ended December 31, 2011, or in other reports filed under the Securities Exchange Act of 1934 from January 1, 2012 to the date hereof, or otherwise furnished in writing to the Administrative Agent, no litigation, arbitration or administrative proceeding or inquiry is pending or, to my knowledge, threatened which, if determined adversely to the Borrower, would materially and adversely affect the ability of the Borrower to perform any of its obligations under the Agreement [or the Notes]. To my knowledge, there is no litigation, arbitration or administrative proceeding pending or threatened that questions the validity of the Agreement [or the Notes].

4. The Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any “margin stock” within the meaning of Regulation U of the Board of Governors of the Federal Reserve System.

5. There have not been any “reportable events,” as that term is defined in Section 4043 of the Employee Retirement Income Security Act of 1974, as amended, which would result in a material liability of the Borrower.

6. No authorization, consent or approval of any Governmental Authority of the United States of America or the State of New York is required for the execution, delivery or performance of the Agreement by the Borrower or for the borrowings by the Borrower thereunder, except such authorizations, consents and approvals as have been obtained prior to the date hereof, which authorizations, consents and approvals are in full force and effect.

This opinion is limited to the laws of the State of New York, the Delaware Limited Liability Company Act and the federal laws of the United States of America.

Without my prior written consent, this opinion may not be furnished or quoted to, or relied upon by, any other person or entity for any purpose.

Very truly yours,

Frederick C. Paine

EXHIBIT E

Form of Notice of Revolving Increase

Dated as of: ________________

PPL ENERGY SUPPLY, LLC (the " **Borrower** "), in connection with the $3,000,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012, among the Borrower, Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders party thereto from time to time (the " **Credit Agreement** "), hereby certifies that:

1. The Borrower has obtained an agreement from certain financial institutions to increase their Revolving Commitments in the aggregate amount of _________________________________ ($_____________) [28] (the " **Commitment Increase** ").

2. All of the representations and warranties of the Borrower made under the Credit Agreement (including, without limitation, all representations and warranties with respect to the Borrower's Subsidiaries) and the other Loan Documents are as of the date hereof, and will be as of the effective date of the Commitment Increase, true and correct in all material respects except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date.

3. There does not exist, as of this date, and there will not exist after giving effect to the Commitment Increase, any Default or Event of Default under the Credit Agreement.

4. All necessary governmental, regulatory and third party approvals, if required, have been obtained or made, are in full force and effect and are not subject to any pending or, to the knowledge of the Borrower, threatened reversal or cancellation.

5. Attached hereto as Annex A are resolutions adopted by the Borrower authorizing such Commitment Increase, and such resolutions are true and correct and have not been altered, amended or repealed and are in full force and effect.

Capitalized terms used in this Notice of Revolving Increase and not otherwise defined herein are used as defined in the Credit Agreement.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

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[28] Each Optional Commitment Increase shall be in a minimum amount of $50,000,000.

IN WITNESS WHEREOF, the Borrower, acting through an authorized signatory, has signed this Notice of Revolving Increase as of the day and year first above written.

PPL ENERGY SUPPLY, LLC

By: ______________________________
Name:
Title:

Annex A to Exhibit E

Exhibit 10(dd)

EXECUTION VERSION

$400,000,000

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

dated as of November 6, 2012

among

KENTUCKY UTILITIES COMPANY,

THE LENDERS FROM TIME TO TIME PARTY HERETO

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent, Issuing Lender and Swingline Lender

WELLS FARGO SECURITIES, LLC,
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, RBS SECURITIES INC.,
BARCLAYS BANK PLC,
THE BANK OF NOVA SCOTIA
and
MITSUBISHI UFJ FINANCIAL GROUP, INC.,
Joint Lead Arrangers and Joint Bookrunners

BANK OF AMERICA, N.A.
and
THE ROYAL BANK OF SCOTLAND PLC,
Syndication Agents

BARCLAYS BANK PLC,
THE BANK OF NOVA SCOTIA
and
MITSUBISHI UFJ FINANCIAL GROUP, INC.,
Documentation Agents

TABLE OF CONTENTS

Appendices:

Commitment Appendix
JLA L/C Fronting Sublimits Appendix

Exhibits:

Exhibit A-1	-	Form of Notice of Borrowing
Exhibit A-2	-	Form of Notice of Conversion/Continuation
Exhibit A-3	-	Form of Letter of Credit Request
Exhibit B	-	Form of Note
Exhibit C	-	Form of Assignment and Assumption Agreement
Exhibit D	-	Forms of Opinion of Counsel for the Borrower
Exhibit E	-	Form of Notice of Revolving Increase

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT (this " Agreement ") dated as of November 6, 2012 is entered into among KENTUCKY UTILITIES COMPANY, a Kentucky corporation and a Virginia corporation (the " Borrower "), the LENDERS party hereto from time to time and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent. The parties hereto agree as follows:

RECITALS

WHEREAS, the Borrower is a party to that certain $400,000,000 Revolving Credit Agreement dated as of November 1, 2010, among the Borrower, the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent, as amended, modified, restated and supplemented from time to time (the " Existing Credit Agreement "); and

WHEREAS, the Borrower has requested that the Administrative Agent and the Lenders amend and restate the Existing Credit Agreement to, among other things, decrease the fronting sublimit for letters of credit and extend the maturity date, and the Administrative Agent and the Lenders have agreed to such amendment and restatement on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree that the Existing Credit Agreement is hereby amended and restated in its entirety, and do further agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01. Definitions . All capitalized terms used in this Agreement or in any Appendix, Schedule or Exhibit hereto which are not otherwise defined herein or therein shall have the respective meanings set forth below.

" Adjusted London Interbank Offered Rate " means, for any Interest Period, a rate per annum equal to the quotient obtained (rounded upward, if necessary, to the nearest 1/100th of 1%) by dividing (i) the London Interbank Offered Rate for such Interest Period by (ii) 1.00 minus the Euro-Dollar Reserve Percentage.

" Administrative Agent " means Wells Fargo Bank, in its capacity as administrative agent for the Lenders hereunder and under the other Loan Documents, and its successor or successors in such capacity.

" Administrative Questionnaire " means, with respect to each Lender, an administrative questionnaire in the form provided by the Administrative Agent and submitted to the Administrative Agent (with a copy to the Borrower) duly completed by such Lender.

" Affiliate " means, with respect to any Person, any other Person who is directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through the ownership of stock or its equivalent, by contract or otherwise.

" Agent " means the Administrative Agent, the Syndication Agents, the Joint Lead Arrangers, the Documentation Agents or each Person that shall become a joint lead arranger pursuant to the terms of the Commitment Letters and "Agents" means all of the foregoing.

" Agreement " has the meaning set forth in the introductory paragraph hereto, as this Agreement may be amended, restated, supplemented or modified from time to time.

" Amendment Fee " has the meaning set forth in Section 4.01(i).

" Applicable Lending Office " means, with respect to any Lender, (i) in the case of its Base Rate Loans, its Base Rate Lending Office and (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office.

" Applicable Percentage " means, for purposes of calculating (i) the applicable interest rate for any day for any Base Rate Loans or Euro-Dollar Loans, (ii) the applicable rate for the Commitment Fee for any day for purposes of Section 2.07(a) or (iii) the applicable rate for the Letter of Credit Fee for any day for purposes of Section 2.07(b), the appropriate applicable percentage set forth below corresponding to one rating level below the then current highest Borrower's Ratings; provided , that, in the event that the Borrower's Ratings shall fall within different levels and ratings are maintained by both Rating Agencies, the applicable rating shall be based on the higher of the two ratings unless one of the ratings is two or more levels lower than the other, in which case the applicable rating shall be determined by reference to the level one rating lower than the higher of the two ratings:

	Borrower's Ratings (S&P /Moody's)	Applicable Percentage for Commitment Fees	Applicable Percentage for Base Rate Loans	Applicable Percentage for Euro-Dollar Loans and Letter of Credit Fees
Category A	$\geq$ A from S&P / A2 from Moody's	0.100%	0.000%	1.000%
Category B	$\geq$ A- from S&P / A3 from Moody's	0.125%	0.125%	1.125%
Category C	BBB+ from S&P / Baa1 from	0.175%	0.250%	1.250%

	Moody's			
Category D	BBB from S&P / Baa2 from Moody's	0.200%	0.500%	1.500%
Category E	BBB- from S&P / Baa3 from Moody's	0.250%	0.625%	1.625%
Category F	≤BB+ from S&P / Ba1 from Moody's	0.350%	0.875%	1.875%

" Asset Sale " shall mean any sale of any assets, including by way of the sale by the Borrower or any of its Subsidiaries of equity interests in such Subsidiaries.

" Assignee " has the meaning set forth in Section 9.06(c).

" Assignment and Assumption Agreement " means an Assignment and Assumption Agreement, substantially in the form of attached Exhibit C, under which an interest of a Lender hereunder is transferred to an Eligible Assignee pursuant to Section 9.06(c).

" Availability Period " means the period from and including the Effective Date to but excluding the Termination Date.

" Bankruptcy Code " means the Bankruptcy Reform Act of 1978, as amended, or any successor statute.

" Base Rate " means for any day a rate per annum equal to the highest of (i) the Prime Rate for such day, (ii) the sum of 1/2 of 1% plus the Federal Funds Rate for such day and (iii) except during any period of time during which a notice delivered to the Borrower under Section 2.14 or Section 2.15 shall remain in effect, the London Interbank Offered Rate plus 1%.

" Base Rate Borrowing " means a Borrowing comprised of Base Rate Loans.

" Base Rate Lending Office " means, as to each Lender, its office located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Base Rate Lending Office) or such other office as such Lender may hereafter designate as its Base Rate Lending Office by notice to the Borrower and the Administrative Agent.

" Base Rate Loan " means (a) a Loan (other than a Swingline Loan) in respect of which interest is computed on the basis of the Base Rate and (b) a Swingline Loan in respect of which interest is computed on the basis of the LIBOR Market Index Rate.

" Borrower " has the meaning set forth in the introductory paragraph hereto.

" Borrower's Rating " means the senior secured long-term debt rating of the Borrower from S&P or Moody's.

" Borrowing " means a group of Loans of a single Type made by the Lenders on a single date and, in the case of a Euro-Dollar Borrowing, having a single Interest Period.

" Business Day " means any day except a Saturday, Sunday or other day on which commercial banks in Charlotte, North Carolina or New York, New York are authorized by law to close; provided , that, when used in Article III with respect to any action taken by or with respect to any Issuing Lender, the term "Business Day" shall not include any day on which commercial banks are authorized by law to close in the jurisdiction where the office at which such Issuing Lender books any Letter of Credit is located; and provided , further , that when used with respect to any borrowing of, payment or prepayment of principal of or interest on, or the Interest Period for, a Euro-Dollar Loan, or a notice by the Borrower with respect to any such borrowing payment, prepayment or Interest Period, the term "Business Day" shall also mean that such day is a London Business Day.

" Capital Lease " means any lease of property which, in accordance with GAAP, should be capitalized on the lessee's balance sheet.

" Capital Lease Obligations " means, with respect to any Person, all obligations of such Person as lessee under Capital Leases, in each case taken at the amount thereof accounted for as liabilities in accordance with GAAP.

" Change of Control " means (i) the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended) of 25% or more of the outstanding shares of voting stock of PPL Corporation or its successors or (ii) the failure at any time of PPL Corporation or its successors to own 80% or more of the outstanding shares of the Voting Stock in the Borrower.

" Commitment " means, with respect to any Lender, the commitment of such Lender to (i) make Loans under this Agreement, (ii) refund or purchase participations in Swingline Loans pursuant to Section 2.02 and (iii) purchase participations in Letters of Credit pursuant to Article III hereof, as set forth in the Commitment Appendix and as such Commitment may be reduced from time to time pursuant to Section 2.08 or Section 9.06(c) or increased from time to time pursuant to Section 2.19 or Section 9.06(c).

" Commitment Appendix " means the Appendix attached under this Agreement identified as such.

" Commitment Fee " has the meaning set forth in Section 2.07(a).

" Commitment Letters " means (i) that certain commitment letter dated as of September 24, 2012 among Wells Fargo Securities, LLC, Wells Fargo Bank, National Association, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bank of America, N.A., RBS Securities Inc. and The Royal Bank of Scotland plc and (ii) that certain commitment letter dated as of October 2, 2012 among Barclays Bank PLC, The Bank of Nova Scotia and Mitsubishi UFJ Financial Group, Inc., acting through The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Union Bank, N.A., each commitment letter addressed to and acknowledged and agreed to by the Borrower.

" Commitment Ratio " shall mean, with respect to any Lender, the percentage equivalent of the ratio which such Lender's Commitment bears to the aggregate amount of all Commitments.

" Consolidated Capitalization " shall mean the sum of, without duplication, (A) the Consolidated Debt (without giving effect to clause (b) of the definition of "Consolidated Debt") and (B) the consolidated shareowners' equity (determined in accordance with GAAP) of the common, preference and preferred shareowners of the Borrower and minority interests recorded on the Borrower's consolidated financial statements (excluding from shareowner's equity (i) the effect of all unrealized gains and losses reported under Financial Accounting Standards Board Accounting Standards Codification Topic 815 in connection with (x) forward contracts, futures contracts, options contracts or other derivatives or hedging agreements for the future delivery of electricity, capacity, fuel or other commodities and (y) Interest Rate Protection Agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangements and (ii) the balance of accumulated other comprehensive income/loss of the Borrower on any date of determination solely with respect to the effect of any pension and other post-retirement benefit liability adjustment recorded in accordance with GAAP), except that for purposes of calculating Consolidated Capitalization of the Borrower, Consolidated Debt of the Borrower shall exclude Non-Recourse Debt and Consolidated Capitalization of the Borrower shall exclude that portion of shareowners' equity attributable to assets securing Non-Recourse Debt.

" Consolidated Debt " means the consolidated Debt of the Borrower and its Consolidated Subsidiaries (determined in accordance with GAAP), except that for purposes of this definition (a) Consolidated Debt shall exclude Non-Recourse Debt of the Borrower and its Consolidated Subsidiaries, and (b) Consolidated Debt shall exclude (i) Hybrid Securities of the Borrower and its Consolidated Subsidiaries in an aggregate amount as shall not exceed 15% of Consolidated Capitalization and (ii) Equity-Linked Securities in an aggregate amount as shall not exceed 15% of Consolidated Capitalization.

" Consolidated Subsidiary " means with respect to any Person at any date any Subsidiary of such Person or other entity the accounts of which would be consolidated with those of such Person in its consolidated financial statements if such statements were prepared as of such date in accordance with GAAP.

" Continuing Lender " means with respect to any event described in Section 2.08(b), a Lender which is not a Retiring Lender, and "Continuing Lenders" means any two or more of such Continuing Lenders.

" Corporation " means a corporation, association, company, joint stock company, limited liability company, partnership or business trust.

" Credit Event " means a Borrowing or the issuance, renewal or extension of a Letter of Credit.

" Debt " of any Person means, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (iii) all Guarantees by such Person of Debt of others, (iv) all Capital Lease Obligations and Synthetic Leases of such Person, (v) all obligations of such Person in respect of Interest Rate Protection Agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangements (the amount of any such obligation to be the net amount that would be payable upon the acceleration, termination or liquidation thereof), but only to the extent that such net obligations exceed $75,000,000 in the aggregate and (vi) all obligations of such Person as an account party in respect of letters of credit and bankers' acceptances; provided , however , that "Debt" of such Person does not include (a) obligations of such Person under any installment sale, conditional sale or title retention agreement or any other agreement relating to obligations for the deferred purchase price of property or services, (b) obligations under agreements relating to the purchase and sale of any commodity, including any power sale or purchase agreements, any commodity hedge or derivative (regardless of whether any such transaction is a "financial" or physical transaction), (c) any trade obligations or other obligations of such Person incurred in the ordinary course of business or (d) obligations of such Person under any lease agreement (including any lease intended as security) that is not a Capital Lease or a Synthetic Lease.

" Default " means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

" Defaulting Lender " means at any time any Lender with respect to which a Lender Default is in effect at such time.

" Documentation Agents " means Barclays Bank PLC, The Bank of Nova Scotia and Mitsubishi UFJ Financial Group, Inc., acting through The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Union Bank N.A., each in its capacity as a documentation agent in respect of this Agreement.

" Dollars " and the sign "$" means lawful money of the United States of America.

" Effective Date " means the date on which the Administrative Agent determines that the conditions specified in or pursuant to Section 4.01 have been satisfied.

" Eligible Assignee " means (i) a Lender; (ii) a commercial bank organized under the laws of the United States and having a combined capital and surplus of at least $100,000,000; (iii) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and having a combined capital and surplus of at least $100,000,000; provided , that such bank is acting through a branch or agency located and licensed in the United States; or

(iv) an Affiliate of a Lender that is an "accredited investor" (as defined in Regulation D under the Securities Act of 1933, as amended); provided , that, in each case (a) upon and following the occurrence of an Event of Default, an Eligible Assignee shall mean any Person other than the Borrower or any of its Affiliates and (b) notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrower or any of its Affiliates.

" Environmental Laws " means any and all federal, state and local statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses or other written governmental restrictions relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or Hazardous Substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or Hazardous Substances or wastes.

" Environmental Liabilities " means all liabilities (including anticipated compliance costs) in connection with or relating to the business, assets, presently or previously owned, leased or operated property, activities (including, without limitation, off-site disposal) or operations of the Borrower or any of its Subsidiaries which arise under Environmental Laws.

" Equity-Linked Securities " means any securities of the Borrower or any of its Subsidiaries which are convertible into, or exchangeable for, equity securities of the Borrower, such Subsidiary or PPL Corporation, including any securities issued by any of such Persons which are pledged to secure any obligation of any holder to purchase equity securities of the Borrower, any of its Subsidiaries or PPL Corporation.

" ERISA " means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

" ERISA Group " means the Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414(b) or (c) of the Internal Revenue Code.

" Euro-Dollar Borrowing " means a Borrowing comprised of Euro-Dollar Loans.

" Euro-Dollar Lending Office " means, as to each Lender, its office, branch or Affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Euro-Dollar Lending Office) or such other office, branch or Affiliate of such Lender as it may hereafter designate as its Euro-Dollar Lending Office by notice to the Borrower and the Administrative Agent.

" Euro-Dollar Loan " means a Loan in respect of which interest is computed on the basis of the Adjusted London Interbank Offered Rate pursuant to the applicable Notice of Borrowing or Notice of Conversion/Continuation.

" Euro-Dollar Reserve Percentage " of any Lender for the Interest Period of any LIBOR Rate Loan means the reserve percentage applicable to such Lender during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) then applicable to such Lender with respect to liabilities or assets consisting of or including "Eurocurrency Liabilities" (as defined in Regulation D). The Adjusted London Interbank Offered Rate shall be adjusted automatically on and as of the effective date of any change in the Euro-Dollar Reserve Percentage.

" Event of Default " has the meaning set forth in Section 7.01.

" Existing Credit Agreement " has the meaning set forth in the recitals hereto.

" Extending Lenders " has the meaning set forth in Section 9.15 hereto.

" FATCA " means Sections 1471 through 1474 of the Internal Revenue Code and any regulations (whether final, temporary or proposed) that are issued thereunder or official government interpretations thereof and any agreements entered into pursuant to Section 1471(b) of the Code.

" Federal Funds Rate " means for any day the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided , that (i) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average of quotations for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by the Administrative Agent.

" Fee Letter " means the fee letter dated as of September 24, 2012 among the Borrower, Wells Fargo Securities, LLC, Wells Fargo Bank, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bank of America, N.A., RBS Securities Inc., and The Royal Bank of Scotland plc, as amended, modified or supplemented from time to time.

" FERC " means the Federal Energy Regulatory Commission.

" Fronting Fee " has the meaning set forth in Section 2.07(b).

"Fronting Sublimit" means, (a) for each JLA Issuing Bank, the amount of such JLA Issuing Bank's commitment to issue and honor payment obligations under Letters of Credit, as set forth on the JLA L/C Fronting Sublimits Appendix hereto and (b) with respect to any other Issuing Lender, an amount as agreed between the Borrower and such Issuing Lender.

"GAAP" means United States generally accepted accounting principles applied on a consistent basis.

"Governmental Authority" means any federal, state or local government, authority, agency, central bank, quasi-governmental authority, court or other body or entity, and any arbitrator with authority to bind a party at law.

"Group of Loans" means at any time a group of Revolving Loans consisting of (i) all Revolving Loans which are Base Rate Loans at such time or (ii) all Revolving Loans which are Euro-Dollar Loans of the same Type having the same Interest Period at such time; provided, that, if a Loan of any particular Lender is converted to or made as a Base Rate Loan pursuant to Sections 2.15 or 2.18, such Loan shall be included in the same Group or Groups of Loans from time to time as it would have been in if it had not been so converted or made.

"Guarantee" of or by any Person means any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Debt of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or to purchase (or to advance or supply funds for the purchase of) any security for payment of such Debt, (ii) to purchase or lease property, securities or services for the purpose of assuring the owner of such Debt of the payment of such Debt or (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Debt; provided, however, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"Hazardous Substances" means any toxic, caustic or otherwise hazardous substance, including petroleum, its derivatives, by-products and other hydrocarbons, or any substance having any constituent elements displaying any of the foregoing characteristics.

"Hybrid Securities" means any trust preferred securities, or deferrable interest subordinated debt with a maturity of at least 20 years issued by the Borrower, or any business trusts, limited liability companies, limited partnerships (or similar entities) (i) all of the common equity, general partner or similar interests of which are owned (either directly or indirectly through one or more Wholly Owned Subsidiaries) at all times by the Borrower or any of its Subsidiaries, (ii) that have been formed for the purpose of issuing hybrid preferred securities and (iii) substantially all the assets of which consist of (A) subordinated debt of the Borrower or a Subsidiary of the Borrower, as the case may be, and (B) payments made from time to time on the subordinated debt.

"Indemnitee" has the meaning set forth in Section 9.03(b).

"Interest Period" means with respect to each Euro-Dollar Loan, a period commencing on the date of borrowing specified in the applicable Notice of Borrowing or on the date specified in the applicable Notice of Conversion/Continuation and ending one, two, three or six months thereafter, as the Borrower may elect in the applicable notice; provided, that:

(i) any Interest Period which would otherwise end on a day which is not a Business Day shall, subject to clauses (iii) and (iv) below, be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (iii) below, end on the last Business Day of a calendar month; and

(iii) no Interest Period shall end after the Termination Date.

"Interest Rate Protection Agreements" means any agreement providing for an interest rate swap, cap or collar, or any other financial agreement designed to protect against fluctuations in interest rates.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, or any successor statute.

"Issuing Lender" means (i) each JLA Issuing Bank, each in its capacity as an issuer of Letters of Credit under Section 3.02, and each of their respective successor or successors in such capacity and (ii) any other Lender approved as an "Issuing Lender" pursuant to Section 3.01, subject in each case to the Fronting Sublimit.

"Joint Lead Arrangers" means Wells Fargo Securities, Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBS Securities Inc., Barclays Bank PLC, The Bank of Nova Scotia and Mitsubishi UFJ Financial Group, Inc., acting through The Bank of Tokyo Mitsubishi UFJ, Ltd. and Union Bank, N.A., each in their capacity as joint lead arranger and joint bookrunner in respect of this Agreement.

"JLA Issuing Bank" means Wells Fargo Bank, Bank of America, N.A., The Royal Bank of Scotland plc, Barclays Bank PLC, The Bank of Nova Scotia, Mitsubishi UFJ Financial Group, Inc., acting through The Bank of Tokyo-Mitsubishi UFJ, Ltd. and each other Lender (or Affiliate of a Lender) that shall become (or whose Affiliate shall become) a joint lead arranger pursuant to the terms of the Commitment Letters.

"KPSC" means the Kentucky Public Service Commission.

"Lender" means each bank or other lending institution listed in the Commitment Appendix as having a Commitment, each

Eligible Assignee that becomes a Lender pursuant to Section 9.06(c) and their respective successors and shall include, as the context may require, each Issuing Lender and the Swingline Lender in such capacity.

" Lender Default " means (i) the failure (which has not been cured) of any Lender to make available any Loan or any reimbursement for a drawing under a Letter of Credit or refunding of a Swingline Loan, in each case, within one Business Day from the date it is obligated to make such amount available under the terms and conditions of this Agreement or (ii) a Lender having notified, in writing, the Administrative Agent and the Borrower that such Lender does not intend to comply with its obligations under Article II following the appointment of a receiver or conservator with respect to such Lender at the direction or request of any regulatory agency or authority.

" Letter of Credit " means each letter of credit issued pursuant to Section 3.02 by an Issuing Lender.

" Letter of Credit Fee " has the meaning set forth in Section 2.07(b).

" Letter of Credit Liabilities " means, for any Lender at any time, the product derived by multiplying (i) the sum, without duplication, of (A) the aggregate amount that is (or may thereafter become) available for drawing under all Letters of Credit outstanding at such time plus (B) the aggregate unpaid amount of all Reimbursement Obligations outstanding at such time by (ii) such Lender's Commitment Ratio.

" Letter of Credit Request " has the meaning set forth in Section 3.03.

" LIBOR Market Index Rate " means, for any day, the rate for 1 month U.S. dollar deposits as reported on Reuters Screen LIBOR01 as of 11:00 a.m., London time, for such day, provided, if such day is not a London Business Day, the immediately preceding London Business Day (or if not so reported, then as determined by the Swingline Lender from another recognized source or interbank quotation).

" Lien " means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance intended to confer or having the effect of conferring upon a creditor a preferential interest.

" Loan " means a Base Rate Loan, whether such loan is a Revolving Loan or Swingline Loan, or a Euro-Dollar Loan and "Loans" means any combination of the foregoing.

" Loan Documents " means this Agreement and the Notes.

" London Business Day " means a day on which commercial banks are open for international business (including dealings in Dollar deposits) in London.

" London Interbank Offered Rate " means:

(a) for any Euro-Dollar Loan for any Interest Period, the interest rate for deposits in Dollars for a period of time comparable to such Interest Period which appears on Reuters Screen LIBOR01 at approximately 11:00 A.M. (London time) two Business Days before the first day of such Interest Period; provided , however , that if more than one such rate is specified on Reuters Screen LIBOR01, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100 of 1%). If for any reason such rate is not available on Reuters Screen LIBOR01, the term "London Interbank Offered Rate" means for any Interest Period, the arithmetic mean of the rate per annum at which deposits in Dollars are offered by first class banks in the London interbank market to the Administrative Agent at approximately 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loan of Wells Fargo Bank to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

(b) for any interest rate calculation with respect to a Base Rate Loan, the interest rate for deposits in Dollars for a period equal to one month (commencing on the date of determination of such interest rate) which appears on Reuters Screen LIBOR01 at approximately 11:00 A.M. (London time) on such date of determination (provided that if such day is not a Business Day for which a London Interbank Offered Rate is quoted, the next preceding Business Day for which a London Interbank Offered Rate is quoted); provided, however, that if more than one such rate is specified on Reuters Screen LIBOR01, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100 of 1%). If for any reason such rate is not available on Reuters Screen LIBOR01, the term "London Interbank Offered Rate" means for any applicable one-month interest period, the arithmetic mean of the rate per annum at which deposits in Dollars are offered by first class banks in the London interbank market to the Administrative Agent at approximately 11:00 A.M. (London time) on such date of determination (provided that if such day is not a Business Day for which a London Interbank Offered Rate is quoted, the next preceding Business Day for which a London Interbank Offered Rate is quoted) in an amount approximately equal to the principal amount of the Base Rate Loan of Wells Fargo Bank.

" Mandatory Letter of Credit Borrowing " has the meaning set forth in Section 3.09.

" Margin Stock " means "margin stock" as such term is defined in Regulation U.

" Material Adverse Effect " means (i) any material adverse effect upon the business, assets, financial condition or operations of the Borrower or the Borrower and its Subsidiaries, taken as a whole; (ii) a material adverse effect on the ability of the Borrower to perform its obligations under this Agreement, the Notes or the other Loan Documents or (iii) a material adverse effect on the validity or enforceability of this Agreement, the Notes or any of the other Loan Documents.

" Material Debt " means Debt (other than the Notes) of the Borrower in a principal or face amount exceeding $50,000,000.

"Material Plan" means at any time a Plan or Plans having aggregate Unfunded Liabilities in excess of $50,000,000. For the avoidance of doubt, where any two or more Plans, which individually do not have Unfunded Liabilities in excess of $50,000,000, but collectively have aggregate Unfunded Liabilities in excess of $50,000,000, all references to Material Plan shall be deemed to apply to such Plans as a group.

"Moody's" means Moody's Investors Service, Inc., a Delaware corporation, and its successors or, absent any such successor, such nationally recognized statistical rating organization as the Borrower and the Administrative Agent may select.

"Multiemployer Plan" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"New Lender" means with respect to any event described in Section 2.08(b), an Eligible Assignee which becomes a Lender hereunder as a result of such event, and "New Lenders" means any two or more of such New Lenders.

"Non-Defaulting Lender" means each Lender other than a Defaulting Lender, and "Non-Defaulting Lenders" means any two or more of such Lenders.

"Non-Recourse Debt" shall mean Debt that is nonrecourse to the Borrower or any asset of the Borrower.

"Non-U.S. Lender" has the meaning set forth in Section 2.17(e).

"Note" shall mean a promissory note, substantially in the form of Exhibit B hereto, issued at the request of a Lender evidencing the obligation of the Borrower to repay outstanding Revolving Loans or Swingline Loans, as applicable.

"Notice of Borrowing" has the meaning set forth in Section 2.03.

"Notice of Conversion/Continuation" has the meaning set forth in Section 2.06(d)(ii).

"Obligations" means:

(i) all principal of and interest (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Borrower, whether or not allowed or allowable as a claim in any such proceeding) on any Loan, fees payable or Reimbursement Obligation under, or any Note issued pursuant to, this Agreement or any other Loan Document;

(ii) all other amounts now or hereafter payable by the Borrower and all other obligations or liabilities now existing or hereafter arising or incurred (including, without limitation, any amounts which accrue after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Borrower, whether or not allowed or allowable as a claim in any such proceeding) on the part of the Borrower pursuant to this Agreement or any other Loan Document;

(iii) all expenses of the Agents as to which such Agents have a right to reimbursement under Section 9.03(a) hereof or under any other similar provision of any other Loan Document; and

(iv) all amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement under Section 9.03 hereof or under any other similar provision of any other Loan Document;

together in each case with all renewals, modifications, consolidations or extensions thereof.

"OFAC" means the U.S. Department of the Treasury's Office of Foreign Assets Control.

"Optional Increase" has the meaning set forth in Section 2.19(a).

"Other Taxes" has the meaning set forth in Section 2.17(b).

"Participant" has the meaning set forth in Section 9.06(b).

"Participant Register" has the meaning set forth in Section 9.06(b).

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Permitted Business" with respect to any Person means a business that is the same or similar to the business of the Borrower or any Subsidiary as of the Effective Date, or any business reasonably related thereto.

"Person" means an individual, a corporation, a partnership, an association, a limited liability company, a trust or an unincorporated association or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" means at any time an employee pension benefit plan (including a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

" Prime Rate " means the rate of interest publicly announced by Wells Fargo Bank from time to time as its Prime Rate.

" Public Reporting Company " means a company subject to the periodic reporting requirements of the Securities and Exchange Act of 1934.

" Quarterly Date " means the last Business Day of each of March, June, September and December.

" Rating Agency " means S&P or Moody's, and "Rating Agencies" means both of them.

" Register " has the meaning set forth in Section 9.06(e).

" Regulation U " means Regulation U of the Board of Governors of the Federal Reserve System, as amended, or any successor regulation.

" Regulation X " means Regulation X of the Board of Governors of the Federal Reserve System, as amended, or any successor regulation.

" Reimbursement Obligations " means at any time all obligations of the Borrower to reimburse the Issuing Lenders pursuant to Section 3.07 for amounts paid by the Issuing Lenders in respect of drawings under Letters of Credit, including any portion of any such obligation to which a Lender has become subrogated pursuant to Section 3.09.

" Replacement Date " has the meaning set forth in Section 2.08(b).

" Replacement Lender " has the meaning set forth in Section 2.08(b).

" Required Lenders " means at any time Non-Defaulting Lenders having at least 51% of the aggregate amount of the Commitments of all Non-Defaulting Lenders or, if the Commitments shall have been terminated, having at least 51% of the aggregate amount of the Revolving Outstandings of the Non-Defaulting Lenders at such time.

" Responsible Officer " means, as to any Person, the chief executive officer, president, chief financial officer, controller, treasurer or assistant treasurer of such Person or any other officer of such Person reasonably acceptable to the Administrative Agent. Any document delivered hereunder that is signed by a Responsible Officer of a Person shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Person and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Person.

" Retiring Lender " means a Lender that ceases to be a Lender hereunder pursuant to the operation of Section 2.08(b).

" Revolving " means, when used with respect to (i) a Borrowing, a Borrowing made by the Borrower under Section 2.01, as identified in the Notice of Borrowing with respect thereto, a Borrowing of Revolving Loans to refund outstanding Swingline Loans pursuant to Section 2.02(b)(i), or a Mandatory Letter of Credit Borrowing and (ii) a Loan, a Loan made under Section 2.01; provided , that, if any such loan or loans (or portions thereof) are combined or subdivided pursuant to a Notice of Conversion/Continuation, the term "Revolving Loan" shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be.

" Revolving Outstandings " means at any time, with respect to any Lender, the sum of (i) the aggregate principal amount of such Lender's outstanding Revolving Loans plus (ii) the aggregate amount of such Lender's Swingline Exposure plus (iii) aggregate amount of such Lender's Letter of Credit Liabilities.

" Revolving Outstandings Excess " has the meaning set forth in Section 2.09.

" Sanctioned Entity " shall mean (i) an agency of the government of, (ii) an organization directly or indirectly controlled by, or (iii) a Person resident in, a country that is subject to a sanctions program identified on the list maintained by OFAC and available at http://www.treas.gov/offices/enforcement/ofac/sanctions/index.html, or as otherwise published from time to time as such program may be applicable to such agency, organization or Person.

" Sanctioned Person " shall mean a Person named on the list of Specially Designated Nationals or Blocked Persons maintained by OFAC available at http://www.treas.gov/offices/enforcement/ofac/sdn/index.html, or as otherwise published from time to time.

" SEC " means the Securities and Exchange Commission.

" S&P " means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., a New York corporation, and its successors or, absent any such successor, such nationally recognized statistical rating organization as the Borrower and the Administrative Agent may select.

" Subsidiary " means any Corporation, a majority of the outstanding Voting Stock of which is owned, directly or indirectly, by the Borrower or one or more other Subsidiaries of the Borrower.

"Swingline Borrowing" means a Borrowing made by the Borrower under Section 2.02, as identified in the Notice of Borrowing with respect thereto.

"Swingline Exposure" means, for any Lender at any time, the product derived by multiplying (i) the aggregate principal amount of all outstanding Swingline Loans at such time by (ii) such Lender's Commitment Ratio.

"Swingline Lender" means Wells Fargo Bank, in its capacity as Swingline Lender.

"Swingline Loan" means any swingline loan made by the Swingline Lender to the Borrower pursuant to Section 2.02.

"Swingline Sublimit" means the lesser of (a) $20,000,000 and (b) the aggregate Commitments of all Lenders.

"Swingline Termination Date" means the first to occur of (a) the resignation of Wells Fargo Bank as Administrative Agent in accordance with Section 8.09 and (b) the Termination Date.

"Syndication Agents" means Bank of America, N.A. and The Royal Bank of Scotland plc, each in its capacity as a syndication agent in respect of this Agreement.

"Synthetic Lease" means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an operating lease in accordance with GAAP.

"Taxes" has the meaning set forth in Section 2.17(a).

"Termination Date" means the earliest to occur of (a) November 6, 2017 and (b) such earlier date upon which all Commitments shall have been terminated in their entirety in accordance with this Agreement.

"TRA" means the Tennessee Regulatory Authority.

"Type", when used in respect of any Loan or Borrowing, shall refer to the rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined.

"Unfunded Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"United States" means the United States of America, including the States and the District of Columbia, but excluding its territories and possessions.

"Voting Stock" means stock (or other interests) of a Corporation having ordinary voting power for the election of directors, managers or trustees thereof, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"VSCC" means the Virginia State Corporation Commission.

"Wells Fargo Bank" means Wells Fargo Bank, National Association, and its successors.

"Wells Fargo Securities" means Wells Fargo Securities, LLC, and its successors and assigns.

"Wholly Owned Subsidiary" means, with respect to any Person at any date, any Subsidiary of such Person all of the Voting Stock of which (except directors' qualifying shares) is at the time directly or indirectly owned by such Person.

ARTICLE II
THE CREDITS

Section 2.01. Commitments to Lend. Each Lender severally agrees, on the terms and conditions set forth in this Agreement, to make Revolving Loans to the Borrower pursuant to this Section 2.01 from time to time during the Availability Period in amounts such that its Revolving Outstandings shall not exceed its Commitment; provided, that, immediately after giving effect to each such Revolving Loan, the aggregate principal amount of all outstanding Revolving Loans (after giving effect to any amount requested) shall not exceed the aggregate Commitments less the sum of all outstanding Swingline Loans and Letter of Credit Liabilities. Each Revolving Borrowing (other than Mandatory Letter of Credit Borrowings) shall be in an aggregate principal amount of $10,000,000 or any larger integral multiple of $1,000,000 (except that any such Borrowing may be in the aggregate amount of the unused Commitments) and shall be made from the several Lenders ratably in proportion to their respective Commitments. Within the foregoing limits, the Borrower may borrow under this Section 2.01, repay, or, to the extent permitted by Section 2.10, prepay, Revolving Loans and reborrow under this Section 2.01.

Section 2.02. Swingline Loans.

(a) *Availability*. Subject to the terms and conditions of this Agreement, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time from the Effective Date through, but not including, the Swingline Termination Date; provided, that the aggregate principal amount of all outstanding Swingline Loans (after giving effect to any amount requested), shall not exceed the lesser of (i) the aggregate Commitments less the sum of the aggregate principal amount of all outstanding Revolving Loans and all outstanding Letter of Credit Liabilities and (ii) the Swingline Sublimit; and provided further, that the Borrower shall not use the proceeds of any Swingline Loan to refinance any outstanding Swingline Loan. Each Swingline Loan shall be in an aggregate principal amount of $2,000,000 or any larger integral multiple of $500,000 (except that any such Borrowing may be in the aggregate amount of the unused Swingline Sublimit). Within the foregoing limits, the Borrower may borrow, repay and reborrow Swingline Loans, in each case under this Section 2.02. Each Swingline Loan shall be a Base Rate Loan.

(b) *Refunding*.

(i) Swingline Loans shall be refunded by the Lenders on demand by the Swingline Lender. Such refundings shall be made by the Lenders in accordance with their respective Commitment Ratios and shall thereafter be reflected as Revolving Loans of the Lenders on the books and records of the Administrative Agent. Each Lender shall fund its respective Commitment Ratio of Revolving Loans as required to repay Swingline Loans outstanding to the Swingline Lender upon demand by the Swingline Lender but in no event later than 1:00 P.M. (Charlotte, North Carolina time) on the next succeeding Business Day after such demand is made. No Lender's obligation to fund its respective Commitment Ratio of a Swingline Loan shall be affected by any other Lender's failure to fund its Commitment Ratio of a Swingline Loan, nor shall any Lender's Commitment Ratio be increased as a result of any such failure of any other Lender to fund its Commitment Ratio of a Swingline Loan.

(ii) The Borrower shall pay to the Swingline Lender on demand, and in no case more than fourteen (14) days after the date that such Swingline Loan is made, the amount of such Swingline Loan to the extent amounts received from the Lenders are not sufficient to repay in full the outstanding Swingline Loans requested or required to be refunded. In addition, the Borrower hereby authorizes the Administrative Agent to charge any account maintained by the Borrower with the Swingline Lender (up to the amount available therein) in order to immediately pay the Swingline Lender the amount of such Swingline Loans to the extent amounts received from the Lenders are not sufficient to repay in full the outstanding Swingline Loans requested or required to be refunded. If any portion of any such amount paid to the Swingline Lender shall be recovered by or on behalf of the Borrower from the Swingline Lender in bankruptcy or otherwise, the loss of the amount so recovered shall be ratably shared among all the Lenders in accordance with their respective Commitment Ratios (unless the amounts so recovered by or on behalf of the Borrower pertain to a Swingline Loan extended after the occurrence and during the continuance of an Event of Default of which the Administrative Agent has received notice in the manner required pursuant to Section 8.05 and which such Event of Default has not been waived by the Required Lenders or the Lenders, as applicable).

(iii) Each Lender acknowledges and agrees that its obligation to refund Swingline Loans (other than Swingline Loans extended after the occurrence and during the continuation of an Event of Default of which the Administrative Agent has received notice in the manner required pursuant to Section 8.05 and which such Event of Default has not been waived by the Required Lenders or the Lenders, as applicable) in accordance with the terms of this Section is absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, non-satisfaction of the conditions set forth in Article IV. Further, each Lender agrees and acknowledges that if prior to the refunding of any outstanding Swingline Loans pursuant to this Section, one of the events described in Section 7.01(h) or (i) shall have occurred, each Lender will, on the date the applicable Revolving Loan would have been made, purchase an undivided participating interest in the Swingline Loan to be refunded in an amount equal to its Commitment Ratio of the aggregate amount of such Swingline Loan. Each Lender will immediately transfer to the Swingline Lender, in immediately available funds, the amount of its participation and upon receipt thereof the Swingline Lender will deliver to such Lender a certificate evidencing such participation dated the date of receipt of such funds and for such amount. Whenever, at any time after the Swingline Lender has received from any Lender such Lender's participating interest in a Swingline Loan, the Swingline Lender receives any payment on account thereof, the Swingline Lender will distribute to such Lender its participating interest in such amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded).

Section 2.03. Notice of Borrowings. The Borrower shall give the Administrative Agent notice substantially in the form of Exhibit A-1 hereto (a "Notice of Borrowing") not later than (a) 11:30 A.M. (Charlotte, North Carolina time) on the date of each Base Rate Borrowing and (b) 12:00 Noon (Charlotte, North Carolina time) on the third Business Day before each Euro-Dollar Borrowing, specifying:

(i) the date of such Borrowing, which shall be a Business Day;

(ii) the aggregate amount of such Borrowing;

(iii) whether such Borrowing is comprised of Revolving Loans or a Swingline Loan;

(iv) in the case of a Revolving Borrowing, the initial Type of the Loans comprising such Borrowing; and

(v) in the case of a Euro-Dollar Borrowing, the duration of the initial Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

Notwithstanding the foregoing, no more than six (6) Groups of Euro-Dollar Loans shall be outstanding at any one time, and any Loans which would exceed such limitation shall be made as Base Rate Loans.

Section 2.04. Notice to Lenders; Funding of Revolving Loans and Swingline Loans.

(a) Notice to Lenders. Upon receipt of a Notice of Borrowing (other than in respect of a Borrowing of a Swingline Loan), the Administrative Agent shall promptly notify each Lender of such Lender's ratable share (if any) of the Borrowing referred to in the Notice of Borrowing, and such Notice of Borrowing shall not thereafter be revocable by the Borrower.

(b) Funding of Loans. Not later than (a) 1:00 P.M. (Charlotte, North Carolina time) on the date of each Base Rate Borrowing and (b) 12:00 Noon (Charlotte, North Carolina time) on the date of each Euro-Dollar Borrowing, each Lender shall make available its ratable share of such Borrowing, in Federal or other funds immediately available in Charlotte, North Carolina, to the Administrative Agent at its address referred to in Section 9.01. Unless the Administrative Agent determines that any applicable condition specified in Article IV has not been satisfied, the Administrative Agent shall apply any funds so received in respect of a Borrowing available to the Borrower at the Administrative Agent's address not later than (a) 3:00 P.M. (Charlotte, North Carolina time) on the date of each Base Rate Borrowing and (b) 2:00 P.M. (Charlotte, North Carolina time) on the date of each Euro-Dollar Borrowing. Revolving Loans to be made for the purpose of refunding Swingline Loans shall be made by the Lenders as provided in Section 2.02(b) .

(c) Funding By the Administrative Agent in Anticipation of Amounts Due from the Lenders. Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing (except in the case of a Base Rate Borrowing, in which case prior to the time of such Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available to the Administrative Agent on the date of such Borrowing in accordance with subsection (b) of this Section, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such share available to the Administrative Agent, such Lender and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount, together with interest thereon for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent at (i) a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.06, in the case of the Borrower, and (ii) the Federal Funds Rate, in the case of such Lender. Any payment by the Borrower hereunder shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make its share of a Borrowing available to the Administrative Agent. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Lender's Loan included in such Borrowing for purposes of this Agreement.

(d) Obligations of Lenders Several. The failure of any Lender to make a Loan required to be made by it as part of any Borrowing hereunder shall not relieve any other Lender of its obligation, if any, hereunder to make any Loan on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Loan to be made by such other Lender on such date of Borrowing.

Section 2.05. Noteless Agreement; Evidence of Indebtedness.

(a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(b) The Administrative Agent shall also maintain accounts in which it will record (a) the amount of each Loan made hereunder, the Type thereof and the Interest Period with respect thereto, (b) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (c) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(c) The entries maintained in the accounts maintained pursuant to paragraphs (a) and (b) above shall be prima facie evidence of the existence and amounts of the Obligations therein recorded; provided, however, that the failure of the Administrative Agent or any Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Obligations in accordance with their terms.

(d) Any Lender may request that its Loans be evidenced by a Note. In such event, the Borrower shall prepare, execute and deliver to such Lender a Note payable to the order of such Lender. Thereafter, the Loans evidenced by such Note and interest thereon shall at all times (including after any assignment pursuant to Section 9.06(c)) be represented by one or more Notes payable to the order of the payee named therein or any assignee pursuant to Section 9.06(c), except to the extent that any such Lender or assignee subsequently returns any such Note for cancellation and requests that such Loans once again be evidenced as described in paragraphs (a) and (b) above.

Section 2.06. Interest Rates.

(a) Interest Rate Options. The Loans shall, at the option of the Borrower and except as otherwise provided herein, be incurred and maintained as, or converted into, one or more Base Rate Loans or Euro-Dollar Loans.

(b) Base Rate Loans. Each Loan which is made as, or converted into, a Base Rate Loan (other than a Swingline Loan) shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made as, or converted into, a Base Rate Loan until it becomes due or is converted into a Loan of any other Type, at a rate per annum equal to the sum of the Base Rate for such day plus the Applicable Percentage for Base Rate Loans for such day. Each Loan which is made as a Swingline Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due at a rate per annum equal to the LIBOR Market Index Rate for such day plus the Applicable Percentage for Euro-Dollar Loans for such day. Such interest shall, in each case, be payable quarterly in arrears on each Quarterly Date (or, with respect to Base Rate Loans that are Swingline Loans, as the Swingline Lender and the Borrower may otherwise agree in writing) and, with respect to the principal amount of any Base Rate Loan (other than a Swingline Loan) converted to a Euro-Dollar Loan, on the date such Base Rate Loan is so converted. Any overdue principal of or interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the rate otherwise applicable to Base Rate Loans for such day.

(c) Euro-Dollar Loans. Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for each day during the Interest Period applicable thereto, at a rate per annum equal to the sum of the Adjusted London Interbank Offered Rate for such Interest Period plus the Applicable Percentage for Euro-Dollar Loans for such day. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof. Any overdue principal of or interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the sum of (A) the Adjusted London Interbank Offered Rate applicable to such Loan at the date such payment was due plus (B) the Applicable Percentage for Euro-Dollar Loans for such day (or, if the circumstance described in Section 2.14 shall exist, at a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate Loans for such day).

(d) Method of Electing Interest Rates.

(i) Subject to Section 2.06(a), the Loans included in each Revolving Borrowing shall bear interest initially at the type of rate specified by the Borrower in the applicable Notice of Borrowing. Thereafter, with respect to each Group of Loans, the Borrower shall have the option (A) to convert all or any part of (y) so long as no Default is in existence on the date of conversion, outstanding Base Rate Loans to Euro-Dollar Loans and (z) outstanding Euro-Dollar Loans to Base Rate Loans; provided, in each case, that the amount so converted shall be equal to $10,000,000 or any larger integral multiple of $1,000,000, or (B) upon the expiration of any Interest Period applicable to outstanding Euro-Dollar Loans, so long as no Default is in existence on the date of continuation, to continue all or any portion of such Loans, equal to $10,000,000 and any larger integral multiple of $1,000,000 in excess of that amount as Euro-Dollar Loans. The Interest Period of any Base Rate Loan converted to a Euro-Dollar Loan pursuant to clause(A) above shall commence on the date of such conversion. The succeeding Interest Period of any Euro-Dollar Loan continued pursuant to clause (B) above shall commence on the last day of the Interest Period of the Loan so continued. Euro-Dollar Loans may only be converted on the last day of the then current Interest Period applicable thereto or on the date required pursuant to Section 2.18.

(ii) The Borrower shall deliver a written notice of each such conversion or continuation (a "Notice of Conversion/Continuation") to the Administrative Agent no later than (A) 12:00 Noon (Charlotte, North Carolina time) at least three (3) Business Days before the effective date of the proposed conversion to, or continuation of, a Euro Dollar Loan and (B) 11:30 A.M. (Charlotte, North Carolina time) on the day of a conversion to a Base Rate Loan. A written Notice of Conversion/Continuation shall be substantially in the form of Exhibit A-2 attached hereto and shall specify: (A) the Group of Loans (or portion thereof) to which such notice applies, (B) the proposed conversion/continuation date (which shall be a Business Day), (C) the aggregate amount of the Loans being converted/continued, (D) an election between the Base Rate and the Adjusted London Interbank Offered Rate and (E) in the case of a conversion to, or a continuation of, Euro-Dollar Loans, the requested Interest Period. Upon receipt of a Notice of Conversion/Continuation, the Administrative Agent shall give each Lender prompt notice of the contents thereof and such Lender's pro rata share of all conversions and continuations requested therein. If no timely Notice of Conversion/Continuation is delivered by the Borrower as to any Euro-Dollar Loan, and such Loan is not repaid by the Borrower at the end of the applicable Interest Period, such Loan shall be converted automatically to a Base Rate Loan on the last day of the then applicable Interest Period.

(e) Determination and Notice of Interest Rates. The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the Borrower and the participating Lenders of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error. Any notice with respect to Euro-Dollar Loans shall, without the necessity of the Administrative Agent so stating in such notice, be subject to adjustments in the Applicable Percentage applicable to such Loans after the beginning of the Interest Period applicable thereto. When during an Interest Period any event occurs that causes an adjustment in the Applicable Percentage applicable to Loans to which such Interest Period is applicable, the Administrative Agent shall give prompt notice to the Borrower and the Lenders of such event and the adjusted rate of interest so determined for such Loans, and its determination thereof shall be conclusive in the absence of manifest error.

Section 2.07. Fees.

(a) Commitment Fees. The Borrower shall pay to the Administrative Agent for the account of each Lender a fee (the "Commitment Fee") for each day at a rate per annum equal to the Applicable Percentage for the Commitment Fee for such day. The Commitment Fee shall accrue from and including the Effective Date to but excluding the last day of the Availability Period on the amount by which such Lender's Commitment exceeds the sum of its Revolving Outstandings (solely for this purpose, exclusive of Swingline Exposure) on such day. The Commitment Fee shall be payable on the last day of each of March, June, September and December and on the Termination Date.

(b) Letter of Credit Fees. The Borrower shall pay to the Administrative Agent a fee (the "Letter of Credit Fee") for each day at a rate per annum equal to the Applicable Percentage for the Letter of Credit Fee for such day. The Letter of Credit Fee shall accrue from and including the Effective Date to but excluding the last day of the Availability Period on the aggregate amount available for drawing under any Letters of Credit outstanding on such day and shall be payable for the account of the Lenders ratably in proportion to their participations in such Letter(s) of Credit. In addition, the Borrower shall pay to each Issuing Lender a fee (the "Fronting Fee") in respect of each Letter of Credit issued by such Issuing Lender computed at the rate of 0.20% per annum on the average amount available for drawing under such Letter(s) of Credit. Fronting Fees shall be due and payable quarterly in arrears on each Quarterly Date and on the Termination Date (or such earlier date as all Letters of Credit shall be canceled or expire). In addition, the Borrower agrees to pay to each Issuing Lender, upon each issuance of, payment under, and/or amendment of, a Letter of Credit, such amount as shall at the time of such issuance, payment or amendment be the administrative charges and expenses which such Issuing Lender is customarily charging for issuances of, payments under, or amendments to letters of credit issued by it.

(c) Payments. Except as otherwise provided in this Section 2.07, accrued fees under this Section 2.07 in respect of Loans and Letter of Credit Liabilities shall be payable quarterly in arrears on each Quarterly Date, on the last day of the Availability Period and, if later, on the date the Loans and Letter of Credit Liabilities shall be repaid in their entirety. Fees paid hereunder shall not be refundable under any circumstances.

Section 2.08. Adjustments of Commitments .

(a) Optional Termination or Reductions of Commitments (Pro-Rata) . The Borrower may, upon at least three Business Days' prior written notice to the Administrative Agent, permanently (i) terminate the Commitments, if there are no Revolving Outstandings at such time or (ii) ratably reduce from time to time by a minimum amount of $10,000,000 or any larger integral multiple of $5,000,000, the aggregate amount of the Commitments in excess of the aggregate Revolving Outstandings. Upon receipt of any such notice, the Administrative Agent shall promptly notify the Lenders. If the Commitments are terminated in their entirety, all accrued fees shall be payable on the effective date of such termination.

(b) Optional Termination of Commitments (Non-Pro-Rata) . If (i) any Lender has demanded compensation or indemnification pursuant to Sections 2.14, 2.15, 2.16 or 2.17, (ii) the obligation of any Lender to make Euro-Dollar Loans has been suspended pursuant to Section 2.15 or (iii) any Lender is a Defaulting Lender (each such Lender described in clauses (i), (ii) or (iii) being a " Retiring Lender "), the Borrower shall have the right, if no Default then exists, to replace such Lender with one or more Eligible Assignees (which may be one or more of the Continuing Lenders) (each a " Replacement Lender " and, collectively, the " Replacement Lenders ") reasonably acceptable to the Administrative Agent. The replacement of a Retiring Lender pursuant to this Section 2.08(b) shall be effective on the tenth Business Day (the " Replacement Date ") following the date of notice given by the Borrower of such replacement to the Retiring Lender and each Continuing Lender through the Administrative Agent, subject to the satisfaction of the following conditions:

(i) the Replacement Lender shall have satisfied the conditions to assignment and assumption set forth in Section 9.06 (c) (with all fees payable pursuant to Section 9.06(c) to be paid by the Borrower) and, in connection therewith, the Replacement Lender (s) shall pay:

(A) to the Retiring Lender an amount equal in the aggregate to the sum of (x) the principal of, and all accrued but unpaid interest on, all outstanding Loans of the Retiring Lender, (y) all unpaid drawings that have been funded by (and not reimbursed to) the Retiring Lender under Section 3.10, together with all accrued but unpaid interest with respect thereto and (z) all accrued but unpaid fees owing to the Retiring Lender pursuant to Section 2.07; and

(B) to the Swingline Lender an amount equal to the aggregate amount owing by the Retiring Lender to the Swingline Lender in respect of all unpaid refundings of Swingline Loans requested by the Swingline Lender pursuant to Section 2.02(b)(i), to the extent such amount was not theretofore funded by such Retiring Lender; and

(C) to the Issuing Lenders an amount equal to the aggregate amount owing by the Retiring Lender to the Issuing Lenders as reimbursement pursuant to Section 3.09, to the extent such amount was not theretofore funded by such Retiring Lender; and

(ii) the Borrower shall have paid to the Administrative Agent for the account of the Retiring Lender an amount equal to all obligations owing to the Retiring Lender by the Borrower pursuant to this Agreement and the other Loan Documents (other than those obligations of the Borrower referred to in clause (i)(A) above).

On the Replacement Date, each Replacement Lender that is a New Lender shall become a Lender hereunder and shall succeed to the obligations of the Retiring Lender with respect to outstanding Swingline Loans and Letters of Credit to the extent of the Commitment of the Retiring Lender assumed by such Replacement Lender, and the Retiring Lender shall cease to constitute a Lender hereunder; provided , that the provisions of Sections 2.12, 2.16, 2.17 and 9.03 of this Agreement shall continue to inure to the benefit of a Retiring Lender with respect to any Loans made, any Letters of Credit issued or any other actions taken by such Retiring Lender while it was a Lender.

In lieu of the foregoing, subject to Section 2.08(e), upon express written consent of Continuing Lenders holding more than 50% of the aggregate amount of the Commitments of the Continuing Lenders, the Borrower shall have the right to permanently terminate the Commitment of a Retiring Lender in full. Upon payment by the Borrower to the Administrative Agent for the account of the Retiring Lender of an amount equal to the sum of (i) the aggregate principal amount of all Loans and Reimbursement Obligations owed to the Retiring Lender and (ii) all accrued interest, fees and other amounts owing to the Retiring Lender hereunder, including, without limitation, all amounts payable by the Borrower to the Retiring Lender under Sections 2.12, 2.16, 2.17 or 9.03, such Retiring Lender shall cease to constitute a Lender hereunder; provided , that the provisions of Sections 2.12, 2.16, 2.17 and 9.03 of this Agreement shall inure to the benefit of a Retiring Lender with respect to any Loans made, any Letters of Credit issued or any other actions taken by such Retiring Lender while it was a Lender.

(c) Optional Termination of Defaulting Lender Commitment (Non-Pro-Rata) . At any time a Lender is a Defaulting Lender, subject to Section 2.08(e), the Borrower may terminate in full the Commitment of such Defaulting Lender by giving notice to such Defaulting Lender and the Administrative Agent, provided , that, (i) at the time of such termination, (A) no Default has occurred and is continuing (or alternatively, the Required Lenders shall consent to such termination) and (B) either (x) no Revolving Loans or Swingline Loans are outstanding or (y) the aggregate Revolving Outstandings of such Defaulting Lender in respect of Revolving Loans is zero; (ii) concurrently with such termination, the aggregate Commitments shall be reduced by the Commitment of the Defaulting Lender; and (iii) concurrently with any subsequent payment of interest or fees to the Lenders with respect to any period before the termination of a Defaulting Lender's Commitment, the Borrower shall pay to such Defaulting Lender its ratable share (based on its Commitment Ratio before giving effect to such termination) of such interest or fees, as applicable. The termination of a Defaulting Lender's Commitment pursuant to this Section 2.08(c) shall not be deemed to be a waiver of any right that the Borrower, Administrative Agent, any Issuing Lender or any other Lender may have against such Defaulting Lender.

(d) Termination Date. The Commitments shall terminate on the Termination Date.

(e) Redetermination of Commitment Ratios. On the date of termination of the Commitment of a Retiring Lender or Defaulting Lender pursuant to Section 2.08(b) or (c), the Commitment Ratios of the Continuing Lenders shall be redetermined after giving effect thereto, and the participations of the Continuing Lenders in and obligations of the Continuing Lenders in respect of any then outstanding Swingline Loans and Letters of Credit shall thereafter be based upon such redetermined Commitment Ratios (to the extent not previously adjusted pursuant to Section 2.20). The right of the Borrower to effect such a termination is conditioned on there being sufficient unused availability in the Commitments of the Continuing Lenders such that the aggregate Revolving Outstandings will not exceed the aggregate Commitments after giving effect to such termination and redetermination.

Section 2.09. Maturity of Loans; Mandatory Prepayments.

(a) *S* cheduled Repayments and Prepayments of Loans; Overline Repayments.

(i) The Revolving Loans shall mature on the Termination Date, and any Revolving Loans, Swingline Loans and Letter of Credit Liabilities then outstanding (together with accrued interest thereon and fees in respect thereof) shall be due and payable or, in the case of Letters of Credit, cash collateralized pursuant to Section 2.09(a)(ii), on such date.

(ii) If on any date the aggregate Revolving Outstandings exceed the aggregate amount of the Commitments (such excess, a " Revolving Outstandings Excess "), the Borrower shall prepay, and there shall become due and payable (together with accrued interest thereon) on such date, an aggregate principal amount of Revolving Loans and/or Swingline Loans equal to such Revolving Outstandings Excess. If, at a time when a Revolving Outstandings Excess exists and (x) no Revolving Loans or Swingline Loans are outstanding or (y) the Commitment has been terminated pursuant to this Agreement and, in either case, any Letter of Credit Liabilities remain outstanding, then, in either case, the Borrower shall cash collateralize any Letter of Credit Liabilities by depositing into a cash collateral account established and maintained (including the investments made pursuant thereto) by the Administrative Agent pursuant to a cash collateral agreement in form and substance satisfactory to the Administrative Agent an amount in cash equal to the then outstanding Letter of Credit Liabilities. In determining Revolving Outstandings for purposes of this clause (ii), Letter of Credit Liabilities shall be reduced to the extent that they are cash collateralized as contemplated by this Section 2.09(a)(ii).

(b) Applications of Prepayments and Reductions.

(i) Each payment or prepayment of Loans pursuant to this Section 2.09 shall be applied ratably to the respective Loans of all of the Lenders.

(ii) Each payment of principal of the Loans shall be made together with interest accrued on the amount repaid to the date of payment.

(iii) Each payment of the Loans shall be applied to such Groups of Loans as the Borrower may designate (or, failing such designation, as determined by the Administrative Agent).

Section 2.10. Optional Prepayments and Repayments.

(a) Prepayments of Loans. Other than in respect of Swingline Loans, the repayment of which is governed pursuant to Section 2.02(b), subject to Section 2.12, the Borrower may (i) upon at least one (1) Business Day's notice to the Administrative Agent, prepay any Base Rate Borrowing or (ii) upon at least three (3) Business Days' notice to the Administrative Agent, prepay any Euro-Dollar Borrowing, in each case in whole at any time, or from time to time in part in amounts aggregating $10,000,000 or any larger integral multiple of $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Lenders included in such Borrowing.

(b) Notice to Lenders. Upon receipt of a notice of prepayment pursuant to Section 2.10(a), the Administrative Agent shall promptly notify each Lender of the contents thereof and of such Lender's ratable share (if any) of such prepayment, and such notice shall not thereafter be revocable by the Borrower.

Section 2.11. General Provisions as to Payments.

(a) Payments by the Borrower. The Borrower shall make each payment of principal of and interest on the Loans and Letter of Credit Liabilities and fees hereunder (other than fees payable directly to the Issuing Lenders) not later than 12:00 Noon (Charlotte, North Carolina time) on the date when due, without set-off, counterclaim or other deduction, in Federal or other funds immediately available in Charlotte, North Carolina, to the Administrative Agent at its address referred to in Section 9.01. The Administrative Agent will promptly distribute to each Lender its ratable share of each such payment received by the Administrative Agent for the account of the Lenders. Whenever any payment of principal of or interest on the Base Rate Loans or Letter of Credit Liabilities or of fees shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day. Whenever any payment of principal of or interest on the Euro-Dollar Loans shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(b) Distributions by the Administrative Agent. Unless the Administrative Agent shall have received notice from the

Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date, and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent that the Borrower shall not have so made such payment, each Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate.

Section 2.12. Funding Losses. If the Borrower makes any payment of principal with respect to any Euro-Dollar Loan pursuant to the terms and provisions of this Agreement (any conversion of a Euro-Dollar Loan to a Base Rate Loan pursuant to Section 2.18 being treated as a payment of such Euro-Dollar Loan on the date of conversion for purposes of this Section 2.12) on any day other than the last day of the Interest Period applicable thereto, or the last day of an applicable period fixed pursuant to Section 2.06(c), or if the Borrower fails to borrow, convert or prepay any Euro-Dollar Loan after notice has been given in accordance with the provisions of this Agreement, or in the event of payment in respect of any Euro-Dollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.08(b), the Borrower shall reimburse each Lender within fifteen (15) days after demand for any resulting loss or expense incurred by it (and by an existing Participant in the related Loan), including, without limitation, any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or failure to borrow or prepay; provided, that such Lender shall have delivered to the Borrower a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

Section 2.13. Computation of Interest and Fees. Interest on Loans based on the Prime Rate hereunder and Letter of Credit Fees shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed. All other interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

Section 2.14. Basis for Determining Interest Rate Inadequate, Unfair or Unavailable. If on or prior to the first day of any Interest Period for any Euro-Dollar Loan: (a) Lenders having 50% or more of the aggregate amount of the Commitments advise the Administrative Agent that the Adjusted London Interbank Offered Rate as determined by the Administrative Agent, will not adequately and fairly reflect the cost to such Lenders of funding their Euro-Dollar Loans for such Interest Period; or (b) the Administrative Agent shall determine that no reasonable means exists for determining the Adjusted London Interbank Offered Rate, the Administrative Agent shall forthwith give notice thereof to the Borrower and the Lenders, whereupon, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such suspension no longer exist, (i) the obligations of the Lenders to make Euro-Dollar Loans, or to convert outstanding Loans into Euro-Dollar Loans shall be suspended; and (ii) each outstanding Euro-Dollar Loan shall be converted into a Base Rate Loan on the last day of the current Interest Period applicable thereto. Unless the Borrower notifies the Administrative Agent at least two (2) Domestic Business Days before the date of (or, if at the time the Borrower receives such notice the day is the date of, or the date immediately preceding, the date of such Euro-Dollar Borrowing, by 10:00 A.M. on the date of) any Euro-Dollar Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, such Borrowing shall instead be made as a Base Rate Borrowing.

Section 2.15. Illegality. If, on or after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Euro-Dollar Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Lender (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans and such Lender shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Lenders and the Borrower, whereupon until such Lender notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Lender to make Euro-Dollar Loans, or to convert outstanding Loans into Euro-Dollar Loans, shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Lender shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender. If such notice is given, each Euro-Dollar Loan of such Lender then outstanding shall be converted to a Base Rate Loan either (i) on the last day of the then current Interest Period applicable to such Euro-Dollar Loan if such Lender may lawfully continue to maintain and fund such Loan to such day or (ii) immediately if such Lender shall determine that it may not lawfully continue to maintain and fund such Loan to such day.

Section 2.16. Increased Cost and Reduced Return.

(a) Increased Costs. If after the Effective Date, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System), special deposit, insurance assessment or similar requirement against Letters of Credit issued or participated in by, assets of, deposits with or for the account of or credit extended by, any Lender (or its Applicable Lending Office) or shall impose on any Lender (or its Applicable Lending Office) or on the United States market for certificates of deposit or the London interbank market any other condition affecting its Euro-Dollar Loans, Notes, obligation to make Euro-Dollar Loans or obligations hereunder in respect of Letters of Credit, and the result of any of the foregoing is to increase the cost to such Lender (or its Applicable Lending Office) of making or maintaining any Euro-Dollar Loan, or of issuing or participating in any Letter of Credit, or to reduce the amount of any sum received or receivable by such Lender (or its Applicable Lending Office) under this Agreement or under its Notes with respect thereto, then, within fifteen (15) days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts, as determined by such Lender in good faith, as will compensate such Lender for such increased cost or reduction, solely to the extent that any such additional amounts were incurred by the Lender within ninety (90) days of such demand.

(b) Capital Adequacy. If any Lender shall have determined that, after the Effective Date, the adoption of any applicable law, rule or regulation regarding capital adequacy or liquidity, or any change in any such law, rule or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Lender (or any Person controlling such Lender) as a consequence of such Lender's obligations hereunder to a level below that which such Lender (or any Person controlling such Lender) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy), then from time to time, within fifteen (15) days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender (or any Person controlling such Lender) for such reduction, solely to the extent that any such additional amounts were incurred by the Lender within ninety (90) days of such demand.

(c) Notices. Each Lender will promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge, occurring after the Effective Date, that will entitle such Lender to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender. A certificate of any Lender claiming compensation under this Section and setting forth in reasonable detail the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Lender may use any reasonable averaging and attribution methods.

(d) Notwithstanding anything to the contrary herein, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "change in law" under this Article II regardless of the date enacted, adopted or issued.

Section 2.17. Taxes.

(a) Payments Net of Certain Taxes. Any and all payments by the Borrower to or for the account of any Lender or any Agent hereunder or under any other Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges and withholdings and all liabilities with respect thereto, excluding: (i) taxes imposed on or measured by the net income (including branch profits or similar taxes) of, and gross receipts, franchise or similar taxes imposed on, any Agent or any Lender by the jurisdiction (or subdivision thereof) under the laws of which such Lender or Agent is organized or in which its principal executive office is located or, in the case of each Lender, in which its Applicable Lending Office is located, (ii) in the case of each Lender, any United States withholding tax imposed on such payments, but only to the extent that such Lender is subject to United States withholding tax at the time such Lender first becomes a party to this Agreement or changes its Applicable Lending Office, (iii) any backup withholding tax imposed by the United States (or any state or locality thereof) on a Lender or Administrative Agent that is a "United States person" within the meaning of Section 7701 (a)(30) of the Internal Revenue Code, and (iv) any taxes imposed by FATCA (all such nonexcluded taxes, duties, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any other Loan Document to any Lender or any Agent, (i) the sum payable shall be increased as necessary so that after making all such required deductions (including deductions applicable to additional sums payable under this Section 2.17 (a)) such Lender or Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) the Borrower shall furnish to the Administrative Agent, for delivery to such Lender, the original or a certified copy of a receipt evidencing payment thereof.

(b) Other Taxes. In addition, the Borrower agrees to pay any and all present or future stamp or court or documentary taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to this Agreement, any Note or any other Loan Document or from the execution, delivery, performance, registration or enforcement of, or otherwise with respect to, this Agreement, any Note or any other Loan Document (collectively, "Other Taxes").

(c) Indemnification. The Borrower agrees to indemnify each Lender and each Agent for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 2.17(c)), whether or not correctly or legally asserted, paid by such Lender or Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto as certified in good faith to the Borrower by each Lender or Agent seeking indemnification pursuant to this Section 2.17(c). This indemnification shall be paid within 15 days after such Lender or Agent (as the case may be) makes demand therefor.

(d) Refunds or Credits. If a Lender or Agent receives a refund, credit or other reduction from a taxation authority for any Taxes or Other Taxes for which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.17, it shall within fifteen (15) days from the date of such receipt pay over the amount of such refund, credit or other reduction to the Borrower (but only to the extent of indemnity payments made or additional amounts paid by the Borrower under this Section 2.17 with respect to the Taxes or Other Taxes giving rise to such refund, credit or other reduction), net of all reasonable out-of-pocket expenses of such Lender or Agent (as the case may be) and without interest (other than interest paid by the relevant taxation authority with respect to such refund, credit or other reduction); provided, however, that the Borrower agrees to repay, upon the request of such Lender or Agent (as the case may be), the amount paid over to the Borrower (plus penalties, interest or other charges) to such Lender or Agent in the event such Lender or Agent is required to repay such refund or credit to such taxation authority.

(e) Tax Forms and Certificates. On or before the date it becomes a party to this Agreement, from time to time thereafter if reasonably requested by the Borrower or the Administrative Agent, and at any time it changes its Applicable Lending Office: (i) each Lender that is a “United States person” within the meaning of Section 7701(a)(30) of the Internal Revenue Code shall deliver to the Borrower and the Administrative Agent two (2) properly completed and duly executed copies of Internal Revenue Service Form W-9, or any successor form prescribed by the Internal Revenue Service, or such other documentation or information prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent, as the case may be, certifying that such Lender is a United States person and is entitled to an exemption from United States backup withholding tax or information reporting requirements; and (ii) each Lender that is not a “United States person” within the meaning of Section 7701(a)(30) of the Internal Revenue Code (a “ Non-U.S. Lender ”) shall deliver to the Borrower and the Administrative Agent: (A) two (2) properly completed and duly executed copies of Internal Revenue Service Form W-8 BEN, or any successor form prescribed by the Internal Revenue Service, certifying that such Non-U.S. Lender is entitled to the benefits under an income tax treaty to which the United States is a party which exempts the Non-U.S. Lender from United States withholding tax or reduces the rate of withholding tax on payments of interest for the account of such Non-U.S. Lender; (B) two (2) properly completed and duly executed copies of Internal Revenue Service Form W-8 ECI, or any successor form prescribed by the Internal Revenue Service, certifying that the income receivable pursuant to this Agreement and the other Loan Documents is effectively connected with the conduct of a trade or business in the United States; or (C) two (2) properly completed and duly executed copies of Internal Revenue Service Form W-8 BEN, or any successor form prescribed by the Internal Revenue Service, together with a certificate to the effect that (x) such Non-U.S. Lender is not (1) a “bank” within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code, (2) a “10-percent shareholder” of the Borrower within the meaning of Section 871(h)(3)(B) of the Internal Revenue Code, or (3) a “controlled foreign corporation” that is described in Section 881(c)(3)(C) of the Internal Revenue Code and is related to the Borrower within the meaning of Section 864(d)(4) of the Internal Revenue Code and (y) the interest payments in question are not effectively connected with a U.S. trade or business conducted by such Non-U.S. Lender or are effectively connected but are not includible in the Non-U.S. Lender’s gross income for United States federal income tax purposes under an income tax treaty to which the United States is a party; or (D) to the extent the Non-U.S. Lender is not the beneficial owner, two (2) properly completed and duly executed copies of Internal Revenue Service Form W-8 IMY, or any successor form prescribed by the Internal Revenue Service, accompanied by an Internal Revenue Service Form W-8 ECI, W-8 BEN, W-9, and/or other certification documents from each beneficial owner, as applicable. If a payment made to a Lender under any Loan Document would be subject to U.S. Federal withholding tax imposed by FATCA if such Lender fails to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Internal Revenue Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471 (b)(3)(C)(i) of the Internal Revenue Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender’s obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (e), “FATCA” shall include any amendments made to FATCA after the date of this Agreement. In addition, each Lender agrees that from time to time after the Effective Date, when a lapse in time or change in circumstances renders the previous certification obsolete or inaccurate in any material respect, it will deliver to the Borrower and the Administrative Agent two new accurate and complete signed originals of Internal Revenue Service Form W-9, W-8 BEN, W-8 ECI or W-8 IMY or FATCA-related documentation described above, or successor forms, as the case may be, and such other forms as may be required in order to confirm or establish the entitlement of such Lender to a continued exemption from or reduction in United States withholding tax with respect to payments under this Agreement and any other Loan Document, or it shall immediately notify the Borrower and the Administrative Agent of its inability to deliver any such Form or certificate.

(f) Exclusions . The Borrower shall not be required to indemnify any Non-U.S. Lender, or to pay any additional amount to any Non-U.S. Lender, pursuant to Section 2.17(a) , (b) or (c) in respect of Taxes or Other Taxes to the extent that the obligation to indemnify or pay such additional amounts would not have arisen but for the failure of such Non-U.S. Lender to comply with the provisions of subsection (e) above.

(g) Mitigation . If the Borrower is required to pay additional amounts to or for the account of any Lender pursuant to this Section 2.17, then such Lender will use reasonable efforts (which shall include efforts to rebook the Revolving Loans held by such Lender to a new Applicable Lending Office, or through another branch or affiliate of such Lender) to change the jurisdiction of its Applicable Lending Office if, in the good faith judgment of such Lender, such efforts (i) will eliminate or, if it is not possible to eliminate, reduce to the greatest extent possible any such additional payment which may thereafter accrue and (ii) is not otherwise disadvantageous, in the sole determination of such Lender, to such Lender. Any Lender claiming any indemnity payment or additional amounts payable pursuant to this Section shall use reasonable efforts (consistent with legal and regulatory restrictions) to deliver to Borrower any certificate or document reasonably requested in writing by the Borrower or to change the jurisdiction of its Applicable Lending Office if the making of such a filing or change would avoid the need for or reduce the amount of any such indemnity payment or additional amounts that may thereafter accrue and would not, in the sole determination of such Lender, be otherwise disadvantageous to such Lender.

(h) Confidentiality . Nothing contained in this Section shall require any Lender or any Agent to make available any of its tax returns (or any other information that it deems to be confidential or proprietary).

Section 2.18. Base Rate Loans Substituted for Affected Euro-Dollar Loans . If (a) the obligation of any Lender to make or maintain, or to convert outstanding Loans to, Euro-Dollar Loans has been suspended pursuant to Section 2.15 or (b) any Lender has demanded compensation under Section 2.16(a) with respect to its Euro-Dollar Loans and, in any such case, the Borrower shall, by at least four Business Days’ prior notice to such Lender through the Administrative Agent, have elected that the provisions of this Section shall apply to such Lender, then, unless and until such Lender notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer apply:

(i) all Loans which would otherwise be made by such Lender as (or continued as or converted into) Euro-Dollar Loans shall instead be Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans of the other Lenders); and

(ii) after each of its Euro-Dollar Loans has been repaid, all payments of principal that would otherwise be applied to repay such Loans shall instead be applied to repay its Base Rate Loans.

If such Lender notifies the Borrower that the circumstances giving rise to such notice no longer apply, the principal amount of each such Base Rate Loan shall be converted into a Euro-Dollar Loan on the first day of the next succeeding Interest Period applicable to the related Euro-Dollar Loans of the other Lenders.

Section 2.19. Increases to the Commitment .

(a) Subject to the terms and conditions of this Agreement, the Borrower may, during the Availability Period by delivering to the Administrative Agent and the Lenders a Notice of Revolving Increase in the form of Exhibit E, request increases to the Lenders' Commitments (each such request, an " Optional Increase "); provided that: (i) the Borrower may not request any increase to the Commitments after the occurrence and during the continuance of a Default; (ii) each Optional Increase shall be in a minimum amount of $50,000,000 and (iii) the aggregate amount of all Optional Increases shall be no more than $100,000,000.

(b) Each Lender may, but shall not be obligated to, participate in any Optional Increase, subject to the approval of the Issuing Lenders and the Swingline Lender (such approval not to be unreasonably withheld), and the decision of any Lender to commit to an Optional Increase shall be at such Lender's sole discretion and shall be made in writing. The Borrower may, at its own expense, solicit additional Commitments from third party financial institutions reasonably acceptable to the Administrative Agent, the Swingline Lender and the Issuing Lender. Any such financial institution (if not already a Lender hereunder) shall become a party to this Agreement as a Lender, pursuant to a joinder agreement in form and substance reasonably satisfactory to the Administrative Agent and the Borrower.

(c) As a condition precedent to the Optional Increase, the Borrower shall deliver to the Administrative Agent a certificate of the Borrower dated the effective date of the Optional Increase, signed by a Responsible Officer of the Borrower, certifying that: (i) the resolutions adopted by the Borrower approving or consenting to such Optional Increase are attached thereto and such resolutions are true and correct and have not been altered, amended or repealed and are in full force and effect, (ii) before and after giving effect to the Optional Increase, (A) the representations and warranties contained in Article V and the other Loan Documents are true and correct in all material respects on and as of the effective date of the Optional Increase, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and (B) that no Default exists, is continuing, or would result from the Optional Increase and (iii) all necessary governmental, regulatory and third party approvals, including, without limitation, any KPSC, TRA, VSCC and/or FERC approval required to approve the Optional Increase, are attached thereto and remain in full force and effect, in each case without any action being taken by any competent authority which could restrain or prevent such transaction or impose, in the reasonable judgment of the Administrative Agent, materially adverse conditions upon the consummation of the Optional Increase.

(d) The Revolving Outstandings will be reallocated by the Administrative Agent on the effective date of any Optional Increase among the Lenders in accordance with their revised Commitment Ratios, and the Borrower hereby agrees to pay any and all costs (if any) required pursuant to Section 2.12 incurred by any Lender in connection with the exercise of the Optional Increase.

Section 2.20. Defaulting Lenders .

(a) Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(i) fees shall cease to accrue on the unfunded portion of the Commitment of such Defaulting Lender pursuant to Section 2.07(a);

(ii) with respect to any Letter of Credit Liabilities or Swingline Exposure of such Defaulting Lender that exists at the time a Lender becomes a Defaulting Lender or thereafter:

(A) all or any part of such Defaulting Lender's Letter of Credit Liabilities and its Swingline Exposure shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Commitment Ratios (calculated without regard to such Defaulting Lender's Commitment) but only to the extent that (x) the conditions set forth in Section 4.02 are satisfied at such time and (y) such reallocation does not cause the Revolving Outstandings of any Non-Defaulting Lender to exceed such Non-Defaulting Lender's Commitment;

(B) if the reallocation described in clause (ii)(A) above cannot, or can only partially, be effected, each Issuing Lender and the Swingline Lender, in its discretion may require the Borrower to (i) reimburse all amounts paid by an Issuing Lender upon any drawing under a Letter of Credit, (ii) repay an outstanding Swingline Loan, and/or (iii) cash collateralize (in accordance with Section 2.09(a)(ii)) all obligations of such Defaulting Lender in respect of outstanding Letters of Credit and Swingline Loans, in each case, in an amount at least equal to the aggregate amount of the obligations (contingent or otherwise) of such Defaulting Lender in respect of such Letters of Credit or Swingline Loans (after giving effect to any partial reallocation pursuant to Section 2.20(a)(ii)(A) above);

(iii) if the Borrower cash collateralizes any portion of such Defaulting Lender's pursuant to Section 2.20(a)(ii)(B) then the Borrower shall not be required to pay any fees to such Defaulting Lender pursuant to Section 2.07(b) with respect to such Defaulting Lender's Letter of Credit Liabilities during the period such Defaulting Lender's Letter of Credit Liabilities are cash collateralized;

(iv) if the Letter of Credit Liabilities and/or Swingline Exposure of the Non-Defaulting Lenders is reallocated pursuant to Section 2.20(a)(ii)(A) above, then the fees payable to the Lenders pursuant to Section 2.07(a) and Section 2.07(b) shall be adjusted in accordance with such Non-Defaulting Lenders' Commitment Ratios (calculated without regard to such Defaulting Lender's Commitment); and

(v) if any Defaulting Lender's Letter of Credit Liabilities and/or Swingline Exposure is neither reimbursed, repaid, cash collateralized nor reallocated pursuant to this Section 2.20(a)(ii), then, without prejudice to any rights or remedies of the Issuing Lenders, the Swingline Lender or any other Lender hereunder, all fees that otherwise would have been payable to such Defaulting Lender (solely with respect to the portion of such Defaulting Lender's Commitment that was utilized by such Letter of Credit Liabilities and/or Swingline Exposure) and letter of credit fees payable under Section 2.07(b) with respect to such Defaulting Lender's Letter of Credit Liabilities shall be payable to the Issuing Lenders and the Swingline Lender, pro rata, until such Letter of Credit Liabilities and/or Swingline Exposure is cash collateralized, reallocated and/or repaid in full.

(b) So long as any Lender is a Defaulting Lender, (i) no Issuing Lender shall be required to issue, amend or increase any Letter of Credit, unless it is satisfied that the related exposure will be 100% covered by the Commitments of the Non-Defaulting Lenders and/or cash collateral will be provided by the Borrower in accordance with Section 2.20(a), and participating interests in any such newly issued or increased Letter of Credit shall be allocated among Non-Defaulting Lenders in a manner consistent with Section 3.05 (and Defaulting Lenders shall not participate therein) and (ii) the Swingline Lender shall not be required to advance any Swingline Loan, unless it is satisfied that the related exposure will be 100% covered by the Commitments of the Non-Defaulting Lenders.

ARTICLE III
LETTERS OF CREDIT

Section 3.01. Issuing Lenders. Subject to the terms and conditions hereof, the Borrower may from time to time identify and arrange for one or more of the Lenders (in addition to the JLA Issuing Banks) to act as Issuing Lenders hereunder. Any such designation by the Borrower shall be notified to the Administrative Agent at least four Business Days prior to the first date upon which the Borrower proposes that such Issuing Lender issue its first Letter of Credit, so as to provide adequate time for such proposed Issuing Lender to be approved by the Administrative Agent hereunder (such approval not to be unreasonably withheld). Within two Business Days following the receipt of any such designation of a proposed Issuing Lender, the Administrative Agent shall notify the Borrower as to whether such designee is acceptable to the Administrative Agent. Nothing contained herein shall be deemed to require any Lender (other than a JLA Issuing Bank) to agree to act as an Issuing Lender, if it does not so desire.

Section 3.02. Letters of Credit.

(a) Letters of Credit. Each Issuing Lender agrees, on the terms and conditions set forth in this Agreement, to issue Letters of Credit from time to time before the fifth day prior to the Termination Date, for the account, and upon the request, of the Borrower and in support of such obligations of the Borrower or any of its Subsidiaries that are reasonably acceptable to such Issuing Lender; provided, that immediately after each Letter of Credit is issued, (A) the aggregate amount of Letter of Credit Liabilities shall not exceed $200,000,000, (B) the aggregate Revolving Outstandings shall not exceed the aggregate amount of the Commitments and (C) the aggregate fronting exposure of any Issuing Lender shall not exceed its Fronting Sublimit.

Section 3.03. Method of Issuance of Letters of Credit. The Borrower shall give an Issuing Lender notice substantially in the form of Exhibit A-3 to this Agreement (a "Letter of Credit Request") of the requested issuance or extension of a Letter of Credit prior to 1:00 P.M. (Charlotte, North Carolina time) on the proposed date of the issuance or extension of Letters of Credit (which shall be a Business Day) (or such shorter period as may be agreed by such Issuing Lender in any particular instance), specifying the date such Letter of Credit is to be issued or extended and describing the terms of such Letter of Credit and the nature of the transactions to be supported thereby. The extension or renewal of any Letter of Credit shall be deemed to be an issuance of such Letter of Credit, and if any Letter of Credit contains a provision pursuant to which it is deemed to be extended unless notice of termination is given by an Issuing Lender, such Issuing Lender shall timely give such notice of termination unless it has theretofore timely received a Letter of Credit Request and the other conditions to issuance of a Letter of Credit have theretofore been met with respect to such extension. No Letter of Credit shall have a term of more than one year, provided, that no Letter of Credit shall have a term extending or be so extendible beyond the fifth Business Day before the Termination Date.

Section 3.04. Conditions to Issuance of Letters of Credit. The issuance by an Issuing Lender of each Letter of Credit shall, in addition to the conditions precedent set forth in Article IV, be subject to the conditions precedent that (i) such Letter of Credit shall be satisfactory in form and substance to such Issuing Lender, (ii) the Borrower and, if applicable, any such Affiliate of the Borrower, shall have executed and delivered such other instruments and agreements relating to such Letter of Credit as such Issuing Lender shall have reasonably requested and (iii) such Issuing Lender shall have confirmed on the date of (and after giving effect to) such issuance that (A) the aggregate amount of Letter of Credit Liabilities shall not exceed $200,000,000, (B) the aggregate Revolving Outstandings will not exceed the aggregate amount of the Commitments and (C) the aggregate fronting exposure of any Issuing Lender shall not exceed the Fronting Sublimit. Notwithstanding any other provision of this Section 3.04, no Issuing Lender shall be under any obligation to issue any Letter of Credit if: any order, judgment or decree of any governmental authority shall by its terms purport to enjoin or restrain such Issuing Lender from issuing such Letter of Credit, or any requirement of law applicable to such Issuing Lender or any request or directive (whether or not having the force of law) from any governmental authority with jurisdiction over such Issuing Lender shall prohibit, or request that such Issuing Lender refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such Issuing Lender with respect to such Letter of Credit any restriction, reserve or capital requirement (for which such Issuing Lender is not otherwise compensated hereunder) not in effect on the Effective Date, or shall impose upon such Issuing Lender any unreimbursed loss, cost or expense which was not applicable on the Effective Date and which such Issuing Lender in good faith deems material to it.

Section 3.05. Purchase and Sale of Letter of Credit Participations. Upon the issuance by an Issuing Lender of a Letter of Credit, such Issuing Lender shall be deemed, without further action by any party hereto, to have sold to each Lender, and each Lender shall be deemed, without further action by any party hereto, to have purchased from such Issuing Lender, without recourse or warranty, an undivided participation interest in such Letter of Credit and the related Letter of Credit Liabilities in accordance with its respective Commitment Ratio (although the Fronting Fee payable under Section 2.07(b) shall be payable directly to the Administrative Agent for the account of the applicable Issuing Lender, and the Lenders (other than such Issuing Lender) shall have no right to receive any portion of any such Fronting Fee) and any security therefor or guaranty pertaining thereto.

Section 3.06. Drawings under Letters of Credit. Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the applicable Issuing Lender shall determine in accordance with the terms of such Letter of Credit whether such drawing should be honored. If such Issuing Lender determines that any such drawing shall be honored, such Issuing Lender shall make available to such beneficiary in accordance with the terms of such Letter of Credit the amount of the drawing and shall notify the Borrower as to the amount to be paid as a result of such drawing and the payment date.

Section 3.07. Reimbursement Obligations. The Borrower shall be irrevocably and unconditionally obligated forthwith to reimburse the applicable Issuing Lender for any amounts paid by such Issuing Lender upon any drawing under any Letter of Credit, together with any and all reasonable charges and expenses which such Issuing Lender may pay or incur relative to such drawing and interest on the amount drawn at the rate applicable to Base Rate Loans for each day from and including the date such amount is drawn to but excluding the date such reimbursement payment is due and payable. Such reimbursement payment shall be due and payable (i) at or before 1:00 P.M. (Charlotte, North Carolina time) on the date the applicable Issuing Lender notifies the Borrower of such drawing, if such notice is given at or before 10:00 A.M. (Charlotte, North Carolina time) on such date or (ii) at or before 10:00 A.M. (Charlotte, North Carolina time) on the next succeeding Business Day; provided, that no payment otherwise required by this sentence to be made by the Borrower at or before 1:00 P.M. (Charlotte, North Carolina time) on any day shall be overdue hereunder if arrangements for such payment satisfactory to the applicable Issuing Lender, in its reasonable discretion, shall have been made by the Borrower at or before 1:00 P.M. (Charlotte, North Carolina time) on such day and such payment is actually made at or before 3:00 P.M. (Charlotte, North Carolina time) on such day. In addition, the Borrower agrees to pay to the applicable Issuing Lender interest, payable on demand, on any and all amounts not paid by the Borrower to such Issuing Lender when due under this Section 3.07, for each day from and including the date when such amount becomes due to but excluding the date such amount is paid in full, whether before or after judgment, at a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate Loans for such day. Each payment to be made by the Borrower pursuant to this Section 3.07 shall be made to the applicable Issuing Lender in Federal or other funds immediately available to it at its address referred to Section 9.01.

Section 3.08. Duties of Issuing Lenders to Lenders; Reliance. In determining whether to pay under any Letter of Credit, the relevant Issuing Lender shall not have any obligation relative to the Lenders participating in such Letter of Credit or the related Letter of Credit Liabilities other than to determine that any document or documents required to be delivered under such Letter of Credit have been delivered and that they substantially comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by an Issuing Lender under or in connection with any Letter of Credit shall not create for such Issuing Lender any resulting liability if taken or omitted in the absence of gross negligence or willful misconduct. Each Issuing Lender shall be entitled (but not obligated) to rely, and shall be fully protected in relying, on the representation and warranty by the Borrower set forth in the last sentence of Section 4.02 to establish whether the conditions specified in clauses (b) and (c) of Section 4.02 are met in connection with any issuance or extension of a Letter of Credit. Each Issuing Lender shall be entitled to rely, and shall be fully protected in relying, upon advice and statements of legal counsel, independent accountants and other experts selected by such Issuing Lender and upon any Letter of Credit, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopier, telex or teletype message, statement, order or other document believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary unless the beneficiary and the Borrower shall have notified such Issuing Lender that such documents do not comply with the terms and conditions of the Letter of Credit. Each Issuing Lender shall be fully justified in refusing to take any action requested of it under this Section in respect of any Letter of Credit unless it shall first have received such advice or concurrence of the Required Lenders as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take, or omitting or continuing to omit, any such action. Notwithstanding any other provision of this Section, each Issuing Lender shall in all cases be fully protected in acting, or in refraining from acting, under this Section in respect of any Letter of Credit in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant hereto shall be binding upon all Lenders and all future holders of participations in such Letter of Credit; provided, that this sentence shall not affect any rights the Borrower may have against any Issuing Lender or the Lenders that make such request.

Section 3.09. Obligations of Lenders to Reimburse Issuing Lender for Unpaid Drawings. If any Issuing Lender makes any payment under any Letter of Credit and the Borrower shall not have reimbursed such amount in full to such Issuing Lender pursuant to Section 3.07, such Issuing Lender shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify each Lender (other than the relevant Issuing Lender), and each such Lender shall promptly and unconditionally pay to the Administrative Agent, for the account of such Issuing Lender, such Lender's share of such payment (determined in accordance with its respective Commitment Ratio) in Dollars in Federal or other immediately available funds, the aggregate of such payments relating to each unreimbursed amount being referred to herein as a "Mandatory Letter of Credit Borrowing"; provided, however, that no Lender shall be obligated to pay to the Administrative Agent its pro rata share of such unreimbursed amount for any wrongful payment made by the relevant Issuing Lender under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence by such Issuing Lender. If the Administrative Agent so notifies a Lender prior to 11:00 A.M. (Charlotte, North Carolina time) on any Business Day, such Lender shall make available to the Administrative Agent at its address referred to in Section 9.01 and for the account of the relevant Issuing Lender such Lender's pro rata share of the amount of such payment by 3:00 P.M. (Charlotte, North Carolina time) on the Business Day following such Lender's receipt of notice from the Administrative Agent, together with interest on such amount for each day from and including the date of such drawing to but excluding the day such payment is due from such Lender at the Federal Funds Rate for such day (which funds the Administrative Agent shall promptly remit to such Issuing Lender). The failure of any Lender to make available to the Administrative Agent for the account of an Issuing Lender its pro rata share of any unreimbursed drawing under any Letter of Credit shall not relieve any other Lender of its obligation hereunder to make available to the Administrative Agent for the account of such Issuing Lender its pro rata share of any payment made under any Letter of Credit on the date required, as specified above, but no such Lender shall be responsible for the failure of any other Lender to make available to the Administrative Agent for the account of such Issuing Lender such other Lender's pro rata share of any such payment. Upon payment in full of all amounts payable by a Lender under this Section 3.09, such Lender shall be subrogated to the rights of the relevant Issuing Lender against the Borrower to the extent of such Lender's pro rata share of the related Letter of Credit Liabilities (including interest accrued thereon). If any Lender fails to pay any amount required to be paid by it pursuant to this Section 3.09 on the date on which such payment is due, interest shall accrue on such Lender's obligation to make such payment, for each day from and including the date such payment became due to but excluding the date such Lender makes such payment, whether before or after judgment, at a rate per annum equal to (i) for each day from the date such payment is due to the third succeeding Business Day, inclusive, the Federal Funds Rate for such day as determined by the relevant Issuing Lender and (ii) for each day thereafter, the sum of 2% plus the rate applicable to its Base Rate Loans for such day. Any payment made by any Lender after 3:00 P.M. (Charlotte, North Carolina time) on any Business Day shall be deemed for purposes of the preceding sentence to have been made on the next succeeding Business Day.

Section 3.10. Funds Received from the Borrower in Respect of Drawn Letters of Credit. Whenever an Issuing Lender receives a payment of a Reimbursement Obligation as to which the Administrative Agent has received for the account of such Issuing Lender any payments from the other Lenders pursuant to Section 3.09 above, such Issuing Lender shall pay the amount of such payment to the Administrative Agent, and the Administrative Agent shall promptly pay to each Lender which has paid its pro rata share thereof, in Dollars in Federal or other immediately available funds, an amount equal to such Lender's pro rata share of the principal amount thereof and interest thereon for each day after relevant date of payment at the Federal Funds Rate.

Section 3.11. Obligations in Respect of Letters of Credit Unconditional. The obligations of the Borrower under Section 3.07 above shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) any lack of validity or enforceability of this Agreement or any Letter of Credit or any document related hereto or thereto;

(b) any amendment or waiver of or any consent to departure from all or any of the provisions of this Agreement or any Letter of Credit or any document related hereto or thereto;

(c) the use which may be made of the Letter of Credit by, or any acts or omission of, a beneficiary of a Letter of Credit (or any Person for whom the beneficiary may be acting);

(d) the existence of any claim, set-off, defense or other rights that the Borrower may have at any time against a beneficiary of a Letter of Credit (or any Person for whom the beneficiary may be acting), any Issuing Lender or any other Person, whether in connection with this Agreement or any Letter of Credit or any document related hereto or thereto or any unrelated transaction;

(e) any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(f) payment under a Letter of Credit against presentation to an Issuing Lender of a draft or certificate that does not comply with the terms of such Letter of Credit; provided, that the relevant Issuing Lender's determination that documents presented under such Letter of Credit comply with the terms thereof shall not have constituted gross negligence or willful misconduct of such Issuing Lender; or

(g) any other act or omission to act or delay of any kind by any Issuing Lender or any other Person or any other event or circumstance whatsoever that might, but for the provisions of this subsection (g), constitute a legal or equitable discharge of the Borrower's obligations hereunder.

Nothing in this Section 3.11 is intended to limit the right of the Borrower to make a claim against any Issuing Lender for damages as contemplated by the proviso to the first sentence of Section 3.12.

Section 3.12. Indemnification in Respect of Letters of Credit. The Borrower hereby indemnifies and holds harmless each Lender (including each Issuing Lender) and the Administrative Agent from and against any and all claims, damages, losses, liabilities, costs or expenses which such Lender or the Administrative Agent may incur by reason of or in connection with the failure of any other Lender to fulfill or comply with its obligations to such Issuing Lender hereunder (but nothing herein contained shall affect any rights which the Borrower may have against such defaulting Lender), and none of the Lenders (including any Issuing Lender) nor the Administrative Agent, their respective affiliates nor any of their respective officers, directors, employees or agents shall be liable or responsible, by reason of or in connection with the execution and delivery or transfer of or payment or failure to pay under any Letter of Credit, including, without limitation, any of the circumstances enumerated in Section 3.11, as well as (i) any error, omission, interruption or delay in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, (ii) any error in interpretation of technical terms, (iii) any loss or delay in the transmission of any document required in order to make a drawing under a Letter of Credit, (iv) any consequences arising from causes beyond the control of such indemnitee, including without limitation, any government acts, or (v) any other circumstances whatsoever in making or failing to make payment under such Letter of Credit; provided, that the Borrower shall not be required to indemnify any Issuing Lender for any claims, damages, losses, liabilities, costs or expenses, and the Borrower shall have a claim against such Issuing Lender for direct (but not consequential) damages suffered by it, to the extent found by a court of competent jurisdiction in a final, non-appealable judgment or order to have been caused by (i) the willful misconduct or gross negligence of such Issuing Lender in determining whether a request presented under any Letter of Credit issued by it complied with the terms of such Letter of Credit or (ii) such Issuing Lender's failure to pay under any Letter of Credit issued by it after the presentation to it of a request strictly complying with the terms and conditions of such Letter of Credit. Nothing in this Section 3.12 is intended to limit the obligations of the Borrower under any other provision of this Agreement.

Section 3.13. ISP98. The rules of the "International Standby Practices 1998" as published by the International Chamber of Commerce most recently at the time of issuance of any Letter of Credit shall apply to such Letter of Credit unless otherwise expressly provided in such Letter of Credit.

ARTICLE IV
CONDITIONS

Section 4.01. Conditions to Closing. The obligation of each Lender to make a Loan or issue a Letter of Credit on the occasion of the first Credit Event hereunder is subject to the satisfaction of the following conditions:

(a) This Agreement. The Administrative Agent shall have received counterparts hereof signed by each of the parties hereto or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Administrative Agent in form satisfactory to it of telegraphic, telex, facsimile or other written confirmation from such party of execution of a counterpart hereof by such party) to be held in escrow and to be delivered to the Borrower upon satisfaction of the other conditions set forth in this Section 4.01.

(b) Notes. On or prior to the Effective Date, the Administrative Agent shall have received a duly executed Note for the account of each Lender requesting delivery of a Note pursuant to Section 2.05.

(c) Officers' Certificates. The Administrative Agent shall have received a certificate dated the Effective Date signed on behalf of the Borrower by the Chairman of the Board, the President, any Vice President, the Treasurer or any Assistant Treasurer of the Borrower stating that (A) on the Effective Date and after giving effect to the Loans and Letters of Credit being made or issued on the Effective Date, no Default shall have occurred and be continuing and (B) the representations and warranties of the Borrower contained in the Loan Documents are true and correct on and as of the Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they were true and correct as of such earlier date.

(d) Proceedings. On the Effective Date, the Administrative Agent shall have received (i) a certificate of the Secretary of State of the Commonwealth of Kentucky, dated as of a recent date, as to the good standing of the Borrower, (ii) a certificate of the Secretary of State of the Commonwealth of Virginia, dated as of a recent date, as to the good standing of the Borrower and (iii) a certificate of the Secretary or an Assistant Secretary of the Borrower dated the Effective Date and certifying (A) that attached thereto are true, correct and complete copies of (x) the Borrower's articles of incorporation certified by the Secretary of State of the Commonwealth of Kentucky and the Secretary of State of the Commonwealth of Virginia and (y) the bylaws of the Borrower, (B) as to the absence of dissolution or liquidation proceedings by or against the Borrower, (C) that attached thereto is a true, correct and complete copy of resolutions adopted by the board of directors of the Borrower authorizing the execution, delivery and performance of the Loan Documents to which the Borrower is a party and each other document delivered in connection herewith or therewith and that such resolutions have not been amended and are in full force and effect on the date of such certificate and (D) as to the incumbency and specimen signatures of each officer of the Borrower executing the Loan Documents to which the Borrower is a party or any other document delivered in connection herewith or therewith.

(e) Opinions of Counsel. On the Effective Date, the Administrative Agent shall have received from counsel to the Borrower, opinions addressed to the Administrative Agent and each Lender, dated the Effective Date, substantially in the form of Exhibit D hereto.

(f) Consents. All necessary governmental (domestic or foreign), regulatory and third party approvals, including, without limitation, the orders of the KPSC (the "KPSC Order"), TRA (the "TRA Order"), VSCC (the "VSCC Order") and any required approvals of the FERC, authorizing borrowings hereunder in connection with the transactions contemplated by this Agreement and the other Loan Documents shall have been obtained and remain in full force and effect, in each case without any action being taken by any competent authority which could restrain or prevent such transaction or impose, in the reasonable judgment of the Administrative Agent, materially adverse conditions upon the consummation of such transactions; provided that any such approvals with respect to elections by the Borrower to increase the Commitment as contemplated by Section 2.19 need not be obtained or provided until the Borrower makes any such election.

(g) Payment of Fees. All costs, fees and expenses due to the Administrative Agent, the Joint Lead Arrangers and the Lenders accrued through the Effective Date (including Commitment Fees and Letter of Credit Fees) shall have been paid in full.

(h) Counsel Fees. The Administrative Agent shall have received full payment from the Borrower of the fees and expenses of Davis Polk & Wardwell LLP described in Section 9.03 which are billed through the Effective Date and which have been invoiced one Business Day prior to the Effective Date.

(i) Amendment Fee. The Borrower shall have paid to the Administrative Agent for the account of each Lender a non-refundable and fully earned fee (the "Amendment Fee") as set forth in the Fee Letter, on or before the Effective Date.

Section 4.02. Conditions to All Credit Events. The obligation of any Lender to make any Loan, and the obligation of any Issuing Lender to issue (or renew or extend the term of) any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) receipt by the Administrative Agent of a Notice of Borrowing as required by Section 2.03, or receipt by an Issuing Lender of a Letter of Credit Request as required by Section 3.03;

(b) the fact that, immediately before and after giving effect to such Credit Event, no Default shall have occurred and be continuing; and

(c) the fact that the representations and warranties of the Borrower contained in this Agreement and the other Loan Documents shall be true and correct on and as of the date of such Credit Event, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they were true and correct as of such earlier date and except for the representations in Section

5.04(c), Section 5.05 and Section 5.13, which shall be deemed only to relate to the matters referred to therein on and as of the Effective Date.

Each Credit Event under this Agreement shall be deemed to be a representation and warranty by the Borrower on the date of such Credit Event as to the facts specified in clauses (b) and (c) of this Section.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

Section 5.01. Status. The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Kentucky and the Commonwealth of Virginia and has the corporate authority to make and perform this Agreement and each other Loan Document to which it is a party.

Section 5.02. Authority; No Conflict. The execution, delivery and performance by the Borrower of this Agreement and each other Loan Document to which it is a party have been duly authorized by all necessary corporate action and do not violate (i) any provision of law or regulation, or any decree, order, writ or judgment, (ii) any provision of its articles of incorporation or bylaws, or (iii) result in the breach of or constitute a default under any indenture or other agreement or instrument to which the Borrower is a party; provided, that any exercise of the option to increase the Commitment as contemplated in Section 2.19 may require further authorization of the Borrower's Board of Directors, or approvals of the KPSC, TRA, VSCC and/or FERC.

Section 5.03. Legality; Etc. This Agreement and each other Loan Document (other than the Notes) to which the Borrower is a party constitute the legal, valid and binding obligations of the Borrower, and the Notes, when executed and delivered in accordance with this Agreement, will constitute legal, valid and binding obligations of the Borrower, in each case enforceable against the Borrower in accordance with their terms except to the extent limited by (a) bankruptcy, insolvency, fraudulent conveyance or reorganization laws or by other similar laws relating to or affecting the enforceability of creditors' rights generally and by general equitable principles which may limit the right to obtain equitable remedies regardless of whether enforcement is considered in a proceeding of law or equity or (b) any applicable public policy on enforceability of provisions relating to contribution and indemnification.

Section 5.04. Financial Condition.

(a) Audited Financial Statements. The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 2011 and the related consolidated statements of income and cash flows for the fiscal year then ended, reported on by PricewaterhouseCoopers LLP, copies of which have been delivered to each of the Administrative Agent and the Lenders, fairly present, in conformity with GAAP, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year.

(b) Interim Financial Statements. The unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of June 30, 2012 and the related unaudited consolidated statements of income and cash flows for the six months then ended fairly present, in conformity with GAAP applied on a basis consistent with the financial statements referred to in subsection (a) of this Section, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such six-month period (subject to normal year-end audit adjustments).

(c) Material Adverse Change. Since December 31, 2011 there has been no change in the business, assets, financial condition or operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, that would materially and adversely affect the Borrower's ability to perform any of its obligations under this Agreement, the Notes or the other Loan Documents.

Section 5.05. Litigation. Except as disclosed in or contemplated by the financial statements referenced in Sections 5.04(a) and 5.05 (b) above, or in any subsequent report of the Borrower filed with the SEC on Form 10-K, 10-Q or 8-K, or otherwise furnished in writing to the Administrative Agent and each Lender, no litigation, arbitration or administrative proceeding against the Borrower is pending or, to the Borrower's knowledge, threatened, which would reasonably be expected to materially and adversely affect the ability of the Borrower to perform any of its obligations under this Agreement, the Notes or the other Loan Documents. There is no litigation, arbitration or administrative proceeding pending or, to the knowledge of the Borrower, threatened which questions the validity of this Agreement or the other Loan Documents to which it is a party.

Section 5.06. No Violation. No part of the proceeds of the borrowings by hereunder will be used, directly or indirectly by the Borrower for the purpose of purchasing or carrying any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, or for any other purpose which violates, or which conflicts with, the provisions of Regulations U or X of said Board of Governors. The Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any such "margin stock".

Section 5.07. ERISA. Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Material Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Material Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Material Plan, (ii) failed to make any contribution or payment to any Material Plan, or made any amendment to any Material Plan, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Internal Revenue Code or (iii) incurred any material liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

Section 5.08. Governmental Approvals. No authorization, consent or approval from any Governmental Authority is required for the execution, delivery and performance by the Borrower of this Agreement, the Notes and the other Loan Documents to which it is a party and except such authorizations, consents and approvals, including, without limitation, the KPSC Order, TRA Order and VSCC Order, as shall have been obtained prior to the Effective Date and shall be in full force and effect; provided, that any exercise of the option to increase the Commitment as contemplated in Section 2.19 may require additional approvals of the KPSC, TRA, VSCC and/or FERC.

Section 5.09. Investment Company Act. The Borrower is not an “investment company” within the meaning of the Investment Company Act of 1940, as amended.

Section 5.10. Tax Returns and Payments. The Borrower has filed or caused to be filed all Federal, state, local and foreign income tax returns required to have been filed by it and has paid or caused to be paid all income taxes shown to be due on such returns except income taxes that are being contested in good faith by appropriate proceedings and for which the Borrower shall have set aside on its books appropriate reserves with respect thereto in accordance with GAAP or that would not reasonably be expected to have a Material Adverse Effect.

Section 5.11. Compliance with Laws. To the knowledge of the Borrower, the Borrower is in compliance with all applicable laws, regulations and orders of any Governmental Authority, domestic or foreign, in respect of the conduct of its business and the ownership of its property (including, without limitation, compliance with all applicable ERISA and Environmental Laws and the requirements of any permits issued under such Environmental Laws), except to the extent (a) such compliance is being contested in good faith by appropriate proceedings or (b) non-compliance would not reasonably be expected to materially and adversely affect its ability to perform any of its obligations under this Agreement, the Notes or any other Loan Document to which it is a party.

Section 5.12. No Default. No Default has occurred and is continuing.

Section 5.13. Environmental Matters.

(a) Except (i) as disclosed in or contemplated by the financial statements referenced in Sections 5.04(a) and 5.04(b) above, or in any subsequent report of the Borrower filed with the SEC on Form 10-K, 10-Q or 8-K, or otherwise furnished in writing to the Administrative Agent and each Lender, or (ii) to the extent that the liabilities of the Borrower and its Subsidiaries, taken as a whole, that relate to or could reasonably be expected to result from the matters referred to in clauses (i) through (iii) of this Section 5.13(a), inclusive, would not reasonably be expected to result in a Material Adverse Effect:

(i) no notice, notification, citation, summons, complaint or order has been received by the Borrower or any of its Subsidiaries, no penalty has been assessed nor is any investigation or review pending or, to the Borrower’s or any of its Subsidiaries’ knowledge, threatened by any governmental or other entity with respect to any (A) alleged violation by or liability of the Borrower or any of its Subsidiaries of or under any Environmental Law, (B) alleged failure by the Borrower or any of its Subsidiaries to have any environmental permit, certificate, license, approval, registration or authorization required in connection with the conduct of its business or (C) generation, storage, treatment, disposal, transportation or release of Hazardous Substances;

(ii) to the Borrower’s or any of its Subsidiaries’ knowledge, no Hazardous Substance has been released (and no written notification of such release has been filed) (whether or not in a reportable or threshold planning quantity) at, on or under any property now or previously owned, leased or operated by the Borrower or any of its Subsidiaries; and

(iii) no property now or previously owned, leased or operated by the Borrower or any of its Subsidiaries or, to the Borrower’s or any of its Subsidiaries’ knowledge, any property to which the Borrower or any of its Subsidiaries has, directly or indirectly, transported or arranged for the transportation of any Hazardous Substances, is listed or, to the Borrower’s or any of its Subsidiaries’ knowledge, proposed for listing, on the National Priorities List promulgated pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (“CERCLA”), on CERCLIS (as defined in CERCLA) or on any similar federal, state or foreign list of sites requiring investigation or clean-up.

(b) Except as disclosed in or contemplated by the financial statements referenced in Sections 5.04(a) and 5.04(b) above, or in any subsequent report of the Borrower filed with the SEC on Form 10-K, 10-Q or 8-K, or otherwise furnished in writing to the Administrative Agent and each Lender, to the Borrower’s or any of its Subsidiaries’ knowledge, there are no Environmental Liabilities that have resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) For purposes of this Section 5.13, the terms “the Borrower” and “Subsidiary” shall include any business or business entity (including a corporation) which is a predecessor, in whole or in part, of the Borrower or any of its Subsidiaries from the time such business or business entity became a Subsidiary of PPL Corporation, a Pennsylvania corporation.

Section 5.14. OFAC. None of the Borrower, any Subsidiary of the Borrower or any Affiliate of the Borrower: (i) is a Sanctioned Person, (ii) has more than 10% of its assets in Sanctioned Entities, or (iii) derives more than 10% of its operating income from investments in, or transactions with Sanctioned Persons or Sanctioned Entities. The proceeds of any Loan will not be used and have not been used to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Person or a Sanctioned Entity.

ARTICLE VI
COVENANTS

The Borrower agrees that so long as any Lender has any Commitment hereunder or any amount payable hereunder or under any Note or other Loan Document remains unpaid or any Letter of Credit Liability remains outstanding:

Section 6.01. Information. The Borrower will deliver or cause to be delivered to each of the Lenders (it being understood that the posting of the information required in clauses (a), (b) and (f) of this Section 6.01 on the Borrower's website or PPL Corporation's website (http://www.pplweb.com) or making such information available on IntraLinks, Syndtrak (or similar service) shall be deemed to be effective delivery to the Lenders):

(a) Annual Financial Statements. Promptly when available and in any event within ten (10) days after the date such information is required to be delivered to the SEC (or, if the Borrower is not a Public Reporting Company, within one hundred and five (105) days after the end of each fiscal year of the Borrower), a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of income and cash flows for such fiscal year and accompanied by an opinion thereon by independent public accountants of recognized national standing, which opinion shall state that such consolidated financial statements present fairly the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of the date of such financial statements and the results of their operations for the period covered by such financial statements in conformity with GAAP applied on a consistent basis.

(b) Quarterly Financial Statements. Promptly when available and in any event within ten (10) days after the date such information is required to be delivered to the SEC (or, if the Borrower is not a Public Reporting Company, within sixty (60) days after the end of each quarterly fiscal period in each fiscal year of the Borrower (other than the last quarterly fiscal period of the Borrower)), a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such quarter and the related consolidated statements of income and cash flows for such fiscal quarter, all certified (subject to normal year-end audit adjustments) as to fairness of presentation, GAAP and consistency by any vice president, the treasurer or the controller of the Borrower.

(c) Officer's Certificate. Simultaneously with the delivery of each set of financial statements referred to in subsections (a) and (b) above, a certificate of the chief accounting officer or controller of the Borrower, (i) setting forth in reasonable detail the calculations required to establish compliance with the requirements of Section 6.09 on the date of such financial statements and (ii) stating whether there exists on the date of such certificate any Default and, if any Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto.

(d) Default. Forthwith upon acquiring knowledge of the occurrence of any (i) Default or (ii) Event of Default, in either case a certificate of a vice president or the treasurer of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto.

(e) Change in Borrower's Ratings. Promptly, upon the chief executive officer, the president, any vice president or any senior financial officer of the Borrower obtaining knowledge of any change in a Borrower's Rating, a notice of such Borrower's Rating in effect after giving effect to such change.

(f) Securities Laws Filing. To the extent the Borrower is a Public Reporting Company, promptly, when available and in any event within ten (10) days after the date such information is required to be delivered to the SEC, a copy of any Form 10-K Report to the SEC and a copy of any Form 10-Q Report to the SEC, and promptly upon the filing thereof, any other filings with the SEC.

(g) ERISA Matters. If and when any member of the ERISA Group: (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Material Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Material Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives, with respect to any Material Plan that is a Multiemployer Plan, notice of any complete or partial withdrawal liability under Title IV of ERISA, or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose material liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Material Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code with respect to a Material Plan, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA; or (vii) fails to make any payment or contribution to any Plan or makes any amendment to any Plan which has resulted or could result in the imposition of a Lien or the posting of a bond or other security, a copy of such notice, a certificate of the chief accounting officer or controller of the Borrower setting forth details as to such occurrence and action, if any, which the Borrower or applicable member of the ERISA Group is required or proposes to take.

(h) Other Information. From time to time such additional financial or other information regarding the financial condition, results of operations, properties, assets or business of the Borrower or any of its Subsidiaries as any Lender may reasonably request.

The Borrower hereby acknowledges that (a) the Administrative Agent will make available to the Lenders and each Issuing Lender materials and/or information provided by or on behalf of the Borrower hereunder (collectively, " Borrower Materials ") by posting the Borrower Materials on IntraLinks or another similar electronic system (the " Platform ") and (b) certain of the Lenders may be "public-side" Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to the Borrower or its securities) (each, a " Public Lender "). The Borrower hereby agrees that it will use commercially reasonable efforts to identify that portion of the Borrower Materials that may be distributed to the Public Lenders and that (w) all such Borrower Materials shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," the Borrower shall be deemed to have authorized the Administrative Agent, the Issuing Lenders and the Lenders to treat such Borrower Materials as not containing any material non-public information (although it may be sensitive and proprietary) with respect to the Borrower or its securities for purposes of United States Federal and state securities laws (provided , however , that to the extent such Borrower Materials constitute Information (as defined below), they shall be treated as set forth in Section 9.12); (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor;" and (z) the Administrative Agent shall be entitled to treat any

Borrower Materials that are not marked "PUBLIC" as being suitable only for posting (subject to Section 9.12) on a portion of the Platform not designated "Public Investor." "Information" means all information received from the Borrower or any of its Subsidiaries relating to the Borrower or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Administrative Agent, any Lender or any Issuing Lender on a nonconfidential basis prior to disclosure by the Borrower or any of its Subsidiaries; provided that, in the case of information received from the Borrower or any of its Subsidiaries after the Effective Date, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Section 6.02. Maintenance of Property; Insurance.

(a) Maintenance of Properties. The Borrower will keep all property useful and necessary in its businesses in good working order and condition, subject to ordinary wear and tear, unless the Borrower determines in good faith that the continued maintenance of any of such properties is no longer economically desirable and so long as the failure to so maintain such properties would not reasonably be expected to have a Material Adverse Effect.

(b) Insurance. The Borrower will maintain, or cause to be maintained, insurance with financially sound (determined in the reasonable judgment of the Borrower) and responsible companies in such amounts (and with such risk retentions) and against such risks as is usually carried by owners of similar businesses and properties in the same general areas in which the Borrower operates.

Section 6.03. Conduct of Business and Maintenance of Existence. The Borrower will (i)continue to engage in businesses of the same general type as now conducted by the Borrower and its Subsidiaries and businesses related thereto or arising out of such businesses, except to the extent that the failure to maintain any existing business would not have a Material Adverse Effect and (ii) except as otherwise permitted in Section 6.07, preserve, renew and keep in full force and effect, and will cause each of its Subsidiaries to preserve, renew and keep in full force and effect, their respective corporate (or other entity) existence and their respective rights, privileges and franchises necessary or material to the normal conduct of business, except, in each case, where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

Section 6.04. Compliance with Laws, Etc. The Borrower will comply with all applicable laws, regulations and orders of any Governmental Authority, domestic or foreign, in respect of the conduct of its business and the ownership of its property (including, without limitation, compliance with all applicable ERISA and Environmental Laws and the requirements of any permits issued under such Environmental Laws), except to the extent (a) such compliance is being contested in good faith by appropriate proceedings or (b) non-compliance could not reasonably be expected to have a Material Adverse Effect.

Section 6.05. Books and Records. The Borrower (i) will keep, and will cause each of its Subsidiaries to keep, proper books of record and account in conformity with GAAP and (ii) will permit representatives of the Administrative Agent and each of the Lenders to visit and inspect any of their respective properties, to examine and make copies from any of their respective books and records and to discuss their respective affairs, finances and accounts with their officers, any employees and independent public accountants, all at such reasonable times and as often as may reasonably be desired; provided, that, the rights created in this Section 6.05 to "visit", "inspect", "discuss" and copy shall not extend to any matters which the Borrower deems, in good faith, to be confidential, unless the Administrative Agent and any such Lender agree in writing to keep such matters confidential.

Section 6.06. Use of Proceeds. The proceeds of the Loans made under this Agreement will be used by the Borrower to repay loans under the Existing Credit Agreement on the Effective Date and for general corporate purposes of the Borrower and its Subsidiaries, including for working capital purposes and for making investments in or loans to Subsidiaries. The Borrower will request the issuance of Letters of Credit solely for general corporate purposes of the Borrower and its Subsidiaries including to support issuances of tax-exempt pollution control bonds issued on behalf of the Borrower and/or its Subsidiaries. No such use of the proceeds for general corporate purposes will be, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any Margin Stock within the meaning of Regulation U.

Section 6.07. Merger or Consolidation. The Borrower will not merge with or into or consolidate with or into any other corporation or entity, unless (i) immediately after giving effect thereto, no event shall occur and be continuing which constitutes a Default, (ii) the surviving or resulting Person, as the case may be, assumes and agrees in writing to pay and perform all of the obligations of the Borrower under this Agreement, (iii) substantially all of the consolidated assets and consolidated revenues of the surviving or resulting Person, as the case may be, are anticipated to come from the utility or energy businesses and (iv) the senior long-term debt ratings from both Rating Agencies of the surviving or resulting Person, as the case may be, immediately following the merger or consolidation is equal to or greater than the senior long-term debt ratings from both Rating Agencies of the Borrower immediately preceding the announcement of such consolidation or merger.

Section 6.08. Asset Sales. Except for the sale of assets required to be sold to conform with governmental requirements, the Borrower shall not consummate any Asset Sale, if the aggregate net book value of all such Asset Sales consummated during the four calendar quarters immediately preceding any date of determination would exceed 25% of the total assets of the Borrower and its Consolidated Subsidiaries as of the beginning of the Borrower's most recently ended full fiscal quarter; provided, however, that any such Asset Sale will be disregarded for purposes of the 25% limitation specified above: (a) if any such Asset Sale is in the ordinary course of business of the Borrower (b) if the assets subject to any such Asset Sale are worn out or are no longer useful or necessary in connection with the operation of the businesses of the Borrower; (c) if the assets subject to any such Asset Sale are being transferred to a Wholly Owned Subsidiary of the Borrower; (d) if the proceeds from any such Asset Sale (i) are, within twelve (12) months of such Asset Sale, invested or reinvested by the Borrower in a Permitted Business, (ii) are used by the Borrower to repay Debt of the Borrower, or (iii) are retained by the Borrower; or (e) if, prior to any such Asset Sale, both Rating Agencies confirm the then-current Borrower Ratings after giving effect to any such Asset Sale.

Section 6.09. Consolidated Debt to Consolidated Capitalization Ratio. The ratio of Consolidated Debt of the Borrower to

Consolidated Capitalization of the Borrower shall not exceed 70%, measured as of the end of each fiscal quarter.

ARTICLE VII
DEFAULTS

Section 7.01. Events of Default. If one or more of the following events (each an "Event of Default") shall have occurred and be continuing:

(a) the Borrower shall fail to pay when due any principal on any Loans or Reimbursement Obligations; or

(b) the Borrower shall fail to pay when due any interest on the Loans and Reimbursement Obligations, any fee or any other amount payable hereunder or under any other Loan Document for five (5) days following the date such payment becomes due hereunder; or

(c) the Borrower shall fail to observe or perform any covenant or agreement contained in clause (ii) of Section 6.05, or Sections 6.06, 6.07, 6.08 or 6.09; or

(d) the Borrower shall fail to observe or perform any covenant or agreement contained in Section 6.01(d)(i) for 30 days after any such failure or in Section 6.01(d)(ii) for ten (10) days after any such failure; or

(e) the Borrower shall fail to observe or perform any covenant or agreement contained in this Agreement or any other Loan Document (other than those covered by clauses (a), (b), (c) or (d) above) for thirty (30) days after written notice thereof has been given to the defaulting party by the Administrative Agent, or at the request of the Required Lenders; or

(f) any representation, warranty or certification made by the Borrower in this Agreement or any other Loan Document or in any certificate, financial statement or other document delivered pursuant hereto or thereto shall prove to have been incorrect in any material respect when made or deemed made; or

(g) the Borrower shall (i) fail to pay any principal or interest, regardless of amount, due in respect of any Material Debt beyond any period of grace provided with respect thereto, or (ii) fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any such Material Debt beyond any period of grace provided with respect thereto if the effect of any failure referred to in this clause (ii) is to cause, or to permit the holder or holders of such Debt or a trustee on its or their behalf to cause, such Debt to become due prior to its stated maturity; or

(h) the Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay, or shall admit in writing its inability to pay, its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(i) an involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Borrower under the Bankruptcy Code; or

(j) any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of $50,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could reasonably be expected to cause one or more members of the ERISA Group to incur a current payment obligation in excess of $50,000,000; or

(k) the Borrower shall fail within sixty (60) days to pay, bond or otherwise discharge any judgment or order for the payment of money in excess of $20,000,000, entered against the Borrower that is not stayed on appeal or otherwise being appropriately contested in good faith; or

(l) a Change of Control shall have occurred;

then, and in every such event, while such event is continuing, the Administrative Agent may (A) if requested by the Required Lenders, by notice to the Borrower terminate the Commitments, and the Commitments shall thereupon terminate, and (B) if requested by the Lenders holding more than 50% of the sum of the aggregate outstanding principal amount of the Loans and Letter of Credit Liabilities at such time, by notice to the Borrower declare the Loans and Letter of Credit Liabilities (together with accrued interest and accrued and unpaid fees thereon and all other amounts due hereunder) to be, and the Loans and Letter of Credit Liabilities shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind (except as set forth in clause (A) above), all of which are hereby waived by the Borrower and require the Borrower to, and the Borrower shall, cash collateralize (in accordance with Section 2.09(a)(ii)) all Letter of Credit Liabilities then outstanding; provided, that, in the case of any Default or any Event of Default specified in clause 7.01(h) or 7.01(i) above with respect to the

Borrower, without any notice to the Borrower or any other act by the Administrative Agent or any Lender, the Commitments shall thereupon terminate and the Loans and Letter of Credit Liabilities (together with accrued interest and accrued and unpaid fees thereon and all other amounts due hereunder) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower, and the Borrower shall cash collateralize (in accordance with Section 2.09(a)(ii)) all Letter of Credit Liabilities then outstanding.

ARTICLE VIII
THE AGENTS

Section 8.01. Appointment and Authorization. Each Lender hereby irrevocably designates and appoints the Administrative Agent to act as specified herein and in the other Loan Documents and to take such actions on its behalf under the provisions of this Agreement and the other Loan Documents and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. The Administrative Agent agrees to act as such upon the express conditions contained in this Article VIII. Notwithstanding any provision to the contrary elsewhere in this Agreement or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein or in the other Loan Documents, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Administrative Agent. The provisions of this Article VIII are solely for the benefit of the Administrative Agent and Lenders, and no other Person shall have any rights as a third party beneficiary of any of the provisions hereof. For the sake of clarity, the Lenders hereby agree that no Agent other than the Administrative Agent shall have, in such capacity, any duties or powers with respect to this Agreement or the other Loan Documents.

Section 8.02. Individual Capacity. The Administrative Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower and its Affiliates as though the Administrative Agent were not an Agent. With respect to the Loans made by it and all obligations owing to it, the Administrative Agent shall have the same rights and powers under this Agreement as any Lender and may exercise the same as though it were not an Agent, and the terms “Required Lenders”, “Lender” and “Lenders” shall include the Administrative Agent in its individual capacity.

Section 8.03. Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents or attorneys-in-fact. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care except to the extent otherwise required by Section 8.07.

Section 8.04. Reliance by the Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy or other electronic facsimile transmission, telex, telegram, cable, teletype, electronic transmission by modem, computer disk or any other message, statement, order or other writing or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders, or all of the Lenders, if applicable, as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders or all of the Lenders, if applicable, and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders.

Section 8.05. Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default hereunder unless the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default and stating that such notice is a “notice of default”. If the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default as shall be reasonably directed by the Required Lenders; provided, that, unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable in the best interests of the Lenders.

Section 8.06. Non-Reliance on the Agents and Other Lenders. Each Lender expressly acknowledges that no Agent or officer, director, employee, agent, attorney-in-fact or affiliate of any Agent has made any representations or warranties to it and that no act by any Agent hereafter taken, including any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by such Agent to any Lender. Each Lender acknowledges to the Agents that it has, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, assets, operations, property, financial and other condition, prospects and creditworthiness of the Borrower and made its own decision to make its Loans hereunder and to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, assets, operations, property, financial and other condition, prospects and creditworthiness of the Borrower. No Agent shall have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, assets, property, financial and other condition, prospects or creditworthiness of the Borrower which may come into the possession of such Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

Section 8.07. Exculpatory Provisions. The Administrative Agent shall not, and no officers, directors, employees, agents, attorneys-in-fact or affiliates of the Administrative Agent, shall (i) be liable for any action lawfully taken or omitted to be taken by it under or in connection with this Agreement or any other Loan Document (except for its own gross negligence, willful misconduct or bad faith) or (ii) be responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower or any of its officers contained in this Agreement, in any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document or for any failure of the Borrower or any of its officers to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower. The Administrative Agent shall not be responsible to any Lender for the effectiveness, genuineness, validity, enforceability, collectibility or sufficiency of this Agreement or any other Loan Document or for any representations, warranties, recitals or statements made by any other Person herein or therein or made by any other Person in any written or oral statement or in any financial or other statements, instruments, reports, certificates or any other documents in connection herewith or therewith furnished or made by the Administrative Agent to the Lenders or by or on behalf of the Borrower to the Administrative Agent or any Lender or be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained herein or therein or as to the use of the proceeds of the Loans or of the existence or possible existence of any Default.

Section 8.08. Indemnification. To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under Sections 9.03(a), (b) or (c) to be paid by it to the Administrative Agent (or any sub-agent thereof), the Lenders severally agree to indemnify the Administrative Agent, in its capacity as such, and hold the Administrative Agent, in its capacity as such, harmless ratably according to their respective Commitments from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and reasonable expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the full payment of the obligations of the Borrower hereunder) be imposed on, incurred by or asserted against the Administrative Agent, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Document, or any documents contemplated hereby or referred to herein or the transactions contemplated hereby or any action taken or omitted to be taken by the Administrative Agent under or in connection with any of the foregoing, but only to the extent that any of the foregoing is not paid by the Borrower; provided, that no Lender shall be liable to the Administrative Agent for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs or expenses or disbursements resulting from the gross negligence, willful misconduct or bad faith of the Administrative Agent. If any indemnity furnished to the Administrative Agent for any purpose shall, in the reasonable opinion of the Administrative Agent, be insufficient or become impaired, the Administrative Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished. The agreement in this Section 8.08 shall survive the payment of all Loans, Letter of Credit Liabilities, fees and other obligations of the Borrower arising hereunder.

Section 8.09. Resignation; Successors. The Administrative Agent may resign as Administrative Agent upon twenty (20) days notice to the Lenders. Upon the resignation of the Administrative Agent, the Required Lenders shall have the right to appoint from among the Lenders a successor to the Administrative Agent, subject to prior approval by the Borrower (so long as no Event of Default exists) (such approval not to be unreasonably withheld), whereupon such successor Administrative Agent shall succeed to and become vested with all the rights, powers and duties of the retiring Administrative Agent, and the term “Administrative Agent” shall include such successor Administrative Agent effective upon its appointment, and the retiring Administrative Agent’s rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any other Loan Document. If no successor shall have been appointed by the Required Lenders and approved by the Borrower and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may at its election give notice to the Lenders and the Borrower of the immediate effectiveness of its resignation and such resignation shall thereupon become effective and the Lenders collectively shall perform all of the duties of the Administrative Agent hereunder and under the other Loan Documents until such time, if any, as the Required Lenders appoint a successor agent as provided for above. After the retiring Administrative Agent’s resignation hereunder as Administrative Agent, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement or any other Loan Document.

Section 8.10. Administrative Agent’s Fees. The Borrower shall pay to the Administrative Agent for its own account fees in the amount and at the times agreed to and accepted by the Borrower pursuant to the Fee Letter.

ARTICLE IX
MISCELLANEOUS

Section 9.01. Notices. Except as otherwise expressly provided herein, all notices and other communications hereunder shall be in writing (for purposes hereof, the term “writing” shall include information in electronic format such as electronic mail and internet web pages) or by telephone subsequently confirmed in writing; provided that the foregoing shall not apply to notices to any Lender, the Swingline Lender or Issuing Lender pursuant to Article II or Article III, as applicable, if such Lender, Swingline Lender or Issuing Lender, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Article in electronic format. Any notice shall have been duly given and shall be effective if delivered by hand delivery or sent via electronic mail, telecopy, recognized overnight courier service or certified or registered mail, return receipt requested, or posting on an internet web page, and shall be presumed to be received by a party hereto (i) on the date of delivery if delivered by hand or sent by electronic mail, posting on an internet web page, or telecopy, (ii) on the Business Day following the day on which the same has been delivered prepaid (or on an invoice basis) to a reputable national overnight air courier service or (iii) on the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid, in each case to the respective parties at the address or telecopy numbers, in the case of the Borrower and the Administrative Agent, set forth below, and, in the case of the Lenders, set forth on signature pages hereto, or at such other address as such party may specify by written notice to the other parties hereto:

if to the Borrower:

Kentucky Utilities Company
One Quality Street
Lexington, Kentucky 40507
Attention: Treasurer
Telephone: 502-627-4956

Facsimile: 502-627-4742

with a copies to:

Kentucky Utilities Company
One Quality Street
Lexington, Kentucky 40507
Attention: General Counsel
Telephone: 502-627-3450
Facsimile: 502-627-3367

PPL Services Corporation
Two North Ninth Street (GENTW4)
Allentown, Pennsylvania 18101-1179
Attention: Frederick C. Paine, Esq.
Telephone: 610-774-7445
Facsimile: 610-774-6726

PPL Services Corporation
Two North Ninth Street (GENTW14)
Allentown, Pennsylvania 18101-1179
Attention: Russell R. Clelland
Telephone: 610-774-5151
Facsimile: 610-774-5235

if to the Administrative Agent:

Wells Fargo Bank, National Association
1525 West W.T. Harris Boulevard
Mail Code: MAC D1109-019
Charlotte, NC 28262
Attention: Syndication Agency Services
Telephone: 704.590.2706
Telecopier: 704.590.2790
Electronic Mail: agencyservices.requests@wellsfargo.com

with a copy to:

Wells Fargo Bank, National Association
90 S 7th Street, MAC: N9305-070
Minneapolis, MN 55402
Attention: Keith Luettel
Telephone: 612-667-4747
Facsimile: 602-316-0506

with a copy to:

Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York 10017
Attention: Jason Kyrwood
Telephone: 212-450-4653
Facsimile: 212-450-5653

Section 9.02. No Waivers; Non-Exclusive Remedies. No failure by any Agent or any Lender to exercise, no course of dealing with respect to, and no delay in exercising any right, power or privilege hereunder or under any Note or other Loan Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided herein and in the other Loan Documents shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 9.03. Expenses; Indemnification.

(a) Expenses. The Borrower shall pay (i) all out-of-pocket expenses of the Agents, including legal fees and disbursements of Davis Polk & Wardwell LLP and any other local counsel retained by the Administrative Agent, in its reasonable discretion, in connection with the preparation, execution, delivery and administration of the Loan Documents, the syndication efforts of the Agents with respect thereto, any waiver or consent thereunder or any amendment thereof or any Default or alleged Default thereunder and (ii) all reasonable out-of-pocket expenses incurred by the Agents and each Lender, including (without duplication) the fees and disbursements of outside counsel, in connection with any restructuring, workout, collection, bankruptcy, insolvency and other enforcement proceedings in connection with the enforcement and protection of its rights; provided, that the Borrower shall not be liable for any legal fees or disbursements of any counsel for the Agents and the

Lenders other than Davis Polk & Wardwell LLP associated with the preparation, execution and delivery of this Agreement and the closing documents contemplated hereby.

(b) Indemnity in Respect of Loan Documents . The Borrower agrees to indemnify the Agents and each Lender, their respective Affiliates and the respective directors, officers, trustees, agents, employees, trustees and advisors of the foregoing (each an " Indemnitee ") and hold each Indemnitee harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and expenses or disbursements of any kind whatsoever (including, without limitation, the reasonable fees and disbursements of counsel and any civil penalties or fines assessed by OFAC), which may at any time (including, without limitation, at any time following the payment of the obligations of the Borrower hereunder) be imposed on, incurred by or asserted against such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) brought or threatened (by any third party, by the Borrower or any Subsidiary of the Borrower) in any way relating to or arising out of this Agreement, any other Loan Document or any documents contemplated hereby or referred to herein or any actual or proposed use of proceeds of Loans hereunder; provided , that no Indemnitee shall have the right to be indemnified hereunder for such Indemnitee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final, non-appealable judgment or order.

(c) Indemnity in Respect of Environmental Liabilities . The Borrower agrees to indemnify each Indemnitee and hold each Indemnitee harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs and expenses or disbursements of any kind whatsoever (including, without limitation, reasonable expenses of investigation by engineers, environmental consultants and similar technical personnel and reasonable fees and disbursements of counsel) which may at any time (including, without limitation, at any time following the payment of the obligations of the Borrower hereunder) be imposed on, incurred by or asserted against such Indemnitee in respect of or in connection with any actual or alleged presence or release of Hazardous Substances on or from any property now or previously owned or operated by the Borrower or any of its Subsidiaries or any predecessor of the Borrower or any of its Subsidiaries, or any and all Environmental Liabilities. Without limiting the generality of the foregoing, the Borrower hereby waives all rights of contribution or any other rights of recovery with respect to liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and expenses and disbursements in respect of or in connection with Environmental Liabilities that it might have by statute or otherwise against any Indemnitee.

(d) Waiver of Damages . To the fullest extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in clause (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby; provided that nothing in this Section 9.03(d) shall relieve any Lender from its obligations under Section 9.12.

Section 9.04. Sharing of Set-Offs . Each Lender agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest due with respect to any Loan made or Note held by it and any Letter of Credit Liabilities which is greater than the proportion received by any other Lender in respect of the aggregate amount of principal and interest due with respect to any Loan, Note and Letter of Credit Liabilities made or held by such other Lender, the Lender receiving such proportionately greater payment shall purchase such participations in the Loan made or Notes and Letter of Credit Liabilities held by the other Lenders, and such other adjustments shall be made, in each case as may be required so that all such payments of principal and interest with respect to the Loan made or Notes and Letter of Credit Liabilities made or held by the Lenders shall be shared by the Lenders pro rata; provided, that nothing in this Section shall impair the right of any Lender to exercise any right of set-off or counterclaim it may have for payment of indebtedness of the Borrower other than its indebtedness hereunder.

Section 9.05. Amendments and Waivers . Any provision of this Agreement or the Notes may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Required Lenders (and, if the rights or duties of the Administrative Agent, Swingline Lender or any Issuing Lenders are affected thereby, by the Administrative Agent, Swingline Lender or such Issuing Lender, as relevant); provided, that no such amendment or waiver shall, (a) unless signed by each Lender adversely affected thereby, (i) increase the Commitment of any Lender or subject any Lender to any additional obligation (it being understood that waivers or modifications of conditions precedent, covenants, Defaults or of mandatory reductions in the Commitments shall not constitute an increase of the Commitment of any Lender, and that an increase in the available portion of any Commitment of any Lender as in effect at any time shall not constitute an increase in such Commitment), (ii) reduce the principal of or rate of interest on any Loan (except in connection with a waiver of applicability of any post-default increase in interest rates) or the amount to be reimbursed in respect of any Letter of Credit or any interest thereon or any fees hereunder, (iii) postpone the date fixed for any payment of interest on any Loan or the amount to be reimbursed in respect of any Letter of Credit or any interest thereon or any fees hereunder or for any scheduled reduction or termination of any Commitment or (except as expressly provided in Article III) expiration date of any Letter of Credit, (iv) postpone or change the date fixed for any scheduled payment of principal of any Loan, (v) change any provision hereof in a manner that would alter the pro rata funding of Loans required by Section 2.04(b), the pro rata sharing of payments required by Sections 2.11(a), 2.09(b) or 9.04 or the pro rata reduction of Commitments required by Section 2.08(a) or (vi) change the currency in which Loans are to be made, Letters of Credit are to be issued or payment under the Loan Documents is to be made, or add additional borrowers or (b) unless signed by each Lender, change the definition of Required Lender or this Section 9.05 or Section 9.06(a).

Section 9.06. Successors and Assigns .

(a) Successors and Assigns . The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or otherwise transfer any of its rights under this Agreement without the prior written consent of all of the Lenders, except to the extent any such assignment results from the consummation of a merger or consolidation permitted pursuant to Section 6.07 of this Agreement.

(b) Participations. Any Lender may at any time grant to one or more banks or other financial institutions or special purpose funding vehicle (each a "Participant") participating interests in its Commitments and/or any or all of its Loans and Letter of Credit Liabilities. In the event of any such grant by a Lender of a participating interest to a Participant, whether or not upon notice to the Borrower and the Administrative Agent, such Lender shall remain responsible for the performance of its obligations hereunder, and the Borrower, the Issuing Lenders, Swingline Lender and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which any Lender may grant such a participating interest shall provide that such Lender shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided, that such participation agreement may provide that such Lender will not agree to any modification, amendment or waiver of this Agreement which would (i) extend the Termination Date, reduce the rate or extend the time of payment of principal, interest or fees on any Loan or Letter of Credit Liability in which such Participant is participating (except in connection with a waiver of applicability of any post-default increase in interest rates) or reduce the principal amount thereof, or increase the amount of the Participant's participation over the amount thereof then in effect (it being understood that a waiver of any Default or of a mandatory reduction in the Commitments shall not constitute a change in the terms of such participation, and that an increase in any Commitment or Loan or Letter of Credit Liability shall be permitted without the consent of any Participant if the Participant's participation is not increased as a result thereof) or (ii) allow the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement, without the consent of the Participant, except to the extent any such assignment results from the consummation of a merger or consolidation permitted pursuant to Section 6.07 of this Agreement. The Borrower agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article II with respect to its participating interest to the same extent as if it were a Lender, subject to the same limitations, and in no case shall any Participant be entitled to receive any amount payable pursuant to Article II that is greater than the amount the Lender granting such Participant's participating interest would have been entitled to receive had such Lender not sold such participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b). Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register (solely for tax purposes) on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"). The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary.

(c) Assignments Generally. Any Lender may at any time assign to one or more Eligible Assignees (each, an "Assignee") all, or a proportionate part (equivalent to an initial amount of not less than $5,000,000 or any larger integral multiple of $1,000,000), of its rights and obligations under this Agreement and the Notes with respect to its Loans and, if still in existence, its Commitment, and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit C attached hereto executed by such Assignee and such transferor, with (and subject to) the consent of the Borrower, which shall not be unreasonably withheld or delayed, the Administrative Agent, Swingline Lender and the Issuing Lenders, which consent shall not be unreasonably withheld or delayed; provided, that if an Assignee is an Affiliate of such transferor Lender or was a Lender immediately prior to such assignment, no such consent of the Borrower or the Administrative Agent shall be required; provided, further, that if at the time of such assignment a Default or an Event of Default has occurred and is continuing, no such consent of the Borrower shall be required; provided, further, that no such assignment may be made prior to the Effective Date without the prior written consent of the Joint Lead Arrangers; provided, further, that the provisions of Sections 2.12, 2.16, 2.17 and 9.03 of this Agreement shall inure to the benefit of a transferor with respect to any Loans made, any Letters of Credit issued or any other actions taken by such transferor while it was a Lender. Upon execution and delivery of such instrument and payment by such Assignee to such transferor of an amount equal to the purchase price agreed between such transferor and such Assignee, such Assignee shall be a Lender party to this Agreement and shall have all the rights and obligations of a Lender with a Commitment, if any, as set forth in such instrument of assumption, and the transferor shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this subsection (c), the transferor, the Administrative Agent and the Borrower shall make appropriate arrangements so that, if required, a new Note is issued to the Assignee. In connection with any such assignment, the transferor shall pay to the Administrative Agent an administrative fee for processing such assignment in the amount of $3,500; provided that the Administrative Agent may, in its sole discretion, elect to waive such administrative fee in the case of any assignment. Each Assignee shall, on or before the effective date of such assignment, deliver to the Borrower and the Administrative Agent certification as to exemption from deduction or withholding of any United States Taxes in accordance with Section 2.17(e).

(d) Assignments to Federal Reserve Banks. Any Lender may at any time assign all or any portion of its rights under this Agreement and its Note to a Federal Reserve Bank. No such assignment shall release the transferor Lender from its obligations hereunder.

(e) Register. The Borrower hereby designates the Administrative Agent to serve as the Borrower's agent, solely for purposes of this Section 9.06(e), to (i) maintain a register (the "Register") on which the Administrative Agent will record the Commitments from time to time of each Lender, the Loans made by each Lender and each repayment in respect of the principal amount of the Loans of each Lender and to (ii) retain a copy of each Assignment and Assumption Agreement delivered to the Administrative Agent pursuant to this Section. Failure to make any such recordation, or any error in such recordation, shall not affect the Borrower's obligation in respect of such Loans. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent, Swingline Lender, the Issuing Lenders and the other Lenders shall treat each Person in whose name a Loan and the Note evidencing the same is registered as the owner thereof for all purposes of this Agreement, notwithstanding notice or any provision herein to the contrary. With respect to any Lender, the assignment or other transfer of the Commitments of such Lender and the rights to the principal of, and interest on, any Loan made and any Note issued pursuant to this Agreement shall not be effective until such assignment or other transfer is recorded on the Register and, except to the extent provided in this subsection 9.06(e), otherwise complies with Section 9.06, and prior to such recordation all amounts owing to the transferring Lender with respect to such Commitments, Loans and Notes shall remain owing to the transferring Lender. The registration of assignment or other transfer of all or part of any Commitments, Loans and Notes for a Lender shall be recorded by the Administrative Agent on the Register only upon the acceptance by the Administrative Agent of a properly executed and delivered Assignment and Assumption Agreement and payment of the administrative fee referred to in Section 9.06(c). The Register shall be available for inspection by each of the Borrower, the Swingline Lender and each Issuing Lender at any reasonable time and from time to time upon reasonable prior notice. In addition, at any time that a request for a consent for a material or substantive change to the Loan Documents is pending, any Lender wishing to consult with other Lenders in connection therewith may request and receive from the Administrative Agent a copy of the Register. The Borrower may not replace any Lender pursuant to Section 2.08(b) , unless, with respect to any Notes held by such Lender, the requirements of subsection 9.06(c) and this subsection 9.06(e) have been satisfied.

Section 9.07. Governing Law; Submission to Jurisdiction . This Agreement and each Note shall be governed by and construed in accordance with the internal laws of the State of New York. The Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Borrower irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such court and any claim that any such proceeding brought in any such court has been brought in an inconvenient forum.

Section 9.08. Counterparts; Integration; Effectiveness . This Agreement shall become effective on the Effective Date. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. On and after the Effective Date, this Agreement, the other Loan Documents and the Fee Letter constitute the entire agreement and understanding among the parties hereto and supersede any and all prior agreements and understandings, oral or written, relating to the subject matter hereof and thereof.

Section 9.09. Generally Accepted Accounting Principles . Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries most recently delivered to the Lenders; provided, that, if the Borrower notifies the Administrative Agent that the Borrower wishes to amend any covenant in Article VI to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Administrative Agent notifies the Borrower that the Required Lenders wish to amend Article VI for such purpose), then the Borrower's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Lenders.

Section 9.10. Usage . The following rules of construction and usage shall be applicable to this Agreement and to any instrument or agreement that is governed by or referred to in this Agreement.

(a) All terms defined in this Agreement shall have the defined meanings when used in any instrument governed hereby or referred to herein and in any certificate or other document made or delivered pursuant hereto or thereto unless otherwise defined therein.

(b) The words "hereof", "herein", "hereunder" and words of similar import when used in this Agreement or in any instrument or agreement governed here shall be construed to refer to this Agreement or such instrument or agreement, as applicable, in its entirety and not to any particular provision or subdivision hereof or thereof.

(c) References in this Agreement to "Article", "Section", "Exhibit", "Schedule" or another subdivision or attachment shall be construed to refer to an article, section or other subdivision of, or an exhibit, schedule or other attachment to, this Agreement unless the context otherwise requires; references in any instrument or agreement governed by or referred to in this Agreement to "Article", "Section", "Exhibit", "Schedule" or another subdivision or attachment shall be construed to refer to an article, section or other subdivision of, or an exhibit, schedule or other attachment to, such instrument or agreement unless the context otherwise requires.

(d) The definitions contained in this Agreement shall apply equally to the singular and plural forms of such terms. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The word "will" shall be construed to have the same meaning as the word "shall". The term "including" shall be construed to have the same meaning as the phrase "including without limitation".

(e) Unless the context otherwise requires, any definition of or reference to any agreement, instrument, statute or document contained in this Agreement or in any agreement or instrument that is governed by or referred to in this Agreement shall be construed (i) as referring to such agreement, instrument, statute or document as the same may be amended, supplemented or otherwise modified from time to time (subject to any restrictions on such amendments, supplements or modifications set forth in this Agreement or in any agreement or instrument governed by or referred to in this Agreement), including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and (ii) to include (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein. Any reference to any Person shall be construed to include such Person's successors and permitted assigns.

(f) Unless the context otherwise requires, whenever any statement is qualified by "to the best knowledge of" or "known to" (or a similar phrase) any Person that is not a natural person, it is intended to indicate that the senior management of such Person has conducted a commercially reasonable inquiry and investigation prior to making such statement and no member of the senior management of such Person (including managers, in the case of limited liability companies, and general partners, in the case of partnerships) has current actual knowledge of the inaccuracy of such statement.

Section 9.11. WAIVER OF JURY TRIAL . THE BORROWER HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 9.12. Confidentiality . Each Lender agrees to hold all non-public information obtained pursuant to the requirements of this

Agreement in accordance with its customary procedure for handling confidential information of this nature and in accordance with safe and sound banking practices; provided, that nothing herein shall prevent any Lender from disclosing such information (i) to any other Lender or to any Agent, (ii) to any other Person if reasonably incidental to the administration of the Loans and Letter of Credit Liabilities, (iii) upon the order of any court or administrative agency, (iv) to the extent requested by, or required to be disclosed to, any rating agency or regulatory agency or similar authority (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (v) which had been publicly disclosed other than as a result of a disclosure by any Agent or any Lender prohibited by this Agreement, (vi) in connection with any litigation to which any Agent, any Lender or any of their respective Subsidiaries or Affiliates may be party, (vii) to the extent necessary in connection with the exercise of any remedy hereunder, (viii) to such Lender's or Agent's Affiliates and their respective directors, officers, employees and agents including legal counsel and independent auditors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such information and instructed to keep such information confidential), (ix) with the consent of the Borrower, (x) to Gold Sheets and other similar bank trade publications, such information to consist solely of deal terms and other information customarily found in such publications and (xi) subject to provisions substantially similar to those contained in this Section, to any actual or proposed Participant or Assignee or to any actual or prospective counterparty (or its advisors) to any securitization, swap or derivative transaction relating to the Borrower's Obligations hereunder. Notwithstanding the foregoing, any Agent, any Lender or Davis Polk & Wardwell LLP may circulate promotional materials and place advertisements in financial and other newspapers and periodicals or on a home page or similar place for dissemination of information on the Internet or worldwide web, in each case, after the closing of the transactions contemplated by this Agreement in the form of a "tombstone" or other release limited to describing the names of the Borrower or its Affiliates, or any of them, and the amount, type and closing date of such transactions, all at their sole expense.

Section 9.13. USA PATRIOT Act Notice. Each Lender that is subject to the Patriot Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub.L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Patriot Act.

Section 9.14. No Fiduciary Duty. Each Agent, each Lender and their respective Affiliates (collectively, solely for purposes of this paragraph, the "Lender Parties"), may have economic interests that conflict with those of the Borrower, its Affiliates and/or their respective stockholders (collectively, solely for purposes of this paragraph, the "Borrower Parties"). The Borrower agrees that nothing in the Loan Documents or otherwise will be deemed to create an advisory, fiduciary or agency relationship or fiduciary or other implied duty (other than any implied duty of good faith) between any Lender Party, on the one hand, and any Borrower Party, on the other. The Lender Parties acknowledge and agree that (a) the transactions contemplated by the Loan Documents (including the exercise of rights and remedies hereunder and thereunder) are arm's-length commercial transactions between the Lender Parties, on the one hand, and the Borrower, on the other and (b) in connection therewith and with the process leading thereto, (i) no Lender Party has assumed an advisory or fiduciary responsibility in favor of any Borrower Party with respect to the transactions contemplated hereby (or the exercise of rights or remedies with respect thereto) or the process leading thereto (irrespective of whether any Lender Party has advised, is currently advising or will advise any Borrower Party on other matters) or any other obligation to any Borrower Party except the obligations expressly set forth in the Loan Documents and (ii) each Lender Party is acting solely as principal and not as the agent or fiduciary of any Borrower Party. The Borrower acknowledges and agrees that the Borrower has consulted its own legal and financial advisors to the extent it deemed appropriate and that it is responsible for making its own independent judgment with respect to such transactions and the process leading thereto. The Borrower agrees that it will not claim that any Lender Party has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to any Borrower Party, in connection with such transaction or the process leading thereto.

Section 9.15. Amendment and Restatement of Existing Credit Agreement. Upon the execution and delivery of this Agreement, the Existing Credit Agreement shall be amended and restated to read in its entirety as set forth herein. With effect from and including the Effective Date, (i) the Commitments of each Lender party hereto (the " **Extending Lenders** ") shall be as set forth on the Commitment Appendix (and any Lender under the Existing Credit Agreement that is not listed on the Commitment Appendix shall cease to be a Lender hereunder; provided that, for the avoidance of doubt, such Lender under the Existing Credit Agreement shall continue to be entitled to the benefits of Section 9.03 of the Existing Credit Agreement), (ii) the Commitment Ratio of the Extending Lenders shall be redetermined based on the Commitments set forth in the Commitment Appendix and the participations of the Extending Lenders in, and the obligations of the Extending Lenders in respect of, any Letters of Credit or Swingline Loans outstanding on the Effective Date shall be reallocated to reflect such redetermined Commitment Ratio and (iii) each JLA Issuing Bank shall have the Fronting Sublimit set forth in the JLA L/C Fronting Sublimits Appendix.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

KENTUCKY UTILITIES COMPANY

By: /s/ Daniel K. Arbough
Name: Daniel K. Arbough
Title: Treasurer

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Administrative Agent, Issuing
Lender, Swingline Lender and Lender

By: /s/ Keith Luettel
Name: Keith Luettel
Title: Vice President

BANK OF AMERICA, N.A., as Issuing Lender and Lender

By: /s/ Mike Mason
Name: Mike Mason
Title: Director

THE ROYAL BANK OF SCOTLAND PLC, as
Issuing Lender and Lender

By: /s/ Tyler J. McCarthy
Name: Tyler J McCarthy
Title: Director

BARCLAYS BANK PLC, as Issuing Lender and Lender

By: /s/ Ronnie Glenn
Name: Ronnie Glenn
Title: Vice President

THE BANK OF NOVA SCOTIA, as
Issuing Lender and Lender

By: /s/ Thane Rattew
Name: Thane Rattew
Title: Managing Director

THE BANK OF TOKYO-MITSUBISHI UFJ, INC.
as Issuing Lender and Lender

By: /s/ Alan Reiter
Name: Alan Reiter
Title: Vice President

UNION BANK, N.A., as a Lender

By: /s/ Carmelo Restifo
Name: Carmelo Restifo
Title: Director

BNP PARIBAS, as a Lender

By: /s/ Denis O’Meara
Name: Denis O’Meara
Title: Managing Director

BNP PARIBAS, as a Lender

By: /s/ Pasquale A. Perraglia IV
Name: Pasquale A. Perraglia IV
Title: Vice President

CITIBANK, N.A., as a Lender

By: /s/ Amit Vasani
Name: Amit Vasani
Title: Vice President

CREDIT SUISSE AG, CAYMAN ISLANDS
BRANCH, as a Lender

By: /s/ Christopher Reo Day
Name: Christopher Reo Day
Title: Vice President

By: /s/ Vipul Dhadda
Name: Vipul Dhadda
Title: Associate

GOLDMAN SACHS BANK USA, as a Lender

By: /s/ Mark Walton
Name: Mark Walton
Title: Authorized Signatory

J.P. MORGAN CHASE BANK, N.A., as a Lender

By: /s/ Juan Javellana
Name: Juan Javellana
Title: Executive Director

MORGAN STANLEY BANK, N.A., as a Lender

By: /s/ Kelly Chin
Name: Kelly Chin
Title: Authorized Signatory

ROYAL BANK OF CANADA, as a Lender

By: /s/ Frank Lambrinos
Name: Frank Lambrinos
Title: Authorized Signatory

UBS LOAN FINANCE LLC, as a Lender

By: /s/ Irja R. Otsa
Name: Irja R. Otsa
Title: Associate Director

UBS LOAN FINANCE LLC, as a Lender

By: /s/ David Urban
Name: David Urban
Title: Associate Director

CREDIT AGRICOLE CORPORATE AND
INVESTMENT BANK, as a Lender

By: /s/ Dixon Schultz
Name: Dixon Schultz
Title: Managing Director

By: /s/ Sharada Manne
Name: Sharada Manne
Title: Managing Director

KEYBANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Craig A. Hanselman
Name: Craig A. Hanselman
Title: Vice President

LLOYDS TSB BANK PLC, as a Lender

By: /s/ Stephen Giacolone
Name: Stephen Giacolone
Title: Assistant Vice President –G011

LLOYDS TSB BANK PLC, as a Lender

By: /s/ Julia R. Franklin
Name: Julia R. Franklin
Title: Vice President –F014

MIZUHO CORPORATE BANK, LTD., as a
Lender

By: /s/ Leon Mo
Name: Leon Mo
Title: Authorized Signatory

SUNTRUST BANK, as a Lender

By: /s/ Andrew Johnson
Name: Andrew Johnson
Title: Director

THE BANK OF NEW YORK MELLON, as a Lender

By: /s/ Mark W. Rogers
Name: Mark W. Rogers
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION, as a
Lender

By: /s/ John M. Eyerman
Name: John M. Eyerman
Title: Vice President

CANADIAN IMPERIAL BANK OF
COMMERCE, New York Agency, as a Lender

By: /s/ Robert Casey
Name: Robert Casey
Title: Authorized Signatory

By: /s/ Jonathan J. Kim
Name: Jonathan J. Kim
Title: Authorized Signatory

COMPASS BANK, as a Lender

By: /s/ Susana Campuzano

Name: Susana Campuzano

Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Edward M. Tessalone
Name: Edward M. Tessalone
Title: Senior Vice President PNC Bank, N.A.

SOVEREIGN BANK, N.A., as a Lender

By: /s/ William Maag
Name: William Maag
Title: Senior Vice President

SUMITOMO MITSUI BANKING
CORPORATION, as a Lender

By: /s/ Shugi Yabe
Name: Shugi Yabe
Title: Managing Director

THE NORTHERN TRUST COMPANY, as a

By: /s/ Daniel Boote
Name: Daniel Boote
Title: Senior Vice President

Commitment Appendix

Lender	Revolving Commitment
Wells Fargo Bank, National Association	$20,571,428.58
Bank of America, N.A.	$20,571,428.57
The Royal Bank of Scotland plc	$20,571,428.58
Barclays Bank PLC	$18,809,523.81
The Bank of Nova Scotia	$18,809,523.81
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	$9,404,761.90
Union Bank, N.A.	$9,404,761.90
BNP Paribas	$18,809,523.81
Citibank, N.A.	$18,809,523.81
Credit Suisse AG, Cayman Islands Branch	$18,809,523.81
Goldman Sachs Bank USA	$18,809,523.81
JPMorgan Chase Bank, N.A.	$18,809,523.81
Morgan Stanley Bank, N.A.	$18,809,523.81
Royal Bank of Canada	$18,809,523.81
UBS Loan Finance LLC	$18,809,523.81
Credit Agricole Corporate & Investment Bank	$13,428,571.43
KeyBank National Association	$13,428,571.43
Lloyds Bank	$13,428,571.43
Mizuho Corporate Bank, Ltd.	$13,428,571.43
SunTrust Bank	$13,428,571.43
The Bank of New York Mellon	$13,428,571.43
U.S. Bank National Association	$13,428,571.43
Canadian Imperial Bank of Commerce	$6,523,809.52
Compass Bank	$6,523,809.52
PNC Bank, National Association	$6,523,809.52
Sovereign Bank, N.A.	$6,523,809.52
Sumitomo Mitsui Banking Corporation	$6,523,809.52
The Northern Trust Company	$4,761,904.76
Total	**$400,000,000.00**

JLA L/C Fronting Sublimits Appendix

Issuing Lender	L/C Fronting Sublimit
Wells Fargo Bank, National Association	$38,888,888.89
Bank of America, N.A.	$38,888,888.89
The Royal Bank of Scotland plc	$38,888,888.89
Barclays Bank PLC	$27,777,777.78
The Bank of Nova Scotia	$27,777,777.78
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	$27,777,777.78
Total	**$200,000,000.00**

EXHIBIT A-l

Form of Notice of Borrowing

Wells Fargo Bank, National Association,
as Administrative Agent
1525 W WT Harris Boulevard
Charlotte, NC 28262
Attention: Syndication Agency Services

Ladies and Gentlemen:

This notice shall constitute a "Notice of Borrowing" pursuant to Section 2.03 of the $400,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012 (the " Credit Agreement ") among Kentucky Utilities Company, the lending institutions party thereto from time to time and Wells Fargo Bank, National Association, as Administrative Agent. Terms defined in the Credit Agreement and not otherwise defined herein have the respective meanings provided for in the Credit Agreement.

1. The date of the Borrowing will be _______________, _____________. [1]

2. The aggregate principal amount of the Borrowing will be __________. [2]

3. The Borrowing will consist of **[** Revolving **] [** Swingline **]** Loans.

4. The Borrowing will consist of **[** Base Rate **] [** Euro-Dollar **]** Loans. [3]

5. The initial Interest Period for the Loans comprising such Borrowing shall be __________________. [4]

[Insert appropriate delivery instructions, which shall include bank and account number **]** .

---

1 Must be a Business Day.
2 Revolving Borrowings must be an aggregate principal amount of $10,000,000 or any larger integral multiple of $1,000,000, except the Borrowing may be in the aggregate amount of the remaining unused Revolving Commitment. Swingline Borrowings must be an aggregate principal amount of $2,000,000 or any larger integral multiple of $500,000.
3 Applicable for Revolving Loans only.
4 Applicable for Euro-Dollar Loans only. Insert "one month", "two months", "three months" or "six months" (subject to the provisions of the definition of "Interest Period").

KENTUCKY UTILITIES COMPANY

By: ____________________________________
Name:
Title:

EXHIBIT A-2

Form of Notice of Conversion/Continuation

_____________, ____

Wells Fargo Bank, National Association,
as Administrative Agent
1525 W WT Harris Boulevard
Charlotte, NC 28262
Attention: Syndication Agency Services

Ladies and Gentlemen:

This notice shall constitute a "Notice of Conversion/Continuation" pursuant to Section 2.06(d)(ii) of the $400,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012 (the " Credit Agreement ") among Kentucky Utilities Company, the lending institutions party thereto from time to time and Wells Fargo Bank, National Association, as Administrative Agent. Terms defined in the Credit Agreement and not otherwise defined herein have the respective meanings provided for in the Credit Agreement.

1. The Group of Loans (or portion thereof) to which this notice applies is **[** all or a portion of all Base Rate Loans currently outstanding **] [** all or a portion of all Euro-Dollar Loans currently outstanding having an Interest Period of ___ months and ending on the Election Date specified below **]** .

2. The date on which the conversion/continuation selected hereby is to be effective is __________, ___________(the " Election Date ").[5]

3. The principal amount of the Group of Loans (or portion thereof) to which this notice applies is $_________________.[6]

4. [The Group of Loans (or portion thereof) which are to be converted will bear interest based upon the [Base Rate][Adjusted London Interbank Offered Rate].] [The Group of Loans (or portion thereof) which are to be continued will bear interest based upon the [Base Rate][Adjusted London Interbank Offered Rate].]

5. The Interest Period for such Loans will be _______________.[7]

---

[5] Must be a Business Day.

[6] May apply to a portion of the aggregate principal amount of the relevant Group of Loans; provided that (i) such portion is allocated ratably among the Loans comprising such Group and (ii) the portion to which such notice applies, and the remaining portion to which it does not apply, are each $10,000,000 or any larger integral multiple of $1,000,000.

[7] Applicable only in the case of a conversion to, or a continuation of, Euro-Dollar Loans. Insert "one month", "two months", "three months" or "six months" (subject to the provisions of the definition of Interest Period).

KENTUCKY UTILITIES COMPANY

By: ______________________________
Name:
Title:

EXHIBIT A-3

Form of Letter of Credit Request

_____________, ____

[Insert details of Issuing Lender]

Ladies and Gentlemen:

This notice shall constitute a “Letter of Credit Request” pursuant to Section 3.03 of the $400,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012 (the “ Credit Agreement ”) among Kentucky Utilities Company, the lending institutions party thereto from time to time and Wells Fargo Bank, National Association, as Administrative Agent. Terms defined in the Credit Agreement and not otherwise defined herein have the respective meanings provided for in the Credit Agreement.

The undersigned hereby requests that _______________ [8] issue a [Standby] Letter of Credit on _______________, ________ [9] in the aggregate amount of $________________. [This request is to extend a Letter of Credit previously issued under the Credit Agreement; Letter of Credit No. __________.]

The beneficiary of the requested Standby Letter of Credit will be ________________ [10] , and such Standby Letter of Credit will be in support of _____________________ [11] and will have a stated termination date of __________________ [12] .

Copies of all documentation with respect to the supported transaction are attached hereto.

---

[8] Insert name of Issuing Lender.
[9] Must be a Business Day.
[10] Insert name and address of beneficiary.
[11] Insert a description of the obligations, the name of each agreement and/or a description of the commercial transaction to which this Letter of Credit Request relates.
[12] Insert the last date upon which drafts may be presented (which may not be later than one year after the date of issuance specified above or beyond the fifth Business Day prior to the Termination Date).

KENTUCKY UTILITIES COMPANY

By: _________________________
Name:
Title:

APPROVED:

[ISSUING LENDER]

By: ___________________________
Name:
Title:

EXHIBIT B

Form of Note

FOR VALUE RECEIVED, the undersigned, KENTUCKY UTILITIES COMPANY, a Kentucky corporation and Virginia corporation (the " Borrower "), promises to pay to the order of _________________ (hereinafter, together with its successors and assigns, called the " Holder "), at the Administrative Agent's Office or such other place as the Holder may designate in writing to the Borrower, the principal sum of ____________________ AND _______/100s DOLLARS ($______________), or, if less, the principal amount of all Loans advanced by the Holder to the Borrower pursuant to the Credit Agreement (as defined below), plus interest as hereinafter provided. Such Loans may be endorsed from time to time on the grid attached hereto, but the failure to make such notations shall not affect the validity of the Borrower's obligation to repay unpaid principal and interest hereunder.

All capitalized terms used herein shall have the meanings ascribed to them in that certain $400,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012 (as the same may be amended, modified or supplemented from time to time, the " Credit Agreement ") by and among the Borrower, the lenders party thereto (collectively, the " Lenders ") and Wells Fargo Bank, National Association, as administrative agent (the " Administrative Agent ") for itself and on behalf of the Lenders and the Issuing Lenders, except to the extent such capitalized terms are otherwise defined or limited herein.

The Borrower shall repay principal outstanding hereunder from time to time, as necessary, in order to comply with the Credit Agreement. All amounts paid by the Borrower shall be applied to the Obligations in such order of application as provided in the Credit Agreement.

A final payment of all principal amounts and other Obligations then outstanding hereunder shall be due and payable on the maturity date provided in the Credit Agreement, or such earlier date as payment of the Loans shall be due, whether by acceleration or otherwise.

The Borrower shall be entitled to borrow, repay, reborrow, continue and convert the Holder's Loans (or portion thereof) hereunder pursuant to the terms and conditions of the Credit Agreement. Prepayment of the principal amount of any Loan may be made as provided in the Credit Agreement.

The Borrower hereby promises to pay interest on the unpaid principal amount hereof as provided in Article II of the Credit Agreement. Interest under this Note shall also be due and payable when this Note shall become due (whether at maturity, by reason of acceleration or otherwise). Overdue principal and, to the extent permitted by law, overdue interest, shall bear interest payable on DEMAND at the default rate as provided in the Credit Agreement.

In no event shall the amount of interest due or payable hereunder exceed the maximum rate of interest allowed by applicable law, and in the event any such payment is inadvertently made by the Borrower or inadvertently received by the Holder, then such excess sum shall be credited as a payment of principal, unless the Borrower shall notify the Holder in writing that it elects to have such excess sum returned forthwith. It is the express intent hereof that the Borrower not pay and the Holder not receive, directly or indirectly in any manner whatsoever, interest in excess of that which may legally be paid by the Borrower under applicable law.

All parties now or hereafter liable with respect to this Note, whether the Borrower, any guarantor, endorser or any other Person or entity, hereby waive presentment for payment, demand, notice of non-payment or dishonor, protest and notice of protest.

No delay or omission on the part of the Holder or any holder hereof in exercising its rights under this Note, or delay or omission on the part of the Holder, the Administrative Agent or the Lenders collectively, or any of them, in exercising its or their rights under the Credit Agreement or under any other Loan Document, or course of conduct relating thereto, shall operate as a waiver of such rights or any other right of the Holder or any holder hereof, nor shall any waiver by the Holder, the Administrative Agent, the Required Lenders or the Lenders collectively, or any of them, or any holder hereof, of any such right or rights on any one occasion be deemed a bar to, or waiver of, the same right or rights on any future occasion.

The Borrower promises to pay all reasonable costs of collection, including reasonable attorneys' fees, should this Note be collected by or through an attorney-at-law or under advice therefrom.

This Note evidences the Holder's Loans (or portion therof) under, and is entitled to the benefits and subject to the terms of, the Credit Agreement, which contains provisions with respect to the acceleration of the maturity of this Note upon the happening of certain stated events, and provisions for prepayment.

This Note shall be governed by and construed in accordance with the internal laws of the State of New York.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned has caused this Note to be executed by its duly authorized representative as of the day and year first above written.

KENTUCKY UTILITIES COMPANY

By: ________________________________
Name:
Title:

LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Loan	Type	Amount of Principal Repaid	Notation Made By

EXHIBIT C

Form of Assignment and Assumption Agreement

This Assignment and Assumption (the " Assignment and Assumption ") is dated as of the Effective Date set forth below and is entered into by and between [the] [each] [13] Assignor identified on the Schedules hereto as " Assignor " [or " Assignors " (collectively, the " Assignors " and each] an " Assignor ") and [the] [each] [14] Assignee identified on the Schedules hereto as " Assignee " or " Assignees " (collectively, the " Assignees " and each an " Assignee "). [It is understood and agreed that the rights and obligations of [the Assignors] [the Assignees] [15] hereunder are several and not joint.] [16] Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (the " Credit Agreement "), receipt of a copy of which is hereby acknowledged by [the] [each] Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, [the] [each] Assignor hereby irrevocably sells and assigns to [the Assignee] [the respective Assignees], and [the] [each] Assignee hereby irrevocably purchases and assumes from [the Assignor] [the respective Assignors], subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (a) all of [the Assignor's] [the respective Assignors'] rights and obligations in [its capacity as a Lender] [their respective capacities as Lenders] under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of [the Assignor] [the respective Assignors] under the respective facilities identified below (including without limitation any letters of credit, guarantees, and swingline loans included in such facilities) and (b) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of [the Assignor (in its capacity as a Lender)] [the respective Assignors (in their respective capacities as Lenders)] against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (a) above (the rights and obligations sold and assigned by [the] [any] Assignor to [the] [any] Assignee pursuant to clauses (a) and (b) above being referred to herein collectively as, the " Assigned Interest "). Each such sale and assignment is without recourse to [the] [any] Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by [the] [any] Assignor.

1. Assignor: *See Schedule attached hereto*

2. Assignee: *See Schedule attached hereto*

3. Borrower: Kentucky Utilities Company

4. Administrative Agent: Wells Fargo Bank, National Association, as the administrative agent under the Credit Agreement

5. Credit Agreement: The $400,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012 by and among Kentucky Utilities Company, as Borrower, the Lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent (as amended, restated, supplemented or otherwise modified)

6. Assigned Interest: *See Schedule attached hereto*

[7. Trade Date: ______________________] [17]

[13] For bracketed language here and elsewhere in this form relating to the Assignor(s), if the assignment is from a single Assignor, choose the first bracketed language. If the assignment is from multiple Assignors, choose the second bracketed language.
[14] For bracketed language here and elsewhere in this form relating to the Assignee(s), if the assignment is to a single Assignee, choose the first bracketed language. If the assignment is to multiple Assignees, choose the second bracketed language.
[15] Select as appropriate.
[16] Include bracketed language if there are either multiple Assignors or multiple Assignees.
[17] To be completed if the Assignor(s) and the Assignee(s) intend that the minimum assignment amount is to be determined as of the Trade Date.
Effective Date: _____________, 20____

[TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By: ____
Title:

ASSIGNEE

See Schedule attached hereto

[Consented to and] [18] Accepted:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent, [Issuing Lender] and Swingline Lender

By ______________________________
Title:

[Consented to:] [19]

KENTUCKY UTILITIES COMPANY

By _______________________________
Title:

[Consented to]:

[Issuing Lender] [20] ,
as Issuing Lender

By ________________________________
Title:

[Consented to]:

[JOINT LEAD ARRANGERS] [21]

WELLS FARGO BANK, N.A.

By: _______________________________
Title:

BANK OF AMERICA, N.A.

By: ____
Title:

---

[18] To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.
[19] To be added only if the consent of the Borrower is required by the terms of the Credit Agreement.
[20] Add all Issuing Lender signature blocks.
[21] To be added if assignment is made before Effective Date.

SCHEDULE

To Assignment and Assumption

By its execution of this Schedule, the Assignee(s) agree(s) to the terms set forth in the attached Assignment and Assumption.

Assigned Interests:

Aggregate Amount of Commitment/ Loans for all Lenders [22]	Amount of Commitment/ Loans Assigned [23]	Percentage Assigned of Commitment/ Loans [24]	CUSIP Number
$	$	%	

[NAME OF ASSIGNEE] [25] [and is an Affiliate of [*identify Lender*]] [26]

[22] Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

[23] Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

[24] Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

[25] Add additional signature blocks, as needed.

[26] Select as applicable.

ANNEX 1 to Assignment and Assumption

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT DATED AS OF NOVEMBER 6, 2012
BY AND AMONG
KENTUCKY UTILITIES COMPANY, AS BORROWER,
THE LENDERS PARTY THERETO
AND WELLS FARGO BANK, NATIONAL ASSOCIATION,
AS ADMINISTRATIVE AGENT
STANDARD TERMS AND CONDITIONS FOR ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1. Assignor. [The] [Each] Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of [the] [the relevant] Assigned Interest, (ii) [the] [such] Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. [The] [Each] Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an Eligible Assignee under the Credit Agreement (subject to receipt of such consents as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 6.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the] [the relevant] Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, [the] [any] Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations that by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts that have accrued to but excluding the Effective Date and to the Assignee for amounts that have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by and construed in accordance with the internal laws of the State of New York.

EXHIBIT D

Forms of Opinions of Counsel for the Borrower

[Date]

To the Administrative Agent and
each of the Lenders party to the Revolving
Credit Agreement referred to below

Re: Kentucky Utilities Company
$400,000,000 Amended and Restated Revolving Credit Agreement

Ladies and Gentlemen:

We have acted as special counsel to Kentucky Utilities Company, a Kentucky and Virginia corporation (the "Company"), in connection with the negotiation, execution and delivery of the $400,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012, among the Company, Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender, and the other Lenders from time to time party thereto (such Revolving Credit Agreement as so amended, the "Agreement"). This letter is being delivered to you at the request of the Company pursuant to Section 4.01(e) of the Agreement.

In preparing this letter, we have reviewed the Agreement[, and the Notes of the Company executed and delivered by the Company on the date hereof (the "Notes"),] and the other documents executed and delivered by the Company in connection with the Agreement. We have also reviewed the Orders of the Kentucky Public Service Commission ("KPSC") dated September 30, 2010, October 11, 2011 and _________, 2012 (Case Nos. 2010-00205, 2011-0038 and 2012-_____), in connection with the Agreement (the "KPSC Orders") the Orders of the Virginia State Corporation Commission (the "VSCC") dated October 19, 2010 (No. PUE-2010-00061), and ________, and the Orders of the Tennessee Regulatory Authority ("TRA"), dated ________ (the "TRA Orders").

Subject to the assumptions, qualifications and other limitations set forth below, it is our opinion that:

1. The Agreement constitutes the valid and legally binding agreement of the Company, enforceable against the Company in accordance with its terms.

2. [The Notes constitute the valid and legally binding obligations of the Company, enforceable against the Company in accordance with their terms.]

3. The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

4. The borrowings under the Agreement and the use of proceeds thereof as contemplated by the Agreement do not violate Regulation U or X of the Board of Governors of the Federal Reserve System.

In rendering our opinions, we have (a) without independent verification, relied, with respect to factual matters, statements and conclusions, on certificates, notifications and statements, whether written or oral, of governmental officials and individuals identified to us as officers and representatives of the Company and on the representations made by the Company in the Agreement and other documents delivered to you in connection therewith and (b) reviewed originals, or copies of such agreements, documents and records as we have considered relevant and necessary as a basis for our opinions. In rendering the opinions set forth above, we note that any exercise by the Company of the option to increase the Commitments as contemplated in Section 2.19 of the Agreement may require additional authorization by the Company's Board of Managers, the KPSC, the VSCC, the TRA and/or the Federal Energy Regulatory Commission. We note that, as counsel to the Company, we do not represent it generally and there may be facts relating to the Company of which we have no knowledge.

We have assumed (a) the accuracy and completeness of all certificates, agreements, documents, records and other materials submitted to us; (b) the authenticity of original certificates, agreements, documents, records and other materials submitted to us; (c) the conformity with the originals of any copies submitted to us; (d) the genuineness of all signatures; (e) the legal capacity of all natural persons; (f) that the Agreement constitutes the valid, legally binding and enforceable agreement of the parties thereto under all applicable law (other than, in the case of the Company, the law of the State of New York); (g) that the Company (i) is duly organized, validly existing and in good standing under the law of its jurisdictions of organization, (ii) has the power to execute and deliver, and to perform its obligations under, the Agreement [and the Notes], (iii) has duly taken or caused to be taken all necessary action to authorize the execution, delivery and performance by it of the Agreement [and the Notes] and (iv) has duly executed and delivered the Agreement [and the Notes;]; (h) that the execution and delivery by the Company of, and the performance by the Company of its obligations under, the Agreement and the Notes does not and will not (i) breach or violate (A) its Amended and Restated Articles of Incorporation or Bylaws, (B) any agreement or instrument to which the Company or any of its affiliates is a party or by which the Company or any of its affiliates or any of their respective properties may be bound, (C) any authorization, consent, approval or license (or the like) of, or exemption (or the like) from, or any registration or filing (or the like) with, or report or notice (or the like) to, any governmental unit, agency, commission, department or other authority granted to or otherwise applicable to the Company or any of its affiliates or any of their respective properties (each a "Governmental Approval"), (D) any order, decision, judgment or decree that may be applicable to the Company or any of its affiliates or any of their respective properties, or (E) any law (other than the law of the State of New York and the federal law of the United States), or (ii) require any Governmental Approval (other than the KPSC Orders, the VSCC Orders and the TRA Orders, which we assume to have been duly granted and to remain in full force and effect); (h) that the Company is engaged only in the businesses described in its Annual Report on Form 10-K for the year ended December 31, 2011 filed with the Securities and Exchange Commission; (i) that there are no agreements, understandings or negotiations between the parties not set forth in the Agreement that would modify the terms thereof or the rights and obligations of the parties thereunder ; and (j) for purposes of our opinion in paragraph 1 as it relates to the choice-of-law provisions in the Agreement, that the choice of law of the State of New York as the governing law of the Agreement would not result in a violation of an important public policy of another state or country having greater contacts with the transactions contemplated by the agreement than the State of New York.

Our opinions are subject to and limited by the effect of (a) applicable bankruptcy, insolvency, fraudulent conveyance, fraudulent transfer, receivership, conservatorship, arrangement, moratorium and other similar laws affecting and relating to the rights of creditors generally; (b) general equitable principles; (c) requirements of reasonableness, good faith, fair dealing and materiality; (d) Article 9 of the Uniform Commercial Code regarding restrictions on assignment or transfer of rights; and (e) additionally in the case of (i) indemnities, a requirement that facts, known to the indemnitee but not the indemnitor, in existence at the time the indemnity becomes effective that would entitle the indemnitee to indemnification be disclosed to the indemnitor, and a requirement that an indemnity provision will not be read to impose obligations upon indemnitors which are neither disclosed at the time of its execution nor reasonably within the scope of its terms and overall intention of the parties at the time of its making, (ii) waivers, Sections 9-602 and 9-603 of the Uniform Commercial Code, and (iii) indemnities, waivers and exculpatory provisions, public policy.

We express no opinion with respect to the following sections of the Agreement: (i) Section 9.02 (cumulative remedies), (ii) provisions relating to rules of evidence or quantum of proof, (iii) Section 9.07 (submission to jurisdiction and waiver of inconvenient forum), insofar as such sections relate to federal courts (except as to the personal jurisdiction thereof), and (choice of venue, i.e., requiring actions to be commenced in a particular court in a particular jurisdiction), and (iv) Section 9.11 (waiver of jury trial), insofar as such section is sought to be enforced in a federal court.

We express no opinion as to the law of any jurisdiction other than the law of the State of New York and the federal law of the United States of America, and in each case, only such law that in our experience is normally applicable to transactions of the type contemplated by the Agreement and excluding (i) any law that is part of a regulatory regime applicable to specific assets or businesses of the lenders and (ii) the statutes and ordinances, the administrative decisions, and the rules and regulations of counties, towns, municipalities and special political subdivisions.

This letter speaks only as of the date hereof. We have no responsibility or obligation to update this letter or to take into account changes in law or facts or any other development of which we may later become aware.

This letter is delivered by us as special counsel for the Company solely for your benefit in connection with the transaction referred to herein and may not be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person or entity without our prior written consent.

Very truly yours,

__________ 20__

To the Administrative Agent
and each of the Lenders party to
the Credit Agreement referred to below

Re: $400,000,000 Amended and Restated Revolving Credit Agreement
Ladies and Gentlemen:

I am Vice President and Deputy General Counsel – Legal and Environmental Affairs of Kentucky Utilities Company (the "Borrower"), and have acted as counsel to the Borrower in connection with the $400,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012, among the Borrower, Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender and the Lenders party thereto from time to time (the "Agreement"). Capitalized terms used but not defined herein have the meanings assigned to such terms in the Agreement.

I am familiar with the Agreement[, the Notes of the Borrower executed and delivered by the Borrower on the date hereof (the "Notes"),] and other documents executed and delivered by the Borrower in connection with the Agreement. I also have examined such other documents and satisfied myself as to such other matters as I have deemed necessary in order to render this opinion.

In rendering this opinion, I have assumed: (a) the genuineness of the signatures on all documents and instruments (other than the signatures of officers of the Borrower), the authenticity of all documents submitted as originals, the conformity to originals of all documents submitted as photostatic or certified copies, and the accuracy and completeness of all corporate records made available to me by the Borrower; (b) the due execution and delivery of the Agreement by the Lenders party thereto; and (c) that the Agreement constitutes the legal, valid and binding obligation of the Lenders party thereto.

Based on the foregoing, I am of the opinion that:

1. The Borrower is duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky and the Commonwealth of Virginia, and has the corporate power to make and perform the Agreement [and the Notes].

2. The execution, delivery and performance by the Borrower of the Agreement [and the Notes] have been duly authorized by the Borrower and do not violate any provision of law or regulation, or any decree, order, writ or judgment applicable to the Borrower, or any provision of the Borrower's certificate of incorporation, by-laws or board or shareholder resolutions, or result in the breach of or constitute a default under any indenture or other agreement or instrument known to me to which the Borrower is a party.

3. [Each of] [T][t]Agreement [and the Notes] has been duly executed and delivered by the Borrower.

4. Except as disclosed in or contemplated by the Agreement or the Borrower's financial statements referred to in Sections 5.04(a) or 5.04(b) of the Agreement, or otherwise furnished in writing to the Administrative Agent and the Lenders, no litigation, arbitration or administrative proceeding or inquiry is pending, or to my knowledge, threatened, which would reasonably be expected to materially adversely affect the ability of the Borrower to perform any of its obligations under the Agreement [or the Notes]. To my knowledge, there is no litigation, arbitration or administrative proceeding pending or threatened that questions the validity of the Agreement [or the Notes].

5. There have not been any "reportable events," as that term is defined in Section 4043 of the Employee Retirement Income Security Act of 1974, as amended, which would result in a material liability of the Borrower.

6. Each of the ___________, 20__ and the ___________, 2012 Orders of the Kentucky Public Service Commission (the "KPSC"), the _________, 20__ and the ___________, 2012 Orders of the Virginia State Corporation Commission (the "VSCC") and the __________, 20__ Order of the Tennessee Regulatory Authority (the "TRA"), relating to the Agreement, is in full force and effect, and no further authorization, consent or approval from any Governmental Authority is required for the execution, delivery and performance of the Agreement by the Borrower or for the borrowings by the Borrower thereunder, except such authorizations, consents and approvals as have been obtained prior to the date hereof, which authorizations, consents and approvals are in full force and effect.

[In rendering the opinions set forth in paragraphs 1 through 3 and 6 above, I note that any exercise by the Borrower of the option to increase the Revolving Commitment as contemplated in Section 2.19 of the Agreement may require additional authorization by the Borrower's Board of Directors and further approval of the KPSC, TSCC, TRA and/or FERC.]

I am licensed to practice law only in the Commonwealth of Kentucky and, accordingly, for purposes of my opinions in paragraphs 1 through 3 and 6 above (with respect to Virginia and Tennessee law), I have relied upon the opinion of [___________ and the opinion of _____________ (copies of which are attached)], which opinions are in form and substance satisfactory to me and I believe that you and I are justified in relying thereon.

In rendering its opinion to the addressee hereof, Pillsbury Winthrop Shaw Pittman LLP may rely as to matters of Kentucky law addressed herein upon this letter as if it were addressed directly to them. Except as aforesaid, without my prior written consent, this opinion may not be furnished or quoted to, or relied upon by, any other person or entity for any purpose.

Very truly yours,

[Form of Virginia Opinions]

1. The Company is duly incorporated, validly existing and in good standing as a corporation under the laws of the Commonwealth of Virginia and has corporate power to execute and deliver, and to carry out and perform its obligations under, the Agreement [and the Notes].

2. The execution, delivery and performance by the Company of the Agreement [and the Notes] have been duly authorized by the Company.

3. The Company's entrance into its obligations in connection with the Agreement has been authorized by an order duly entered by the Virginia State Corporation Commission ("VSCC"), which order is in full force and effect, and no further authorization, consent or approval of any Governmental Authority of the Commonwealth of Virginia is required for the execution, delivery and performance of the Agreement by the Borrower or for the borrowings by the Borrower thereunder, except for such authorizations, consents and approvals as have been obtained prior to the date hereof and which are in full force and effect [and except that further approval of the VSCC may/would be required in connection with any exercise by the Borrower of the option to increase the Revolving Commitment as contemplated by Section 2.19 of the Agreement].

[Form of Tennessee Opinion]

1. The Company is qualified to do business as a foreign corporation in the State of Tennessee.

2. The Company's entrance into its obligations in connection with the Agreement has been authorized by [an] order[s] duly entered by the Tennessee Regulatory Authority ("TRA"), which Order(s) is/are in full force and effect, and no further authorization, consent or approval of any Governmental Authority of the State of Tennessee is required for the execution, delivery and performance of the Agreement by the Borrower or for the borrowings by the Borrower thereunder, except for such authorizations, consents and approvals as have been obtained prior to the date hereof and which are in full force and effect, [and except that further approval of the TRA may/would be required in connection with any exercise by the Borrower of the option to increase the Revolving Commitment as contemplated by Section 2.19 of the Agreement].

EXHIBIT E

Form of Notice of Revolving Increase

Dated as of: _______________

KENTUCKY UTILITIES COMPANY (the " **Borrower** "), in connection with the $400,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012 among the Borrower, Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders party thereto from time to time (the " **Credit Agreement** "), hereby certifies that:

1. The Borrower has obtained an agreement from certain financial institutions to increase their Revolving Commitments in the aggregate amount of _______________________________ ($____________) [27] (the " **Commitment Increase** ").

2. All of the representations and warranties of the Borrower made under the Credit Agreement (including, without limitation, all representations and warranties with respect to the Borrower's Subsidiaries) and the other Loan Documents are as of the date hereof, and will be as of the effective date of the Commitment Increase, true and correct in all material respects except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date.

3. There does not exist, as of this date, and there will not exist after giving effect to the Commitment Increase, any Default or Event of Default under the Credit Agreement.

4. All necessary governmental, regulatory and third party approvals, if required, have been obtained or made, are in full force and effect and are not subject to any pending or, to the knowledge of the Borrower, threatened reversal or cancellation.

5. Attached hereto as Annex A are resolutions adopted by the Borrower authorizing such Commitment Increase, and such resolutions are true and correct and have not been altered, amended or repealed and are in full force and effect.

Capitalized terms used in this Notice of Revolving Increase and not otherwise defined herein are used as defined in the Credit Agreement.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

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[27] Each Optional Commitment Increase shall be in a minimum amount of $50,000,000.

IN WITNESS WHEREOF, the Borrower, acting through an authorized signatory, has signed this Notice of Revolving Increase as of the day and year first above written.

KENTUCKY UTILITIES COMPANY

By: ________________________________
Name:
Title:

Annex A to Exhibit E

Exhibit 10(ee)

EXECUTION VERSION

$500,000,000

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

dated as of November 6, 2012

among

LOUISVILLE GAS AND ELECTRIC COMPANY,

THE LENDERS FROM TIME TO TIME PARTY HERETO

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent, Issuing Lender and Swingline Lender

WELLS FARGO SECURITIES, LLC,
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, RBS SECURITIES INC.,
BARCLAYS BANK PLC,
THE BANK OF NOVA SCOTIA

and

MITSUBISHI UFJ FINANCIAL GROUP, INC.,
Joint Lead Arrangers and Joint Bookrunners

BANK OF AMERICA, N.A.
and
THE ROYAL BANK OF SCOTLAND PLC,
Syndication Agents

BARCLAYS BANK PLC,
THE BANK OF NOVA SCOTIA
and
MITSUBISHI UFJ FINANCIAL GROUP, INC.,
Documentation Agents

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Appendices:

Commitment Appendix
JLA L/C Fronting Sublimits Appendix

Exhibits:

Exhibit A-1	-	Form of Notice of Borrowing
Exhibit A-2	-	Form of Notice of Conversion/Continuation
Exhibit A-3	-	Form of Letter of Credit Request
Exhibit B	-	Form of Note
Exhibit C	-	Form of Assignment and Assumption Agreement
Exhibit D	-	Forms of Opinion of Counsel for the Borrower

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT (this " Agreement ") dated as of November 6, 2012 is entered into among LOUISVILLE GAS AND ELECTRIC COMPANY, a Kentucky corporation (the " Borrower "), the LENDERS party hereto from time to time and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent. The parties hereto agree as follows:

RECITALS

WHEREAS, the Borrower is party to that certain $400,000,000 Revolving Credit Agreement dated as of November 1, 2010, among the Borrower, the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent, as amended, modified, restated and supplemented from time to time (the " Existing Credit Agreement "); and

WHEREAS, the Borrower has requested that the Administrative Agent and the Lenders amend and restate the Existing Credit Agreement to, among other things, increase the aggregate principal amount of the commitments, decrease the fronting sublimit for letters of credit issued hereunder and extend the maturity date, and the Administrative Agent and the Lenders have agreed to such amendment and restatement on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree that the Existing Credit Agreement is hereby amended and restated in its entirety, and do further agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01. Definitions .All capitalized terms used in this Agreement or in any Appendix, Schedule or Exhibit hereto which are not otherwise defined herein or therein shall have the respective meanings set forth below.

" Adjusted London Interbank Offered Rate " means, for any Interest Period, a rate per annum equal to the quotient obtained (rounded upward, if necessary, to the nearest 1/100th of 1%) by dividing (i) the London Interbank Offered Rate for such Interest Period by (ii) 1.00 minus the Euro-Dollar Reserve Percentage.

" Administrative Agent " means Wells Fargo Bank, in its capacity as administrative agent for the Lenders hereunder and under the other Loan Documents, and its successor or successors in such capacity.

" Administrative Questionnaire " means, with respect to each Lender, an administrative questionnaire in the form provided by the Administrative Agent and submitted to the Administrative Agent (with a copy to the Borrower) duly completed by such Lender.

" Affiliate " means, with respect to any Person, any other Person who is directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through the ownership of stock or its equivalent, by contract or otherwise.

" Agent " means the Administrative Agent, the Syndication Agents, the Joint Lead Arrangers, the Documentation Agents or each Person that shall become a joint lead arranger pursuant to the terms of the Commitment Letters and "Agents" means all of the foregoing.

" Agreement " has the meaning set forth in the introductory paragraph hereto, as this Agreement may be amended, restated, supplemented or modified from time to time.

" Amendment Fee " has the meaning set forth in Section 4.01(i).

" Applicable Lending Office " means, with respect to any Lender, (i) in the case of its Base Rate Loans, its Base Rate Lending Office and (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office.

" Applicable Percentage " means, for purposes of calculating (i) the applicable interest rate for any day for any Base Rate Loans or Euro-Dollar Loans, (ii) the applicable rate for the Commitment Fee for any day for purposes of Section 2.07(a) or (iii) the applicable rate for the Letter of Credit Fee for any day for purposes of Section 2.07(b), the appropriate applicable percentage set forth below corresponding to one rating level below the then current highest Borrower's Ratings; provided , that, in the event that the Borrower's Ratings shall fall within different levels and ratings are maintained by both Rating Agencies, the applicable rating shall be based on the higher of the two ratings unless one of the ratings is two or more levels lower than the other, in which case the applicable rating shall be determined by reference to the level one rating lower than the higher of the two ratings:

	Borrower's Ratings (S&P /Moody's)	Applicable Percentage for Commitment Fees	Applicable Percentage for Base Rate Loans	Applicable Percentage for Euro-Dollar Loans and Letter of Credit Fees
Category A	$\geq$A from S&P / A2 from Moody's	0.100%	0.000%	1.000%
Category B	$\geq$A- from S&P / A3 from Moody's	0.125%	0.125%	1.125%
Category C	BBB+ from S&P / Baa1 from	0.175%	0.250%	1.250%

	Moody's			
Category D	BBB from S&P / Baa2 from Moody's	0.200%	0.500%	1.500%
Category E	BBB- from S&P / Baa3 from Moody's	0.250%	0.625%	1.625%
Category F	≤BB+ from S&P / Ba1 from Moody's	0.350%	0.875%	1.875%

" Asset Sale " shall mean any sale of any assets, including by way of the sale by the Borrower or any of its Subsidiaries of equity interests in such Subsidiaries.

" Assignee " has the meaning set forth in Section 9.06(c).

" Assignment and Assumption Agreement " means an Assignment and Assumption Agreement, substantially in the form of attached Exhibit C, under which an interest of a Lender hereunder is transferred to an Eligible Assignee pursuant to Section 9.06(c).

" Availability Period " means the period from and including the Effective Date to but excluding the Termination Date.

" Bankruptcy Code " means the Bankruptcy Reform Act of 1978, as amended, or any successor statute.

" Base Rate " means for any day a rate per annum equal to the highest of (i) the Prime Rate for such day, (ii) the sum of 1/2 of 1% plus the Federal Funds Rate for such day and (iii) except during any period of time during which a notice delivered to the Borrower under Section 2.14 or Section 2.15 shall remain in effect, the London Interbank Offered Rate plus 1%.

" Base Rate Borrowing " means a Borrowing comprised of Base Rate Loans.

" Base Rate Lending Office " means, as to each Lender, its office located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Base Rate Lending Office) or such other office as such Lender may hereafter designate as its Base Rate Lending Office by notice to the Borrower and the Administrative Agent.

" Base Rate Loan " means (a) a Loan (other than a Swingline Loan) in respect of which interest is computed on the basis of the Base Rate and (b) a Swingline Loan in respect of which interest is computed on the basis of the LIBOR Market Index Rate.

" Borrower " has the meaning set forth in the introductory paragraph hereto.

" Borrower's Rating " means the senior secured long-term debt rating of the Borrower from S&P or Moody's.

" Borrowing " means a group of Loans of a single Type made by the Lenders on a single date and, in the case of a Euro-Dollar Borrowing, having a single Interest Period.

" Business Day " means any day except a Saturday, Sunday or other day on which commercial banks in Charlotte, North Carolina or New York, New York are authorized by law to close; provided , that, when used in Article III with respect to any action taken by or with respect to any Issuing Lender, the term "Business Day" shall not include any day on which commercial banks are authorized by law to close in the jurisdiction where the office at which such Issuing Lender books any Letter of Credit is located; and provided , further , that when used with respect to any borrowing of, payment or prepayment of principal of or interest on, or the Interest Period for, a Euro-Dollar Loan, or a notice by the Borrower with respect to any such borrowing payment, prepayment or Interest Period, the term "Business Day" shall also mean that such day is a London Business Day.

" Capital Lease " means any lease of property which, in accordance with GAAP, should be capitalized on the lessee's balance sheet.

" Capital Lease Obligations " means, with respect to any Person, all obligations of such Person as lessee under Capital Leases, in each case taken at the amount thereof accounted for as liabilities in accordance with GAAP.

" Change of Control " means (i) the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended) of 25% or more of the outstanding shares of voting stock of PPL Corporation or its successors or (ii) the failure at any time of PPL Corporation or its successors to own 80% or more of the outstanding shares of the Voting Stock in the Borrower.

" Commitment " means, with respect to any Lender, the commitment of such Lender to (i) make Loans under this Agreement, (ii) refund or purchase participations in Swingline Loans pursuant to Section 2.02 and (iii) purchase participations in Letters of Credit pursuant to Article III hereof, as set forth in the Commitment Appendix and as such Commitment may be reduced from time to time pursuant to Section 2.08 or Section 9.06(c) or increased from time to time pursuant to Section 9.06(c).

" Commitment Appendix " means the Appendix attached under this Agreement identified as such.

" Commitment Fee " has the meaning set forth in Section 2.07(a).

" Commitment Letters " means (i) that certain commitment letter dated as of September 24, 2012 among Wells Fargo Securities, LLC, Wells Fargo Bank, National Association, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bank of America, N.A., RBS Securities Inc. and The Royal Bank of Scotland plc and (ii) that certain commitment letter dated as of October 2, 2012 among Barclays Bank PLC, The Bank of Nova Scotia and Mitsubishi UFJ Financial Group, Inc., acting through The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Union Bank, N.A., each commitment letter addressed to and acknowledged and agreed to by the Borrower.

" Commitment Ratio " shall mean, with respect to any Lender, the percentage equivalent of the ratio which such Lender's Commitment bears to the aggregate amount of all Commitments.

" Consolidated Capitalization " shall mean the sum of, without duplication, (A) the Consolidated Debt (without giving effect to clause (b) of the definition of "Consolidated Debt") and (B) the consolidated shareowners' equity (determined in accordance with GAAP) of the common, preference and preferred shareowners of the Borrower and minority interests recorded on the Borrower's consolidated financial statements (excluding from shareowner's equity (i) the effect of all unrealized gains and losses reported under Financial Accounting Standards Board Accounting Standards Codification Topic 815 in connection with (x) forward contracts, futures contracts, options contracts or other derivatives or hedging agreements for the future delivery of electricity, capacity, fuel or other commodities and (y) Interest Rate Protection Agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangements and (ii) the balance of accumulated other comprehensive income/loss of the Borrower on any date of determination solely with respect to the effect of any pension and other post-retirement benefit liability adjustment recorded in accordance with GAAP), except that for purposes of calculating Consolidated Capitalization of the Borrower, Consolidated Debt of the Borrower shall exclude Non-Recourse Debt and Consolidated Capitalization of the Borrower shall exclude that portion of shareowners' equity attributable to assets securing Non-Recourse Debt.

" Consolidated Debt " means the consolidated Debt of the Borrower and its Consolidated Subsidiaries (determined in accordance with GAAP), except that for purposes of this definition (a) Consolidated Debt shall exclude Non-Recourse Debt of the Borrower and its Consolidated Subsidiaries, and (b) Consolidated Debt shall exclude (i) Hybrid Securities of the Borrower and its Consolidated Subsidiaries in an aggregate amount as shall not exceed 15% of Consolidated Capitalization and (ii) Equity-Linked Securities in an aggregate amount as shall not exceed 15% of Consolidated Capitalization.

" Consolidated Subsidiary " means with respect to any Person at any date any Subsidiary of such Person or other entity the accounts of which would be consolidated with those of such Person in its consolidated financial statements if such statements were prepared as of such date in accordance with GAAP.

" Continuing Lender " means with respect to any event described in Section 2.08(b), a Lender which is not a Retiring Lender, and "Continuing Lenders" means any two or more of such Continuing Lenders.

" Corporation " means a corporation, association, company, joint stock company, limited liability company, partnership or business trust.

" Credit Event " means a Borrowing or the issuance, renewal or extension of a Letter of Credit.

" Debt " of any Person means, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (iii) all Guarantees by such Person of Debt of others, (iv) all Capital Lease Obligations and Synthetic Leases of such Person, (v) all obligations of such Person in respect of Interest Rate Protection Agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangements (the amount of any such obligation to be the net amount that would be payable upon the acceleration, termination or liquidation thereof), but only to the extent that such net obligations exceed $75,000,000 in the aggregate and (vi) all obligations of such Person as an account party in respect of letters of credit and bankers' acceptances; provided , however , that "Debt" of such Person does not include (a) obligations of such Person under any installment sale, conditional sale or title retention agreement or any other agreement relating to obligations for the deferred purchase price of property or services, (b) obligations under agreements relating to the purchase and sale of any commodity, including any power sale or purchase agreements, any commodity hedge or derivative (regardless of whether any such transaction is a "financial" or physical transaction), (c) any trade obligations or other obligations of such Person incurred in the ordinary course of business or (d) obligations of such Person under any lease agreement (including any lease intended as security) that is not a Capital Lease or a Synthetic Lease.

" Default " means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

" Defaulting Lender " means at any time any Lender with respect to which a Lender Default is in effect at such time.

" Documentation Agents " means Barclays Bank PLC, The Bank of Nova Scotia and Mitsubishi UFJ Financial Group, Inc., acting through The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Union Bank N.A., each in its capacity as a documentation agent in respect of this Agreement.

" Dollars " and the sign "$" means lawful money of the United States of America.

" Effective Date " means the date on which the Administrative Agent determines that the conditions specified in or pursuant to Section 4.01 have been satisfied.

" Eligible Assignee " means (i) a Lender; (ii) a commercial bank organized under the laws of the United States and having a combined capital and surplus of at least $100,000,000; (iii) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and having a combined capital and surplus of at least $100,000,000; provided , that such bank is acting through a branch or agency located and licensed in the United States; or

(iv) an Affiliate of a Lender that is an "accredited investor" (as defined in Regulation D under the Securities Act of 1933, as amended); provided , that, in each case (a) upon and following the occurrence of an Event of Default, an Eligible Assignee shall mean any Person other than the Borrower or any of its Affiliates and (b) notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrower or any of its Affiliates.

" Environmental Laws " means any and all federal, state and local statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses or other written governmental restrictions relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or Hazardous Substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or Hazardous Substances or wastes.

" Environmental Liabilities " means all liabilities (including anticipated compliance costs) in connection with or relating to the business, assets, presently or previously owned, leased or operated property, activities (including, without limitation, off-site disposal) or operations of the Borrower or any of its Subsidiaries which arise under Environmental Laws.

" Equity-Linked Securities " means any securities of the Borrower or any of its Subsidiaries which are convertible into, or exchangeable for, equity securities of the Borrower, such Subsidiary or PPL Corporation, including any securities issued by any of such Persons which are pledged to secure any obligation of any holder to purchase equity securities of the Borrower, any of its Subsidiaries or PPL Corporation.

" ERISA " means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

" ERISA Group " means the Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414(b) or (c) of the Internal Revenue Code.

" Euro-Dollar Borrowing " means a Borrowing comprised of Euro-Dollar Loans.

" Euro-Dollar Lending Office " means, as to each Lender, its office, branch or Affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Euro-Dollar Lending Office) or such other office, branch or Affiliate of such Lender as it may hereafter designate as its Euro-Dollar Lending Office by notice to the Borrower and the Administrative Agent.

" Euro-Dollar Loan " means a Loan in respect of which interest is computed on the basis of the Adjusted London Interbank Offered Rate pursuant to the applicable Notice of Borrowing or Notice of Conversion/Continuation.

" Euro-Dollar Reserve Percentage " of any Lender for the Interest Period of any LIBOR Rate Loan means the reserve percentage applicable to such Lender during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) then applicable to such Lender with respect to liabilities or assets consisting of or including "Eurocurrency Liabilities" (as defined in Regulation D). The Adjusted London Interbank Offered Rate shall be adjusted automatically on and as of the effective date of any change in the Euro-Dollar Reserve Percentage.

" Event of Default " has the meaning set forth in Section 7.01.

" Existing Credit Agreement " has the meaning set forth in the recitals hereto.

" Extending Lenders " has the meaning set forth in Section 9.15 hereto.

" FATCA " means Sections 1471 through 1474 of the Internal Revenue Code and any regulations (whether final, temporary or proposed) that are issued thereunder or official government interpretations thereof and any agreements entered into pursuant to Section 1471(b) of the Code.

" Federal Funds Rate " means for any day the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided , that (i) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average of quotations for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by the Administrative Agent.

" Fee Letter " means the fee letter dated as of September 24, 2012 among the Borrower, Wells Fargo Securities, LLC, Wells Fargo Bank, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bank of America, N.A., RBS Securities Inc., and The Royal Bank of Scotland plc, as amended, modified or supplemented from time to time.

" FERC " means the Federal Energy Regulatory Commission.

" Fronting Fee " has the meaning set forth in Section 2.07(b).

“ Fronting Sublimit ” means, (a) for each JLA Issuing Bank, the amount of such JLA Issuing Bank’s commitment to issue and honor payment obligations under Letters of Credit, as set forth on the JLA L/C Fronting Sublimits Appendix hereto and (b) with respect to any other Issuing Lender, an amount as agreed between the Borrower and such Issuing Lender.

“ GAAP ” means United States generally accepted accounting principles applied on a consistent basis.

“ Governmental Authority ” means any federal, state or local government, authority, agency, central bank, quasi-governmental authority, court or other body or entity, and any arbitrator with authority to bind a party at law.

“ Group of Loans ” means at any time a group of Revolving Loans consisting of (i) all Revolving Loans which are Base Rate Loans at such time or (ii) all Revolving Loans which are Euro-Dollar Loans of the same Type having the same Interest Period at such time; provided , that, if a Loan of any particular Lender is converted to or made as a Base Rate Loan pursuant to Sections 2.15 or 2.18, such Loan shall be included in the same Group or Groups of Loans from time to time as it would have been in if it had not been so converted or made.

“ Guarantee ” of or by any Person means any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Debt of any other Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or to purchase (or to advance or supply funds for the purchase of) any security for payment of such Debt, (ii) to purchase or lease property, securities or services for the purpose of assuring the owner of such Debt of the payment of such Debt or (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Debt; provided , however , that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

“ Hazardous Substances ” means any toxic, caustic or otherwise hazardous substance, including petroleum, its derivatives, by-products and other hydrocarbons, or any substance having any constituent elements displaying any of the foregoing characteristics.

“ Hybrid Securities ” means any trust preferred securities, or deferrable interest subordinated debt with a maturity of at least 20 years issued by the Borrower, or any business trusts, limited liability companies, limited partnerships (or similar entities) (i) all of the common equity, general partner or similar interests of which are owned (either directly or indirectly through one or more Wholly Owned Subsidiaries) at all times by the Borrower or any of its Subsidiaries, (ii) that have been formed for the purpose of issuing hybrid preferred securities and (iii) substantially all the assets of which consist of (A) subordinated debt of the Borrower or a Subsidiary of the Borrower, as the case may be, and (B) payments made from time to time on the subordinated debt.

“ Indemnitee ” has the meaning set forth in Section 9.03(b).

“ Interest Period ” means with respect to each Euro-Dollar Loan, a period commencing on the date of borrowing specified in the applicable Notice of Borrowing or on the date specified in the applicable Notice of Conversion/Continuation and ending one, two, three or six months thereafter, as the Borrower may elect in the applicable notice; provided , that:

(i) any Interest Period which would otherwise end on a day which is not a Business Day shall, subject to clauses (iii) and (iv) below, be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (iii) below, end on the last Business Day of a calendar month; and

(iii) no Interest Period shall end after the Termination Date.

“ Interest Rate Protection Agreements ” means any agreement providing for an interest rate swap, cap or collar, or any other financial agreement designed to protect against fluctuations in interest rates.

“ Internal Revenue Code ” means the Internal Revenue Code of 1986, as amended, or any successor statute.

“ Issuing Lender ” means (i) each JLA Issuing Bank, each in its capacity as an issuer of Letters of Credit under Section 3.02, and each of their respective successor or successors in such capacity and (ii) any other Lender approved as an “Issuing Lender” pursuant to Section 3.01, subject in each case to the Fronting Sublimit.

“ Joint Lead Arrangers ” means Wells Fargo Securities, Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBS Securities Inc., Barclays Bank PLC, The Bank of Nova Scotia and Mitsubishi UFJ Financial Group, Inc., acting through The Bank of Tokyo Mitsubishi UFJ, Ltd. and Union Bank, N.A., each in their capacity as joint lead arranger and joint bookrunner in respect of this Agreement.

“ JLA Issuing Bank ” means Wells Fargo Bank, Bank of America, N.A., The Royal Bank of Scotland plc, Barclays Bank PLC, The Bank of Nova Scotia, Mitsubishi UFJ Financial Group, Inc., acting through The Bank of Tokyo-Mitsubishi UFJ, Ltd. and each other Lender (or Affiliate of a Lender) that shall become (or whose Affiliate shall become) a joint lead arranger pursuant to the terms of the Commitment Letters.

“ KPSC ” means the Kentucky Public Service Commission.

“ Lender ” means each bank or other lending institution listed in the Commitment Appendix as having a Commitment, each

Eligible Assignee that becomes a Lender pursuant to Section 9.06(c) and their respective successors and shall include, as the context may require, each Issuing Lender and the Swingline Lender in such capacity.

" Lender Default " means (i) the failure (which has not been cured) of any Lender to make available any Loan or any reimbursement for a drawing under a Letter of Credit or refunding of a Swingline Loan, in each case, within one Business Day from the date it is obligated to make such amount available under the terms and conditions of this Agreement or (ii) a Lender having notified, in writing, the Administrative Agent and the Borrower that such Lender does not intend to comply with its obligations under Article II following the appointment of a receiver or conservator with respect to such Lender at the direction or request of any regulatory agency or authority.

" Letter of Credit " means each letter of credit issued pursuant to Section 3.02 by an Issuing Lender.

" Letter of Credit Fee " has the meaning set forth in Section 2.07(b).

" Letter of Credit Liabilities " means, for any Lender at any time, the product derived by multiplying (i) the sum, without duplication, of (A) the aggregate amount that is (or may thereafter become) available for drawing under all Letters of Credit outstanding at such time plus (B) the aggregate unpaid amount of all Reimbursement Obligations outstanding at such time by (ii) such Lender's Commitment Ratio.

" Letter of Credit Request " has the meaning set forth in Section 3.03.

" LIBOR Market Index Rate " means, for any day, the rate for 1 month U.S. dollar deposits as reported on Reuters Screen LIBOR01 as of 11:00 a.m., London time, for such day, provided, if such day is not a London Business Day, the immediately preceding London Business Day (or if not so reported, then as determined by the Swingline Lender from another recognized source or interbank quotation).

" Lien " means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance intended to confer or having the effect of conferring upon a creditor a preferential interest.

" Loan " means a Base Rate Loan, whether such loan is a Revolving Loan or Swingline Loan, or a Euro-Dollar Loan and "Loans" means any combination of the foregoing.

" Loan Documents " means this Agreement and the Notes.

" London Business Day " means a day on which commercial banks are open for international business (including dealings in Dollar deposits) in London.

" London Interbank Offered Rate " means:

(a) for any Euro-Dollar Loan for any Interest Period, the interest rate for deposits in Dollars for a period of time comparable to such Interest Period which appears on Reuters Screen LIBOR01 at approximately 11:00 A.M. (London time) two Business Days before the first day of such Interest Period; provided , however , that if more than one such rate is specified on Reuters Screen LIBOR01, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100 of 1%). If for any reason such rate is not available on Reuters Screen LIBOR01, the term "London Interbank Offered Rate" means for any Interest Period, the arithmetic mean of the rate per annum at which deposits in Dollars are offered by first class banks in the London interbank market to the Administrative Agent at approximately 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loan of Wells Fargo Bank to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

(b) for any interest rate calculation with respect to a Base Rate Loan, the interest rate for deposits in Dollars for a period equal to one month (commencing on the date of determination of such interest rate) which appears on Reuters Screen LIBOR01 at approximately 11:00 A.M. (London time) on such date of determination (provided that if such day is not a Business Day for which a London Interbank Offered Rate is quoted, the next preceding Business Day for which a London Interbank Offered Rate is quoted); provided, however, that if more than one such rate is specified on Reuters Screen LIBOR01, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100 of 1%). If for any reason such rate is not available on Reuters Screen LIBOR01, the term "London Interbank Offered Rate" means for any applicable one-month interest period, the arithmetic mean of the rate per annum at which deposits in Dollars are offered by first class banks in the London interbank market to the Administrative Agent at approximately 11:00 A.M. (London time) on such date of determination (provided that if such day is not a Business Day for which a London Interbank Offered Rate is quoted, the next preceding Business Day for which a London Interbank Offered Rate is quoted) in an amount approximately equal to the principal amount of the Base Rate Loan of Wells Fargo Bank.

" Mandatory Letter of Credit Borrowing " has the meaning set forth in Section 3.09.

" Margin Stock " means "margin stock" as such term is defined in Regulation U.

" Material Adverse Effect " means (i) any material adverse effect upon the business, assets, financial condition or operations of the Borrower or the Borrower and its Subsidiaries, taken as a whole; (ii) a material adverse effect on the ability of the Borrower to perform its obligations under this Agreement, the Notes or the other Loan Documents or (iii) a material adverse effect on the validity or enforceability of this Agreement, the Notes or any of the other Loan Documents.

" Material Debt " means Debt (other than the Notes) of the Borrower in a principal or face amount exceeding $50,000,000.

“ Material Plan ” means at any time a Plan or Plans having aggregate Unfunded Liabilities in excess of $50,000,000. For the avoidance of doubt, where any two or more Plans, which individually do not have Unfunded Liabilities in excess of $50,000,000, but collectively have aggregate Unfunded Liabilities in excess of $50,000,000, all references to Material Plan shall be deemed to apply to such Plans as a group.

“ Moody’s ” means Moody’s Investors Service, Inc., a Delaware corporation, and its successors or, absent any such successor, such nationally recognized statistical rating organization as the Borrower and the Administrative Agent may select.

“ Multiemployer Plan ” means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

“ New Lender ” means with respect to any event described in Section 2.08(b), an Eligible Assignee which becomes a Lender hereunder as a result of such event, and “New Lenders” means any two or more of such New Lenders.

“ Non-Defaulting Lender ” means each Lender other than a Defaulting Lender, and “Non-Defaulting Lenders” means any two or more of such Lenders.

“ Non-Recourse Debt ” shall mean Debt that is nonrecourse to the Borrower or any asset of the Borrower.

“ Non-U.S. Lender ” has the meaning set forth in Section 2.17(e).

“ Note ” shall mean a promissory note, substantially in the form of Exhibit B hereto, issued at the request of a Lender evidencing the obligation of the Borrower to repay outstanding Revolving Loans or Swingline Loans, as applicable.

“ Notice of Borrowing ” has the meaning set forth in Section 2.03.

“ Notice of Conversion/Continuation ” has the meaning set forth in Section 2.06(d)(ii).

“ Obligations ” means:

(i) all principal of and interest (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Borrower, whether or not allowed or allowable as a claim in any such proceeding) on any Loan, fees payable or Reimbursement Obligation under, or any Note issued pursuant to, this Agreement or any other Loan Document;

(ii) all other amounts now or hereafter payable by the Borrower and all other obligations or liabilities now existing or hereafter arising or incurred (including, without limitation, any amounts which accrue after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Borrower, whether or not allowed or allowable as a claim in any such proceeding) on the part of the Borrower pursuant to this Agreement or any other Loan Document;

(iii) all expenses of the Agents as to which such Agents have a right to reimbursement under Section 9.03(a) hereof or under any other similar provision of any other Loan Document; and

(iv) all amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement under Section 9.03 hereof or under any other similar provision of any other Loan Document;

together in each case with all renewals, modifications, consolidations or extensions thereof.

“ OFAC ” means the U.S. Department of the Treasury’s Office of Foreign Assets Control.

“ Other Taxes ” has the meaning set forth in Section 2.17(b).

“ Participant ” has the meaning set forth in Section 9.06(b).

“ Participant Register ” has the meaning set forth in Section 9.06(e).

“ PBGC ” means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

“ Permitted Business ” with respect to any Person means a business that is the same or similar to the business of the Borrower or any Subsidiary as of the Effective Date, or any business reasonably related thereto.

“ Person ” means an individual, a corporation, a partnership, an association, a limited liability company, a trust or an unincorporated association or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“ Plan ” means at any time an employee pension benefit plan (including a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

" Prime Rate " means the rate of interest publicly announced by Wells Fargo Bank from time to time as its Prime Rate.

" Public Reporting Company " means a company subject to the periodic reporting requirements of the Securities and Exchange Act of 1934.

" Quarterly Date " means the last Business Day of each of March, June, September and December.

" Rating Agency " means S&P or Moody's, and "Rating Agencies" means both of them.

" Register " has the meaning set forth in Section 9.06(e).

" Regulation U " means Regulation U of the Board of Governors of the Federal Reserve System, as amended, or any successor regulation.

" Regulation X " means Regulation X of the Board of Governors of the Federal Reserve System, as amended, or any successor regulation.

" Reimbursement Obligations " means at any time all obligations of the Borrower to reimburse the Issuing Lenders pursuant to Section 3.07 for amounts paid by the Issuing Lenders in respect of drawings under Letters of Credit, including any portion of any such obligation to which a Lender has become subrogated pursuant to Section 3.09.

" Replacement Date " has the meaning set forth in Section 2.08(b).

" Replacement Lender " has the meaning set forth in Section 2.08(b).

" Required Lenders " means at any time Non-Defaulting Lenders having at least 51% of the aggregate amount of the Commitments of all Non-Defaulting Lenders or, if the Commitments shall have been terminated, having at least 51% of the aggregate amount of the Revolving Outstandings of the Non-Defaulting Lenders at such time.

" Responsible Officer " means, as to any Person, the chief executive officer, president, chief financial officer, controller, treasurer or assistant treasurer of such Person or any other officer of such Person reasonably acceptable to the Administrative Agent. Any document delivered hereunder that is signed by a Responsible Officer of a Person shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Person and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Person.

" Retiring Lender " means a Lender that ceases to be a Lender hereunder pursuant to the operation of Section 2.08(b).

" Revolving " means, when used with respect to (i) a Borrowing, a Borrowing made by the Borrower under Section 2.01, as identified in the Notice of Borrowing with respect thereto, a Borrowing of Revolving Loans to refund outstanding Swingline Loans pursuant to Section 2.02(b)(i), or a Mandatory Letter of Credit Borrowing and (ii) a Loan, a Loan made under Section 2.01; provided , that, if any such loan or loans (or portions thereof) are combined or subdivided pursuant to a Notice of Conversion/Continuation, the term "Revolving Loan" shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be.

" Revolving Outstandings " means at any time, with respect to any Lender, the sum of (i) the aggregate principal amount of such Lender's outstanding Revolving Loans plus (ii) the aggregate amount of such Lender's Swingline Exposure plus (iii) aggregate amount of such Lender's Letter of Credit Liabilities.

" Revolving Outstandings Excess " has the meaning set forth in Section 2.09.

" Sanctioned Entity " shall mean (i) an agency of the government of, (ii) an organization directly or indirectly controlled by, or (iii) a Person resident in, a country that is subject to a sanctions program identified on the list maintained by OFAC and available at http://www.treas.gov/offices/enforcement/ofac/sanctions/index.html, or as otherwise published from time to time as such program may be applicable to such agency, organization or Person.

" Sanctioned Person " shall mean a Person named on the list of Specially Designated Nationals or Blocked Persons maintained by OFAC available at http://www.treas.gov/offices/enforcement/ofac/sdn/index.html, or as otherwise published from time to time.

" SEC " means the Securities and Exchange Commission.

" S&P " means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., a New York corporation, and its successors or, absent any such successor, such nationally recognized statistical rating organization as the Borrower and the Administrative Agent may select.

" Subsidiary " means any Corporation, a majority of the outstanding Voting Stock of which is owned, directly or indirectly, by the Borrower or one or more other Subsidiaries of the Borrower.

" Swingline Borrowing " means a Borrowing made by the Borrower under Section 2.02, as identified in the Notice of

Borrowing with respect thereto.

" Swingline Exposure " means, for any Lender at any time, the product derived by multiplying (i) the aggregate principal amount of all outstanding Swingline Loans at such time by (ii) such Lender's Commitment Ratio.

" Swingline Lender " means Wells Fargo Bank, in its capacity as Swingline Lender.

" Swingline Loan " means any swingline loan made by the Swingline Lender to the Borrower pursuant to Section 2.02.

" Swingline Sublimit " means the lesser of (a) $20,000,000 and (b) the aggregate Commitments of all Lenders.

" Swingline Termination Date " means the first to occur of (a) the resignation of Wells Fargo Bank as Administrative Agent in accordance with Section 8.09 and (b) the Termination Date.

" Syndication Agents " means Bank of America, N.A. and The Royal Bank of Scotland plc, each in its capacity as a syndication agent in respect of this Agreement.

" Synthetic Lease " means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an operating lease in accordance with GAAP.

" Taxes " has the meaning set forth in Section 2.17(a).

" Termination Date " means the earliest to occur of (a) November 6, 2017 and (b) such earlier date upon which all Commitments shall have been terminated in their entirety in accordance with this Agreement.

" Type ", when used in respect of any Loan or Borrowing, shall refer to the rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined.

" Unfunded Liabilities " means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

" United States " means the United States of America, including the States and the District of Columbia, but excluding its territories and possessions.

" Voting Stock " means stock (or other interests) of a Corporation having ordinary voting power for the election of directors, managers or trustees thereof, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

" Wells Fargo Bank " means Wells Fargo Bank, National Association, and its successors.

" Wells Fargo Securities " means Wells Fargo Securities, LLC, and its successors and assigns.

" Wholly Owned Subsidiary " means, with respect to any Person at any date, any Subsidiary of such Person all of the Voting Stock of which (except directors' qualifying shares) is at the time directly or indirectly owned by such Person.

ARTICLE II
THE CREDITS

Section 2.01. Commitments to Lend . Each Lender severally agrees, on the terms and conditions set forth in this Agreement, to make Revolving Loans to the Borrower pursuant to this Section 2.01 from time to time during the Availability Period in amounts such that its Revolving Outstandings shall not exceed its Commitment; provided , that, immediately after giving effect to each such Revolving Loan, the aggregate principal amount of all outstanding Revolving Loans (after giving effect to any amount requested) shall not exceed the aggregate Commitments less the sum of all outstanding Swingline Loans and Letter of Credit Liabilities. Each Revolving Borrowing (other than Mandatory Letter of Credit Borrowings) shall be in an aggregate principal amount of $10,000,000 or any larger integral multiple of $1,000,000 (except that any such Borrowing may be in the aggregate amount of the unused Commitments) and shall be made from the several Lenders ratably in proportion to their respective Commitments. Within the foregoing limits, the Borrower may borrow under this Section 2.01, repay, or, to the extent permitted by Section 2.10, prepay, Revolving Loans and reborrow under this Section 2.01.

Section 2.02. Swingline Loans .

(a) *Availability* . Subject to the terms and conditions of this Agreement, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time from the Effective Date through, but not including, the Swingline Termination Date; provided , that the aggregate principal amount of all outstanding Swingline Loans (after giving effect to any amount requested), shall not exceed the lesser of (i) the aggregate Commitments less the sum of the aggregate principal amount of all outstanding Revolving Loans and all outstanding Letter of Credit Liabilities and (ii) the Swingline Sublimit; and provided further , that the Borrower shall not use the proceeds of any Swingline Loan to refinance any outstanding Swingline Loan. Each Swingline Loan shall be in an aggregate principal amount of $2,000,000 or any larger integral multiple of

$500,000 (except that any such Borrowing may be in the aggregate amount of the unused Swingline Sublimit). Within the foregoing limits, the Borrower may borrow, repay and reborrow Swingline Loans, in each case under this Section 2.02. Each Swingline Loan shall be a Base Rate Loan.

(b) *Refunding*.

(i) Swingline Loans shall be refunded by the Lenders on demand by the Swingline Lender. Such refundings shall be made by the Lenders in accordance with their respective Commitment Ratios and shall thereafter be reflected as Revolving Loans of the Lenders on the books and records of the Administrative Agent. Each Lender shall fund its respective Commitment Ratio of Revolving Loans as required to repay Swingline Loans outstanding to the Swingline Lender upon demand by the Swingline Lender but in no event later than 1:00 P.M. (Charlotte, North Carolina time) on the next succeeding Business Day after such demand is made. No Lender’s obligation to fund its respective Commitment Ratio of a Swingline Loan shall be affected by any other Lender’s failure to fund its Commitment Ratio of a Swingline Loan, nor shall any Lender’s Commitment Ratio be increased as a result of any such failure of any other Lender to fund its Commitment Ratio of a Swingline Loan.

(ii) The Borrower shall pay to the Swingline Lender on demand, and in no case more than fourteen (14) days after the date that such Swingline Loan is made, the amount of such Swingline Loan to the extent amounts received from the Lenders are not sufficient to repay in full the outstanding Swingline Loans requested or required to be refunded. In addition, the Borrower hereby authorizes the Administrative Agent to charge any account maintained by the Borrower with the Swingline Lender (up to the amount available therein) in order to immediately pay the Swingline Lender the amount of such Swingline Loans to the extent amounts received from the Lenders are not sufficient to repay in full the outstanding Swingline Loans requested or required to be refunded. If any portion of any such amount paid to the Swingline Lender shall be recovered by or on behalf of the Borrower from the Swingline Lender in bankruptcy or otherwise, the loss of the amount so recovered shall be ratably shared among all the Lenders in accordance with their respective Commitment Ratios (unless the amounts so recovered by or on behalf of the Borrower pertain to a Swingline Loan extended after the occurrence and during the continuance of an Event of Default of which the Administrative Agent has received notice in the manner required pursuant to Section 8.05 and which such Event of Default has not been waived by the Required Lenders or the Lenders, as applicable).

(iii) Each Lender acknowledges and agrees that its obligation to refund Swingline Loans (other than Swingline Loans extended after the occurrence and during the continuation of an Event of Default of which the Administrative Agent has received notice in the manner required pursuant to Section 8.05 and which such Event of Default has not been waived by the Required Lenders or the Lenders, as applicable) in accordance with the terms of this Section is absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, non-satisfaction of the conditions set forth in Article IV. Further, each Lender agrees and acknowledges that if prior to the refunding of any outstanding Swingline Loans pursuant to this Section, one of the events described in Section 7.01(h) or (i) shall have occurred, each Lender will, on the date the applicable Revolving Loan would have been made, purchase an undivided participating interest in the Swingline Loan to be refunded in an amount equal to its Commitment Ratio of the aggregate amount of such Swingline Loan. Each Lender will immediately transfer to the Swingline Lender, in immediately available funds, the amount of its participation and upon receipt thereof the Swingline Lender will deliver to such Lender a certificate evidencing such participation dated the date of receipt of such funds and for such amount. Whenever, at any time after the Swingline Lender has received from any Lender such Lender’s participating interest in a Swingline Loan, the Swingline Lender receives any payment on account thereof, the Swingline Lender will distribute to such Lender its participating interest in such amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender’s participating interest was outstanding and funded).

Section 2.03. Notice of Borrowings. The Borrower shall give the Administrative Agent notice substantially in the form of Exhibit A-1 hereto (a “Notice of Borrowing”) not later than (a) 11:30 A.M. (Charlotte, North Carolina time) on the date of each Base Rate Borrowing and (b) 12:00 Noon (Charlotte, North Carolina time) on the third Business Day before each Euro-Dollar Borrowing, specifying:

(i) the date of such Borrowing, which shall be a Business Day;

(ii) the aggregate amount of such Borrowing;

(iii) whether such Borrowing is comprised of Revolving Loans or a Swingline Loan;

(iv) in the case of a Revolving Borrowing, the initial Type of the Loans comprising such Borrowing; and

(v) in the case of a Euro-Dollar Borrowing, the duration of the initial Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

Notwithstanding the foregoing, no more than six (6) Groups of Euro-Dollar Loans shall be outstanding at any one time, and any Loans which would exceed such limitation shall be made as Base Rate Loans.

Section 2.04. Notice to Lenders; Funding of Revolving Loans and Swingline Loans.

(a) Notice to Lenders. Upon receipt of a Notice of Borrowing (other than in respect of a Borrowing of a Swingline Loan), the Administrative Agent shall promptly notify each Lender of such Lender’s ratable share (if any) of the Borrowing referred to in the Notice of Borrowing, and such Notice of Borrowing shall not thereafter be revocable by the Borrower.

(b) Funding of Loans. Not later than (a) 1:00 P.M. (Charlotte, North Carolina time) on the date of each Base Rate

Borrowing and (b) 12:00 Noon (Charlotte, North Carolina time) on the date of each Euro-Dollar Borrowing, each Lender shall make available its ratable share of such Borrowing, in Federal or other funds immediately available in Charlotte, North Carolina, to the Administrative Agent at its address referred to in Section 9.01. Unless the Administrative Agent determines that any applicable condition specified in Article IV has not been satisfied, the Administrative Agent shall apply any funds so received in respect of a Borrowing available to the Borrower at the Administrative Agent's address not later than (a) 3:00 P.M. (Charlotte, North Carolina time) on the date of each Base Rate Borrowing and (b) 2:00 P.M. (Charlotte, North Carolina time) on the date of each Euro-Dollar Borrowing. Revolving Loans to be made for the purpose of refunding Swingline Loans shall be made by the Lenders as provided in Section 2.02(b) .

(c) Funding By the Administrative Agent in Anticipation of Amounts Due from the Lenders . Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing (except in the case of a Base Rate Borrowing, in which case prior to the time of such Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available to the Administrative Agent on the date of such Borrowing in accordance with subsection (b) of this Section, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such share available to the Administrative Agent, such Lender and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount, together with interest thereon for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent at (i) a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.06, in the case of the Borrower, and (ii) the Federal Funds Rate, in the case of such Lender. Any payment by the Borrower hereunder shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make its share of a Borrowing available to the Administrative Agent. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Lender's Loan included in such Borrowing for purposes of this Agreement.

(d) Obligations of Lenders Several . The failure of any Lender to make a Loan required to be made by it as part of any Borrowing hereunder shall not relieve any other Lender of its obligation, if any, hereunder to make any Loan on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Loan to be made by such other Lender on such date of Borrowing.

Section 2.05. Noteless Agreement; Evidence of Indebtedness .

(a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(b) The Administrative Agent shall also maintain accounts in which it will record (a) the amount of each Loan made hereunder, the Type thereof and the Interest Period with respect thereto, (b) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (c) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(c) The entries maintained in the accounts maintained pursuant to paragraphs (a) and (b) above shall be prima facie evidence of the existence and amounts of the Obligations therein recorded; provided , however , that the failure of the Administrative Agent or any Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Obligations in accordance with their terms.

(d) Any Lender may request that its Loans be evidenced by a Note. In such event, the Borrower shall prepare, execute and deliver to such Lender a Note payable to the order of such Lender. Thereafter, the Loans evidenced by such Note and interest thereon shall at all times (including after any assignment pursuant to Section 9.06(c)) be represented by one or more Notes payable to the order of the payee named therein or any assignee pursuant to Section 9.06(c), except to the extent that any such Lender or assignee subsequently returns any such Note for cancellation and requests that such Loans once again be evidenced as described in paragraphs (a) and (b) above.

Section 2.06. Interest Rates .

(a) Interest Rate Options . The Loans shall, at the option of the Borrower and except as otherwise provided herein, be incurred and maintained as, or converted into, one or more Base Rate Loans or Euro-Dollar Loans.

(b) Base Rate Loans . Each Loan which is made as, or converted into, a Base Rate Loan (other than a Swingline Loan) shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made as, or converted into, a Base Rate Loan until it becomes due or is converted into a Loan of any other Type, at a rate per annum equal to the sum of the Base Rate for such day plus the Applicable Percentage for Base Rate Loans for such day. Each Loan which is made as a Swingline Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due at a rate per annum equal to the LIBOR Market Index Rate for such day plus the Applicable Percentage for Euro-Dollar Loans for such day. Such interest shall, in each case, be payable quarterly in arrears on each Quarterly Date (or, with respect to Base Rate Loans that are Swingline Loans, as the Swingline Lender and the Borrower may otherwise agree in writing) and, with respect to the principal amount of any Base Rate Loan (other than a Swingline Loan) converted to a Euro-Dollar Loan, on the date such Base Rate Loan is so converted. Any overdue principal of or interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the rate otherwise applicable to Base Rate Loans for such day.

(c) Euro-Dollar Loans . Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for each day during the Interest Period applicable thereto, at a rate per annum equal to the sum of the Adjusted London Interbank Offered Rate for such Interest Period plus the Applicable Percentage for Euro-Dollar Loans for such day. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof. Any overdue principal of or interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the sum of (A) the Adjusted London Interbank Offered Rate applicable to such Loan at the date such payment was due plus (B) the Applicable Percentage for Euro-Dollar Loans for such day (or, if the circumstance described in Section 2.14 shall exist, at a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate Loans for such day).

(d) Method of Electing Interest Rates.

(i) Subject to Section 2.06(a), the Loans included in each Revolving Borrowing shall bear interest initially at the type of rate specified by the Borrower in the applicable Notice of Borrowing. Thereafter, with respect to each Group of Loans, the Borrower shall have the option (A) to convert all or any part of (y) so long as no Default is in existence on the date of conversion, outstanding Base Rate Loans to Euro-Dollar Loans and (z) outstanding Euro-Dollar Loans to Base Rate Loans; provided, in each case, that the amount so converted shall be equal to $10,000,000 or any larger integral multiple of $1,000,000, or (B) upon the expiration of any Interest Period applicable to outstanding Euro-Dollar Loans, so long as no Default is in existence on the date of continuation, to continue all or any portion of such Loans, equal to $10,000,000 and any larger integral multiple of $1,000,000 in excess of that amount as Euro-Dollar Loans. The Interest Period of any Base Rate Loan converted to a Euro-Dollar Loan pursuant to clause(A) above shall commence on the date of such conversion. The succeeding Interest Period of any Euro-Dollar Loan continued pursuant to clause (B) above shall commence on the last day of the Interest Period of the Loan so continued. Euro-Dollar Loans may only be converted on the last day of the then current Interest Period applicable thereto or on the date required pursuant to Section 2.18.

(ii) The Borrower shall deliver a written notice of each such conversion or continuation (a "Notice of Conversion/Continuation") to the Administrative Agent no later than (A) 12:00 Noon (Charlotte, North Carolina time) at least three (3) Business Days before the effective date of the proposed conversion to, or continuation of, a Euro Dollar Loan and (B) 11:30 A.M. (Charlotte, North Carolina time) on the day of a conversion to a Base Rate Loan. A written Notice of Conversion/Continuation shall be substantially in the form of Exhibit A-2 attached hereto and shall specify: (A) the Group of Loans (or portion thereof) to which such notice applies, (B) the proposed conversion/continuation date (which shall be a Business Day), (C) the aggregate amount of the Loans being converted/continued, (D) an election between the Base Rate and the Adjusted London Interbank Offered Rate and (E) in the case of a conversion to, or a continuation of, Euro-Dollar Loans, the requested Interest Period. Upon receipt of a Notice of Conversion/Continuation, the Administrative Agent shall give each Lender prompt notice of the contents thereof and such Lender's pro rata share of all conversions and continuations requested therein. If no timely Notice of Conversion/Continuation is delivered by the Borrower as to any Euro-Dollar Loan, and such Loan is not repaid by the Borrower at the end of the applicable Interest Period, such Loan shall be converted automatically to a Base Rate Loan on the last day of the then applicable Interest Period.

(e) Determination and Notice of Interest Rates. The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the Borrower and the participating Lenders of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error. Any notice with respect to Euro-Dollar Loans shall, without the necessity of the Administrative Agent so stating in such notice, be subject to adjustments in the Applicable Percentage applicable to such Loans after the beginning of the Interest Period applicable thereto. When during an Interest Period any event occurs that causes an adjustment in the Applicable Percentage applicable to Loans to which such Interest Period is applicable, the Administrative Agent shall give prompt notice to the Borrower and the Lenders of such event and the adjusted rate of interest so determined for such Loans, and its determination thereof shall be conclusive in the absence of manifest error.

Section 2.07. Fees.

(a) Commitment Fees. The Borrower shall pay to the Administrative Agent for the account of each Lender a fee (the "Commitment Fee") for each day at a rate per annum equal to the Applicable Percentage for the Commitment Fee for such day. The Commitment Fee shall accrue from and including the Effective Date to but excluding the last day of the Availability Period on the amount by which such Lender's Commitment exceeds the sum of its Revolving Outstandings (solely for this purpose, exclusive of Swingline Exposure) on such day. The Commitment Fee shall be payable on the last day of each of March, June, September and December and on the Termination Date.

(b) Letter of Credit Fees. The Borrower shall pay to the Administrative Agent a fee (the "Letter of Credit Fee") for each day at a rate per annum equal to the Applicable Percentage for the Letter of Credit Fee for such day. The Letter of Credit Fee shall accrue from and including the Effective Date to but excluding the last day of the Availability Period on the aggregate amount available for drawing under any Letters of Credit outstanding on such day and shall be payable for the account of the Lenders ratably in proportion to their participations in such Letter(s) of Credit. In addition, the Borrower shall pay to each Issuing Lender a fee (the "Fronting Fee") in respect of each Letter of Credit issued by such Issuing Lender computed at the rate of 0.20% per annum on the average amount available for drawing under such Letter(s) of Credit. Fronting Fees shall be due and payable quarterly in arrears on each Quarterly Date and on the Termination Date (or such earlier date as all Letters of Credit shall be canceled or expire). In addition, the Borrower agrees to pay to each Issuing Lender, upon each issuance of, payment under, and/or amendment of, a Letter of Credit, such amount as shall at the time of such issuance, payment or amendment be the administrative charges and expenses which such Issuing Lender is customarily charging for issuances of, payments under, or amendments to letters of credit issued by it.

(c) Payments. Except as otherwise provided in this Section 2.07, accrued fees under this Section 2.07 in respect of Loans and Letter of Credit Liabilities shall be payable quarterly in arrears on each Quarterly Date, on the last day of the Availability Period and, if later, on the date the Loans and Letter of Credit Liabilities shall be repaid in their entirety. Fees paid hereunder shall not be refundable under any circumstances.

Section 2.08. Adjustments of Commitments.

(a) Optional Termination or Reductions of Commitments (Pro-Rata). The Borrower may, upon at least three Business

Days' prior written notice to the Administrative Agent, permanently (i) terminate the Commitments, if there are no Revolving Outstandings at such time or (ii) ratably reduce from time to time by a minimum amount of $10,000,000 or any larger integral multiple of $5,000,000, the aggregate amount of the Commitments in excess of the aggregate Revolving Outstandings. Upon receipt of any such notice, the Administrative Agent shall promptly notify the Lenders. If the Commitments are terminated in their entirety, all accrued fees shall be payable on the effective date of such termination.

(b) Optional Termination of Commitments (Non-Pro-Rata) . If (i) any Lender has demanded compensation or indemnification pursuant to Sections 2.14, 2.15, 2.16 or 2.17, (ii) the obligation of any Lender to make Euro-Dollar Loans has been suspended pursuant to Section 2.15 or (iii) any Lender is a Defaulting Lender (each such Lender described in clauses (i), (ii) or (iii) being a " Retiring Lender "), the Borrower shall have the right, if no Default then exists, to replace such Lender with one or more Eligible Assignees (which may be one or more of the Continuing Lenders) (each a " Replacement Lender " and, collectively, the " Replacement Lenders ") reasonably acceptable to the Administrative Agent. The replacement of a Retiring Lender pursuant to this Section 2.08(b) shall be effective on the tenth Business Day (the " Replacement Date ") following the date of notice given by the Borrower of such replacement to the Retiring Lender and each Continuing Lender through the Administrative Agent, subject to the satisfaction of the following conditions:

(i) the Replacement Lender shall have satisfied the conditions to assignment and assumption set forth in Section 9.06(c) (with all fees payable pursuant to Section 9.06(c) to be paid by the Borrower) and, in connection therewith, the Replacement Lender(s) shall pay:

(A) to the Retiring Lender an amount equal in the aggregate to the sum of (x) the principal of, and all accrued but unpaid interest on, all outstanding Loans of the Retiring Lender, (y) all unpaid drawings that have been funded by (and not reimbursed to) the Retiring Lender under Section 3.10, together with all accrued but unpaid interest with respect thereto and (z) all accrued but unpaid fees owing to the Retiring Lender pursuant to Section 2.07; and

(B) to the Swingline Lender an amount equal to the aggregate amount owing by the Retiring Lender to the Swingline Lender in respect of all unpaid refundings of Swingline Loans requested by the Swingline Lender pursuant to Section 2.02(b)(i), to the extent such amount was not theretofore funded by such Retiring Lender; and

(C) to the Issuing Lenders an amount equal to the aggregate amount owing by the Retiring Lender to the Issuing Lenders as reimbursement pursuant to Section 3.09, to the extent such amount was not theretofore funded by such Retiring Lender; and

(ii) the Borrower shall have paid to the Administrative Agent for the account of the Retiring Lender an amount equal to all obligations owing to the Retiring Lender by the Borrower pursuant to this Agreement and the other Loan Documents (other than those obligations of the Borrower referred to in clause (i)(A) above).

On the Replacement Date, each Replacement Lender that is a New Lender shall become a Lender hereunder and shall succeed to the obligations of the Retiring Lender with respect to outstanding Swingline Loans and Letters of Credit to the extent of the Commitment of the Retiring Lender assumed by such Replacement Lender, and the Retiring Lender shall cease to constitute a Lender hereunder; provided , that the provisions of Sections 2.12, 2.16, 2.17 and 9.03 of this Agreement shall continue to inure to the benefit of a Retiring Lender with respect to any Loans made, any Letters of Credit issued or any other actions taken by such Retiring Lender while it was a Lender.

In lieu of the foregoing, subject to Section 2.08(e), upon express written consent of Continuing Lenders holding more than 50% of the aggregate amount of the Commitments of the Continuing Lenders, the Borrower shall have the right to permanently terminate the Commitment of a Retiring Lender in full. Upon payment by the Borrower to the Administrative Agent for the account of the Retiring Lender of an amount equal to the sum of (i) the aggregate principal amount of all Loans and Reimbursement Obligations owed to the Retiring Lender and (ii) all accrued interest, fees and other amounts owing to the Retiring Lender hereunder, including, without limitation, all amounts payable by the Borrower to the Retiring Lender under Sections 2.12, 2.16, 2.17 or 9.03, such Retiring Lender shall cease to constitute a Lender hereunder; provided , that the provisions of Sections 2.12, 2.16, 2.17 and 9.03 of this Agreement shall inure to the benefit of a Retiring Lender with respect to any Loans made, any Letters of Credit issued or any other actions taken by such Retiring Lender while it was a Lender.

(c) Optional Termination of Defaulting Lender Commitment (Non-Pro-Rata) . At any time a Lender is a Defaulting Lender, subject to Section 2.08(e), the Borrower may terminate in full the Commitment of such Defaulting Lender by giving notice to such Defaulting Lender and the Administrative Agent, provided , that, (i) at the time of such termination, (A) no Default has occurred and is continuing (or alternatively, the Required Lenders shall consent to such termination) and (B) either (x) no Revolving Loans or Swingline Loans are outstanding or (y) the aggregate Revolving Outstandings of such Defaulting Lender in respect of Revolving Loans is zero; (ii) concurrently with such termination, the aggregate Commitments shall be reduced by the Commitment of the Defaulting Lender; and (iii) concurrently with any subsequent payment of interest or fees to the Lenders with respect to any period before the termination of a Defaulting Lender's Commitment, the Borrower shall pay to such Defaulting Lender its ratable share (based on its Commitment Ratio before giving effect to such termination) of such interest or fees, as applicable. The termination of a Defaulting Lender's Commitment pursuant to this Section 2.08(c) shall not be deemed to be a waiver of any right that the Borrower, Administrative Agent, any Issuing Lender or any other Lender may have against such Defaulting Lender.

(d) Termination Date . The Commitments shall terminate on the Termination Date.

(e) Redetermination of Commitment Ratios . On the date of termination of the Commitment of a Retiring Lender or Defaulting Lender pursuant to Section 2.08(b) or (c), the Commitment Ratios of the Continuing Lenders shall be redetermined after giving effect thereto, and the participations of the Continuing Lenders in and obligations of the Continuing Lenders in respect of any then outstanding Swingline Loans and Letters of Credit shall thereafter be based upon such redetermined Commitment Ratios (to the extent not previously adjusted pursuant to Section 2.20). The right of the Borrower to effect such a termination is conditioned on there being sufficient unused availability in the Commitments of the Continuing Lenders such that the aggregate Revolving Outstandings will not exceed the aggregate Commitments after giving effect to such termination and redetermination.

Section 2.09. Maturity of Loans; Mandatory Prepayments.

(a) *S* cheduled Repayments and Prepayments of Loans; Overline Repayments.

(i) The Revolving Loans shall mature on the Termination Date, and any Revolving Loans, Swingline Loans and Letter of Credit Liabilities then outstanding (together with accrued interest thereon and fees in respect thereof) shall be due and payable or, in the case of Letters of Credit, cash collateralized pursuant to Section 2.09(a)(ii), on such date.

(ii) If on any date the aggregate Revolving Outstandings exceed the aggregate amount of the Commitments (such excess, a " Revolving Outstandings Excess "), the Borrower shall prepay, and there shall become due and payable (together with accrued interest thereon) on such date, an aggregate principal amount of Revolving Loans and/or Swingline Loans equal to such Revolving Outstandings Excess. If, at a time when a Revolving Outstandings Excess exists and (x) no Revolving Loans or Swingline Loans are outstanding or (y) the Commitment has been terminated pursuant to this Agreement and, in either case, any Letter of Credit Liabilities remain outstanding, then, in either case, the Borrower shall cash collateralize any Letter of Credit Liabilities by depositing into a cash collateral account established and maintained (including the investments made pursuant thereto) by the Administrative Agent pursuant to a cash collateral agreement in form and substance satisfactory to the Administrative Agent an amount in cash equal to the then outstanding Letter of Credit Liabilities. In determining Revolving Outstandings for purposes of this clause (ii), Letter of Credit Liabilities shall be reduced to the extent that they are cash collateralized as contemplated by this Section 2.09(a)(ii).

(b) Applications of Prepayments and Reductions.

(i) Each payment or prepayment of Loans pursuant to this Section 2.09 shall be applied ratably to the respective Loans of all of the Lenders.

(ii) Each payment of principal of the Loans shall be made together with interest accrued on the amount repaid to the date of payment.

(iii) Each payment of the Loans shall be applied to such Groups of Loans as the Borrower may designate (or, failing such designation, as determined by the Administrative Agent).

Section 2.10. Optional Prepayments and Repayments.

(a) Prepayments of Loans. Other than in respect of Swingline Loans, the repayment of which is governed pursuant to Section 2.02(b), subject to Section 2.12, the Borrower may (i) upon at least one (1) Business Day's notice to the Administrative Agent, prepay any Base Rate Borrowing or (ii) upon at least three (3) Business Days' notice to the Administrative Agent, prepay any Euro-Dollar Borrowing, in each case in whole at any time, or from time to time in part in amounts aggregating $10,000,000 or any larger integral multiple of $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Lenders included in such Borrowing.

(b) Notice to Lenders. Upon receipt of a notice of prepayment pursuant to Section 2.10(a), the Administrative Agent shall promptly notify each Lender of the contents thereof and of such Lender's ratable share (if any) of such prepayment, and such notice shall not thereafter be revocable by the Borrower.

Section 2.11. General Provisions as to Payments.

(a) Payments by the Borrower. The Borrower shall make each payment of principal of and interest on the Loans and Letter of Credit Liabilities and fees hereunder (other than fees payable directly to the Issuing Lenders) not later than 12:00 Noon (Charlotte, North Carolina time) on the date when due, without set-off, counterclaim or other deduction, in Federal or other funds immediately available in Charlotte, North Carolina, to the Administrative Agent at its address referred to in Section 9.01. The Administrative Agent will promptly distribute to each Lender its ratable share of each such payment received by the Administrative Agent for the account of the Lenders. Whenever any payment of principal of or interest on the Base Rate Loans or Letter of Credit Liabilities or of fees shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day. Whenever any payment of principal of or interest on the Euro-Dollar Loans shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(b) Distributions by the Administrative Agent. Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date, and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent that the Borrower shall not have so made such payment, each Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate.

Section 2.12. Funding Losses. If the Borrower makes any payment of principal with respect to any Euro-Dollar Loan pursuant to the terms and provisions of this Agreement (any conversion of a Euro-Dollar Loan to a Base Rate Loan pursuant to Section 2.18 being treated as a payment of such Euro-Dollar Loan on the date of conversion for purposes of this Section 2.12) on any day other than the last day of the Interest Period applicable thereto, or the last day of an applicable period fixed pursuant to Section 2.06(c), or if the Borrower fails to borrow, convert or prepay any Euro-Dollar Loan after notice has been given in accordance with the provisions of this Agreement, or in the event of payment in respect of any Euro-Dollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.08(b), the Borrower shall reimburse each Lender within fifteen (15) days after demand for any resulting loss or expense incurred by it (and by an existing Participant in the related Loan), including, without limitation, any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or failure to borrow or prepay; provided, that such Lender shall have delivered to the Borrower a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

Section 2.13. Computation of Interest and Fees. Interest on Loans based on the Prime Rate hereunder and Letter of Credit Fees shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed. All other interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

Section 2.14. Basis for Determining Interest Rate Inadequate, Unfair or Unavailable. If on or prior to the first day of any Interest Period for any Euro-Dollar Loan: (a) Lenders having 50% or more of the aggregate amount of the Commitments advise the Administrative Agent that the Adjusted London Interbank Offered Rate as determined by the Administrative Agent, will not adequately and fairly reflect the cost to such Lenders of funding their Euro-Dollar Loans for such Interest Period; or (b) the Administrative Agent shall determine that no reasonable means exists for determining the Adjusted London Interbank Offered Rate, the Administrative Agent shall forthwith give notice thereof to the Borrower and the Lenders, whereupon, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such suspension no longer exist, (i) the obligations of the Lenders to make Euro-Dollar Loans, or to convert outstanding Loans into Euro-Dollar Loans shall be suspended; and (ii) each outstanding Euro-Dollar Loan shall be converted into a Base Rate Loan on the last day of the current Interest Period applicable thereto. Unless the Borrower notifies the Administrative Agent at least two (2) Domestic Business Days before the date of (or, if at the time the Borrower receives such notice the day is the date of, or the date immediately preceding, the date of such Euro-Dollar Borrowing, by 10:00 A.M. on the date of) any Euro-Dollar Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, such Borrowing shall instead be made as a Base Rate Borrowing.

Section 2.15. Illegality. If, on or after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Euro-Dollar Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Lender (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans and such Lender shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Lenders and the Borrower, whereupon until such Lender notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Lender to make Euro-Dollar Loans, or to convert outstanding Loans into Euro-Dollar Loans, shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Lender shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender. If such notice is given, each Euro-Dollar Loan of such Lender then outstanding shall be converted to a Base Rate Loan either (i) on the last day of the then current Interest Period applicable to such Euro-Dollar Loan if such Lender may lawfully continue to maintain and fund such Loan to such day or (ii) immediately if such Lender shall determine that it may not lawfully continue to maintain and fund such Loan to such day.

Section 2.16. Increased Cost and Reduced Return.

(a) Increased Costs. If after the Effective Date, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System), special deposit, insurance assessment or similar requirement against Letters of Credit issued or participated in by, assets of, deposits with or for the account of or credit extended by, any Lender (or its Applicable Lending Office) or shall impose on any Lender (or its Applicable Lending Office) or on the United States market for certificates of deposit or the London interbank market any other condition affecting its Euro-Dollar Loans, Notes, obligation to make Euro-Dollar Loans or obligations hereunder in respect of Letters of Credit, and the result of any of the foregoing is to increase the cost to such Lender (or its Applicable Lending Office) of making or maintaining any Euro-Dollar Loan, or of issuing or participating in any Letter of Credit, or to reduce the amount of any sum received or receivable by such Lender (or its Applicable Lending Office) under this Agreement or under its Notes with respect thereto, then, within fifteen (15) days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts, as determined by such Lender in good faith, as will compensate such Lender for such increased cost or reduction, solely to the extent that any such additional amounts were incurred by the Lender within ninety (90) days of such demand.

(b) Capital Adequacy. If any Lender shall have determined that, after the Effective Date, the adoption of any applicable law, rule or regulation regarding capital adequacy or liquidity, or any change in any such law, rule or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Lender (or any Person controlling such Lender) as a consequence of such Lender's obligations hereunder to a level below that which such Lender (or any Person controlling such Lender) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy), then from time to time, within fifteen (15) days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender (or any Person controlling such Lender) for such reduction, solely to the extent that any such additional amounts were incurred by the Lender within ninety (90) days of such demand.

(c) Notices . Each Lender will promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge, occurring after the Effective Date, that will entitle such Lender to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender. A certificate of any Lender claiming compensation under this Section and setting forth in reasonable detail the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Lender may use any reasonable averaging and attribution methods.

(d) Notwithstanding anything to the contrary herein, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "change in law" under this Article II regardless of the date enacted, adopted or issued.

Section 2.17. Taxes .

(a) Payments Net of Certain Taxes . Any and all payments by the Borrower to or for the account of any Lender or any Agent hereunder or under any other Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges and withholdings and all liabilities with respect thereto, excluding: (i) taxes imposed on or measured by the net income (including branch profits or similar taxes) of, and gross receipts, franchise or similar taxes imposed on, any Agent or any Lender by the jurisdiction (or subdivision thereof) under the laws of which such Lender or Agent is organized or in which its principal executive office is located or, in the case of each Lender, in which its Applicable Lending Office is located, (ii) in the case of each Lender, any United States withholding tax imposed on such payments, but only to the extent that such Lender is subject to United States withholding tax at the time such Lender first becomes a party to this Agreement or changes its Applicable Lending Office, (iii) any backup withholding tax imposed by the United States (or any state or locality thereof) on a Lender or Administrative Agent that is a "United States person" within the meaning of Section 7701 (a)(30) of the Internal Revenue Code, and (iv) any taxes imposed by FATCA (all such nonexcluded taxes, duties, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as " Taxes "). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any other Loan Document to any Lender or any Agent, (i) the sum payable shall be increased as necessary so that after making all such required deductions (including deductions applicable to additional sums payable under this Section 2.17 (a)) such Lender or Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) the Borrower shall furnish to the Administrative Agent, for delivery to such Lender, the original or a certified copy of a receipt evidencing payment thereof.

(b) Other Taxes . In addition, the Borrower agrees to pay any and all present or future stamp or court or documentary taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to this Agreement, any Note or any other Loan Document or from the execution, delivery, performance, registration or enforcement of, or otherwise with respect to, this Agreement, any Note or any other Loan Document (collectively, " Other Taxes ").

(c) Indemnification . The Borrower agrees to indemnify each Lender and each Agent for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 2.17(c)), whether or not correctly or legally asserted, paid by such Lender or Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto as certified in good faith to the Borrower by each Lender or Agent seeking indemnification pursuant to this Section 2.17(c). This indemnification shall be paid within 15 days after such Lender or Agent (as the case may be) makes demand therefor.

(d) Refunds or Credits . If a Lender or Agent receives a refund, credit or other reduction from a taxation authority for any Taxes or Other Taxes for which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.17, it shall within fifteen (15) days from the date of such receipt pay over the amount of such refund, credit or other reduction to the Borrower (but only to the extent of indemnity payments made or additional amounts paid by the Borrower under this Section 2.17 with respect to the Taxes or Other Taxes giving rise to such refund, credit or other reduction), net of all reasonable out-of-pocket expenses of such Lender or Agent (as the case may be) and without interest (other than interest paid by the relevant taxation authority with respect to such refund, credit or other reduction); provided, however, that the Borrower agrees to repay, upon the request of such Lender or Agent (as the case may be), the amount paid over to the Borrower (plus penalties, interest or other charges) to such Lender or Agent in the event such Lender or Agent is required to repay such refund or credit to such taxation authority.

(e) Tax Forms and Certificates . On or before the date it becomes a party to this Agreement, from time to time thereafter if reasonably requested by the Borrower or the Administrative Agent, and at any time it changes its Applicable Lending Office: (i) each Lender that is a "United States person" within the meaning of Section 7701(a)(30) of the Internal Revenue Code shall deliver to the Borrower and the Administrative Agent two (2) properly completed and duly executed copies of Internal Revenue Service Form W-9, or any successor form prescribed by the Internal Revenue Service, or such other documentation or information prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent, as the case may be, certifying that such Lender is a United States person and is entitled to an exemption from United States backup withholding tax or information reporting requirements; and (ii) each Lender that is not a "United States person" within the meaning of Section 7701(a)(30) of the Internal Revenue Code (a " Non-U.S. Lender ") shall deliver to the Borrower and the Administrative Agent: (A) two (2) properly completed and duly executed copies of Internal Revenue Service Form W-8 BEN, or any successor form prescribed by the Internal Revenue Service, certifying that such Non-U.S. Lender is entitled to the benefits under an income tax treaty to which the United States is a party which exempts the Non-U.S. Lender from United States withholding tax or reduces the rate of withholding tax on payments of interest for the account of such Non-U.S. Lender; (B) two (2) properly completed and duly executed copies of Internal Revenue Service Form W-8 ECI, or any successor form prescribed by the Internal Revenue Service, certifying that the income receivable pursuant to this Agreement and the other Loan Documents is effectively connected with the conduct of a trade or business in the United States; or (C) two (2) properly completed and duly executed copies of Internal Revenue Service Form W-8 BEN, or any successor form prescribed by the Internal Revenue Service, together with a certificate to the effect that (x) such Non-U.S. Lender is not (1) a "bank" within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code, (2) a "10-percent shareholder" of the Borrower within the meaning of Section 871(h)(3)(B) of the Internal Revenue Code, or (3) a "controlled foreign corporation" that is described in Section 881(c)(3)(C) of the Internal Revenue Code and is related to the Borrower within the meaning of Section 864(d)(4) of the Internal Revenue Code and (y) the interest payments in question are not effectively connected with a U.S. trade or business conducted by such Non-U.S. Lender or are effectively connected but are not includible in the Non-U.S. Lender's gross income for United States federal income tax purposes under an income tax treaty to which the United States is a party; or (D) to the extent the Non-U.S. Lender is not the beneficial owner, two (2) properly completed and duly executed copies of Internal Revenue Service Form W-8 IMY, or any successor form prescribed by the Internal Revenue Service, accompanied by an Internal Revenue Service Form W-8 ECI, W-8 BEN, W-9, and/or other certification documents from each beneficial owner, as applicable. If a payment made to a Lender under any Loan Document would be subject to U.S. Federal withholding tax imposed by FATCA if such Lender fails to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Internal Revenue Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471 (b)(3)(C)(i) of the Internal Revenue Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (e), "FATCA" shall include any amendments made to FATCA after the date of this Agreement. In addition, each Lender agrees that from time to time after the Effective Date, when a lapse in time or change in circumstances renders the previous certification obsolete or inaccurate in any material respect, it will deliver to the Borrower and the Administrative Agent two new accurate and complete signed originals of Internal Revenue Service Form W-9, W-8 BEN, W-8 ECI or W-8 IMY or FATCA-related documentation described above, or successor forms, as the case may be, and such other forms as may be required in order to confirm or establish the entitlement of such Lender to a continued exemption from or reduction in United States withholding tax with respect to payments under this Agreement and any other Loan Document, or it shall immediately notify the Borrower and the Administrative Agent of its inability to deliver any such Form or certificate.

(f) Exclusions . The Borrower shall not be required to indemnify any Non-U.S. Lender, or to pay any additional amount to any Non-U.S. Lender, pursuant to Section 2.17(a) , (b) or (c) in respect of Taxes or Other Taxes to the extent that the obligation to indemnify or pay such additional amounts would not have arisen but for the failure of such Non-U.S. Lender to comply with the provisions of subsection (e) above.

(g) Mitigation . If the Borrower is required to pay additional amounts to or for the account of any Lender pursuant to this Section 2.17, then such Lender will use reasonable efforts (which shall include efforts to rebook the Revolving Loans held by such Lender to a new Applicable Lending Office, or through another branch or affiliate of such Lender) to change the jurisdiction of its Applicable Lending Office if, in the good faith judgment of such Lender, such efforts (i) will eliminate or, if it is not possible to eliminate, reduce to the greatest extent possible any such additional payment which may thereafter accrue and (ii) is not otherwise disadvantageous, in the sole determination of such Lender, to such Lender. Any Lender claiming any indemnity payment or additional amounts payable pursuant to this Section shall use reasonable efforts (consistent with legal and regulatory restrictions) to deliver to Borrower any certificate or document reasonably requested in writing by the Borrower or to change the jurisdiction of its Applicable Lending Office if the making of such a filing or change would avoid the need for or reduce the amount of any such indemnity payment or additional amounts that may thereafter accrue and would not, in the sole determination of such Lender, be otherwise disadvantageous to such Lender.

(h) Confidentiality . Nothing contained in this Section shall require any Lender or any Agent to make available any of its tax returns (or any other information that it deems to be confidential or proprietary).

Section 2.18. Base Rate Loans Substituted for Affected Euro-Dollar Loans . If (a) the obligation of any Lender to make or maintain, or to convert outstanding Loans to, Euro-Dollar Loans has been suspended pursuant to Section 2.15 or (b) any Lender has demanded compensation under Section 2.16(a) with respect to its Euro-Dollar Loans and, in any such case, the Borrower shall, by at least four Business Days' prior notice to such Lender through the Administrative Agent, have elected that the provisions of this Section shall apply to such Lender, then, unless and until such Lender notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer apply:

(i) all Loans which would otherwise be made by such Lender as (or continued as or converted into) Euro-Dollar Loans shall instead be Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans of the other Lenders); and

(ii) after each of its Euro-Dollar Loans has been repaid, all payments of principal that would otherwise be applied to repay such Loans shall instead be applied to repay its Base Rate Loans.

If such Lender notifies the Borrower that the circumstances giving rise to such notice no longer apply, the principal amount of each such Base Rate Loan shall be converted into a Euro-Dollar Loan on the first day of the next succeeding Interest Period applicable to the related Euro-Dollar

Loans of the other Lenders.

Section 2.19. [Reserved.]

Section 2.20. Defaulting Lenders .

(a) Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(i) fees shall cease to accrue on the unfunded portion of the Commitment of such Defaulting Lender pursuant to Section 2.07(a);

(ii) with respect to any Letter of Credit Liabilities or Swingline Exposure of such Defaulting Lender that exists at the time a Lender becomes a Defaulting Lender or thereafter:

(A) all or any part of such Defaulting Lender's Letter of Credit Liabilities and its Swingline Exposure shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Commitment Ratios (calculated without regard to such Defaulting Lender's Commitment) but only to the extent that (x) the conditions set forth in Section 4.02 are satisfied at such time and (y) such reallocation does not cause the Revolving Outstandings of any Non-Defaulting Lender to exceed such Non-Defaulting Lender's Commitment;

(B) if the reallocation described in clause (ii)(A) above cannot, or can only partially, be effected, each Issuing Lender and the Swingline Lender, in its discretion may require the Borrower to (i) reimburse all amounts paid by an Issuing Lender upon any drawing under a Letter of Credit, (ii) repay an outstanding Swingline Loan, and/or (iii) cash collateralize (in accordance with Section 2.09(a)(ii)) all obligations of such Defaulting Lender in respect of outstanding Letters of Credit and Swingline Loans, in each case, in an amount at least equal to the aggregate amount of the obligations (contingent or otherwise) of such Defaulting Lender in respect of such Letters of Credit or Swingline Loans (after giving effect to any partial reallocation pursuant to Section 2.20(a)(ii)(A) above);

(iii) if the Borrower cash collateralizes any portion of such Defaulting Lender's pursuant to Section 2.20(a)(ii)(B) then the Borrower shall not be required to pay any fees to such Defaulting Lender pursuant to Section 2.07(b) with respect to such Defaulting Lender's Letter of Credit Liabilities during the period such Defaulting Lender's Letter of Credit Liabilities are cash collateralized;

(iv) if the Letter of Credit Liabilities and/or Swingline Exposure of the Non-Defaulting Lenders is reallocated pursuant to Section 2.20(a)(ii)(A) above, then the fees payable to the Lenders pursuant to Section 2.07(a) and Section 2.07(b) shall be adjusted in accordance with such Non-Defaulting Lenders' Commitment Ratios (calculated without regard to such Defaulting Lender's Commitment); and

(v) if any Defaulting Lender's Letter of Credit Liabilities and/or Swingline Exposure is neither reimbursed, repaid, cash collateralized nor reallocated pursuant to this Section 2.20(a)(ii), then, without prejudice to any rights or remedies of the Issuing Lenders, the Swingline Lender or any other Lender hereunder, all fees that otherwise would have been payable to such Defaulting Lender (solely with respect to the portion of such Defaulting Lender's Commitment that was utilized by such Letter of Credit Liabilities and/or Swingline Exposure) and letter of credit fees payable under Section 2.07(b) with respect to such Defaulting Lender's Letter of Credit Liabilities shall be payable to the Issuing Lenders and the Swingline Lender, pro rata, until such Letter of Credit Liabilities and/or Swingline Exposure is cash collateralized, reallocated and/or repaid in full.

(b) So long as any Lender is a Defaulting Lender, (i) no Issuing Lender shall be required to issue, amend or increase any Letter of Credit, unless it is satisfied that the related exposure will be 100% covered by the Commitments of the Non-Defaulting Lenders and/or cash collateral will be provided by the Borrower in accordance with Section 2.20(a), and participating interests in any such newly issued or increased Letter of Credit shall be allocated among Non-Defaulting Lenders in a manner consistent with Section 3.05 (and Defaulting Lenders shall not participate therein) and (ii) the Swingline Lender shall not be required to advance any Swingline Loan, unless it is satisfied that the related exposure will be 100% covered by the Commitments of the Non-Defaulting Lenders.

ARTICLE III
LETTERS OF CREDIT

Section 3.01. Issuing Lenders . Subject to the terms and conditions hereof, the Borrower may from time to time identify and arrange for one or more of the Lenders (in addition to the JLA Issuing Banks) to act as Issuing Lenders hereunder. Any such designation by the Borrower shall be notified to the Administrative Agent at least four Business Days prior to the first date upon which the Borrower proposes that such Issuing Lender issue its first Letter of Credit, so as to provide adequate time for such proposed Issuing Lender to be approved by the Administrative Agent hereunder (such approval not to be unreasonably withheld). Within two Business Days following the receipt of any such designation of a proposed Issuing Lender, the Administrative Agent shall notify the Borrower as to whether such designee is acceptable to the Administrative Agent. Nothing contained herein shall be deemed to require any Lender (other than a JLA Issuing Bank) to agree to act as an Issuing Lender, if it does not so desire.

Section 3.02. Letters of Credit .

(a) Letters of Credit. Each Issuing Lender agrees, on the terms and conditions set forth in this Agreement, to issue Letters of Credit from time to time before the fifth day prior to the Termination Date, for the account, and upon the request, of the Borrower and in support of such obligations of the Borrower or any of its Subsidiaries that are reasonably acceptable to such Issuing Lender; provided, that immediately after each Letter of Credit is issued, (A) the aggregate outstanding amount of Letter of Credit Liabilities shall not exceed $250,000,000, (B) the aggregate Revolving Outstandings shall not exceed the aggregate amount of the Commitments and (C) the aggregate fronting exposure of any Issuing Lender shall not exceed its Fronting Sublimit.

Section 3.03. Method of Issuance of Letters of Credit. The Borrower shall give an Issuing Lender notice substantially in the form of Exhibit A-3 to this Agreement (a "Letter of Credit Request") of the requested issuance or extension of a Letter of Credit prior to 1:00 P.M. (Charlotte, North Carolina time) on the proposed date of the issuance or extension of Letters of Credit (which shall be a Business Day) (or such shorter period as may be agreed by such Issuing Lender in any particular instance), specifying the date such Letter of Credit is to be issued or extended and describing the terms of such Letter of Credit and the nature of the transactions to be supported thereby. The extension or renewal of any Letter of Credit shall be deemed to be an issuance of such Letter of Credit, and if any Letter of Credit contains a provision pursuant to which it is deemed to be extended unless notice of termination is given by an Issuing Lender, such Issuing Lender shall timely give such notice of termination unless it has theretofore timely received a Letter of Credit Request and the other conditions to issuance of a Letter of Credit have theretofore been met with respect to such extension. No Letter of Credit shall have a term of more than one year, provided, that no Letter of Credit shall have a term extending or be so extendible beyond the fifth Business Day before the Termination Date.

Section 3.04. Conditions to Issuance of Letters of Credit. The issuance by an Issuing Lender of each Letter of Credit shall, in addition to the conditions precedent set forth in Article IV, be subject to the conditions precedent that (i) such Letter of Credit shall be satisfactory in form and substance to such Issuing Lender, (ii) the Borrower and, if applicable, any such Affiliate of the Borrower, shall have executed and delivered such other instruments and agreements relating to such Letter of Credit as such Issuing Lender shall have reasonably requested and (iii) such Issuing Lender shall have confirmed on the date of (and after giving effect to) such issuance that (A) the aggregate outstanding amount of Letter of Credit Liabilities shall not exceed $250,000,000, (B) the aggregate Revolving Outstandings will not exceed the aggregate amount of the Commitments and (C) the aggregate fronting exposure of any Issuing Lender shall not exceed the Fronting Sublimit. Notwithstanding any other provision of this Section 3.04, no Issuing Lender shall be under any obligation to issue any Letter of Credit if: any order, judgment or decree of any governmental authority shall by its terms purport to enjoin or restrain such Issuing Lender from issuing such Letter of Credit, or any requirement of law applicable to such Issuing Lender or any request or directive (whether or not having the force of law) from any governmental authority with jurisdiction over such Issuing Lender shall prohibit, or request that such Issuing Lender refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such Issuing Lender with respect to such Letter of Credit any restriction, reserve or capital requirement (for which such Issuing Lender is not otherwise compensated hereunder) not in effect on the Effective Date, or shall impose upon such Issuing Lender any unreimbursed loss, cost or expense which was not applicable on the Effective Date and which such Issuing Lender in good faith deems material to it.

Section 3.05. Purchase and Sale of Letter of Credit Participations. Upon the issuance by an Issuing Lender of a Letter of Credit, such Issuing Lender shall be deemed, without further action by any party hereto, to have sold to each Lender, and each Lender shall be deemed, without further action by any party hereto, to have purchased from such Issuing Lender, without recourse or warranty, an undivided participation interest in such Letter of Credit and the related Letter of Credit Liabilities in accordance with its respective Commitment Ratio (although the Fronting Fee payable under Section 2.07(b) shall be payable directly to the Administrative Agent for the account of the applicable Issuing Lender, and the Lenders (other than such Issuing Lender) shall have no right to receive any portion of any such Fronting Fee) and any security therefor or guaranty pertaining thereto.

Section 3.06. Drawings under Letters of Credit. Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the applicable Issuing Lender shall determine in accordance with the terms of such Letter of Credit whether such drawing should be honored. If such Issuing Lender determines that any such drawing shall be honored, such Issuing Lender shall make available to such beneficiary in accordance with the terms of such Letter of Credit the amount of the drawing and shall notify the Borrower as to the amount to be paid as a result of such drawing and the payment date.

Section 3.07. Reimbursement Obligations. The Borrower shall be irrevocably and unconditionally obligated forthwith to reimburse the applicable Issuing Lender for any amounts paid by such Issuing Lender upon any drawing under any Letter of Credit, together with any and all reasonable charges and expenses which such Issuing Lender may pay or incur relative to such drawing and interest on the amount drawn at the rate applicable to Base Rate Loans for each day from and including the date such amount is drawn to but excluding the date such reimbursement payment is due and payable. Such reimbursement payment shall be due and payable (i) at or before 1:00 P.M. (Charlotte, North Carolina time) on the date the applicable Issuing Lender notifies the Borrower of such drawing, if such notice is given at or before 10:00 A.M. (Charlotte, North Carolina time) on such date or (ii) at or before 10:00 A.M. (Charlotte, North Carolina time) on the next succeeding Business Day; provided, that no payment otherwise required by this sentence to be made by the Borrower at or before 1:00 P.M. (Charlotte, North Carolina time) on any day shall be overdue hereunder if arrangements for such payment satisfactory to the applicable Issuing Lender, in its reasonable discretion, shall have been made by the Borrower at or before 1:00 P.M. (Charlotte, North Carolina time) on such day and such payment is actually made at or before 3:00 P.M. (Charlotte, North Carolina time) on such day. In addition, the Borrower agrees to pay to the applicable Issuing Lender interest, payable on demand, on any and all amounts not paid by the Borrower to such Issuing Lender when due under this Section 3.07, for each day from and including the date when such amount becomes due to but excluding the date such amount is paid in full, whether before or after judgment, at a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate Loans for such day. Each payment to be made by the Borrower pursuant to this Section 3.07 shall be made to the applicable Issuing Lender in Federal or other funds immediately available to it at its address referred to Section 9.01.

Section 3.08. Duties of Issuing Lenders to Lenders; Reliance. In determining whether to pay under any Letter of Credit, the relevant Issuing Lender shall not have any obligation relative to the Lenders participating in such Letter of Credit or the related Letter of Credit Liabilities other than to determine that any document or documents required to be delivered under such Letter of Credit have been delivered and that they substantially comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by an Issuing Lender under or in connection with any Letter of Credit shall not create for such Issuing Lender any resulting liability if taken or omitted in the absence of gross negligence or willful misconduct. Each Issuing Lender shall be entitled (but not obligated) to rely, and shall be fully protected in relying, on the representation and warranty by the Borrower set forth in the last sentence of Section 4.02 to establish whether the conditions specified in clauses (b) and (c) of Section 4.02 are met in connection with any issuance or extension of a Letter of Credit. Each Issuing Lender shall be entitled to rely, and shall be fully protected in relying, upon advice and statements of legal counsel, independent accountants and other experts selected by such Issuing Lender and upon any Letter of Credit, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopier, telex or teletype message, statement, order or other document believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary unless the beneficiary and the Borrower shall have notified such Issuing Lender that such documents do not comply with the terms and conditions of the Letter of Credit. Each Issuing Lender shall be fully justified in refusing to take any action requested of it under this Section in respect of any Letter of Credit unless it shall first have received such advice or concurrence of the Required Lenders as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take, or omitting or continuing to omit, any such action. Notwithstanding any other provision of this Section, each Issuing Lender shall in all cases be fully protected in acting, or in refraining from acting, under this Section in respect of any Letter of Credit in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant hereto shall be binding upon all Lenders and all future holders of participations in such Letter of Credit; provided, that this sentence shall not affect any rights the Borrower may have against any Issuing Lender or the Lenders that make such request.

Section 3.09. Obligations of Lenders to Reimburse Issuing Lender for Unpaid Drawings. If any Issuing Lender makes any payment under any Letter of Credit and the Borrower shall not have reimbursed such amount in full to such Issuing Lender pursuant to Section 3.07, such Issuing Lender shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify each Lender (other than the relevant Issuing Lender), and each such Lender shall promptly and unconditionally pay to the Administrative Agent, for the account of such Issuing Lender, such Lender’s share of such payment (determined in accordance with its respective Commitment Ratio) in Dollars in Federal or other immediately available funds, the aggregate of such payments relating to each unreimbursed amount being referred to herein as a “Mandatory Letter of Credit Borrowing”; provided, however, that no Lender shall be obligated to pay to the Administrative Agent its pro rata share of such unreimbursed amount for any wrongful payment made by the relevant Issuing Lender under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence by such Issuing Lender. If the Administrative Agent so notifies a Lender prior to 11:00 A.M. (Charlotte, North Carolina time) on any Business Day, such Lender shall make available to the Administrative Agent at its address referred to in Section 9.01 and for the account of the relevant Issuing Lender such Lender’s pro rata share of the amount of such payment by 3:00 P.M. (Charlotte, North Carolina time) on the Business Day following such Lender’s receipt of notice from the Administrative Agent, together with interest on such amount for each day from and including the date of such drawing to but excluding the day such payment is due from such Lender at the Federal Funds Rate for such day (which funds the Administrative Agent shall promptly remit to such Issuing Lender). The failure of any Lender to make available to the Administrative Agent for the account of an Issuing Lender its pro rata share of any unreimbursed drawing under any Letter of Credit shall not relieve any other Lender of its obligation hereunder to make available to the Administrative Agent for the account of such Issuing Lender its pro rata share of any payment made under any Letter of Credit on the date required, as specified above, but no such Lender shall be responsible for the failure of any other Lender to make available to the Administrative Agent for the account of such Issuing Lender such other Lender’s pro rata share of any such payment. Upon payment in full of all amounts payable by a Lender under this Section 3.09, such Lender shall be subrogated to the rights of the relevant Issuing Lender against the Borrower to the extent of such Lender’s pro rata share of the related Letter of Credit Liabilities (including interest accrued thereon). If any Lender fails to pay any amount required to be paid by it pursuant to this Section 3.09 on the date on which such payment is due, interest shall accrue on such Lender’s obligation to make such payment, for each day from and including the date such payment became due to but excluding the date such Lender makes such payment, whether before or after judgment, at a rate per annum equal to (i) for each day from the date such payment is due to the third succeeding Business Day, inclusive, the Federal Funds Rate for such day as determined by the relevant Issuing Lender and (ii) for each day thereafter, the sum of 2% plus the rate applicable to its Base Rate Loans for such day. Any payment made by any Lender after 3:00 P.M. (Charlotte, North Carolina time) on any Business Day shall be deemed for purposes of the preceding sentence to have been made on the next succeeding Business Day.

Section 3.10. Funds Received from the Borrower in Respect of Drawn Letters of Credit. Whenever an Issuing Lender receives a payment of a Reimbursement Obligation as to which the Administrative Agent has received for the account of such Issuing Lender any payments from the other Lenders pursuant to Section 3.09 above, such Issuing Lender shall pay the amount of such payment to the Administrative Agent, and the Administrative Agent shall promptly pay to each Lender which has paid its pro rata share thereof, in Dollars in Federal or other immediately available funds, an amount equal to such Lender’s pro rata share of the principal amount thereof and interest thereon for each day after relevant date of payment at the Federal Funds Rate.

Section 3.11. Obligations in Respect of Letters of Credit Unconditional. The obligations of the Borrower under Section 3.07 above shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) any lack of validity or enforceability of this Agreement or any Letter of Credit or any document related hereto or thereto;

(b) any amendment or waiver of or any consent to departure from all or any of the provisions of this Agreement or any Letter of Credit or any document related hereto or thereto;

(c) the use which may be made of the Letter of Credit by, or any acts or omission of, a beneficiary of a Letter of Credit (or any Person for whom the beneficiary may be acting);

(d) the existence of any claim, set-off, defense or other rights that the Borrower may have at any time against a beneficiary of a Letter of Credit (or any Person for whom the beneficiary may be acting), any Issuing Lender or any other Person, whether in connection with this Agreement or any Letter of Credit or any document related hereto or thereto or any unrelated transaction;

(e) any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(f) payment under a Letter of Credit against presentation to an Issuing Lender of a draft or certificate that does not comply with the terms of such Letter of Credit; provided, that the relevant Issuing Lender's determination that documents presented under such Letter of Credit comply with the terms thereof shall not have constituted gross negligence or willful misconduct of such Issuing Lender; or

(g) any other act or omission to act or delay of any kind by any Issuing Lender or any other Person or any other event or circumstance whatsoever that might, but for the provisions of this subsection (g), constitute a legal or equitable discharge of the Borrower's obligations hereunder.

Nothing in this Section 3.11 is intended to limit the right of the Borrower to make a claim against any Issuing Lender for damages as contemplated by the proviso to the first sentence of Section 3.12.

Section 3.12. Indemnification in Respect of Letters of Credit. The Borrower hereby indemnifies and holds harmless each Lender (including each Issuing Lender) and the Administrative Agent from and against any and all claims, damages, losses, liabilities, costs or expenses which such Lender or the Administrative Agent may incur by reason of or in connection with the failure of any other Lender to fulfill or comply with its obligations to such Issuing Lender hereunder (but nothing herein contained shall affect any rights which the Borrower may have against such defaulting Lender), and none of the Lenders (including any Issuing Lender) nor the Administrative Agent, their respective affiliates nor any of their respective officers, directors, employees or agents shall be liable or responsible, by reason of or in connection with the execution and delivery or transfer of or payment or failure to pay under any Letter of Credit, including, without limitation, any of the circumstances enumerated in Section 3.11, as well as (i) any error, omission, interruption or delay in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, (ii) any error in interpretation of technical terms, (iii) any loss or delay in the transmission of any document required in order to make a drawing under a Letter of Credit, (iv) any consequences arising from causes beyond the control of such indemnitee, including without limitation, any government acts, or (v) any other circumstances whatsoever in making or failing to make payment under such Letter of Credit; provided, that the Borrower shall not be required to indemnify any Issuing Lender for any claims, damages, losses, liabilities, costs or expenses, and the Borrower shall have a claim against such Issuing Lender for direct (but not consequential) damages suffered by it, to the extent found by a court of competent jurisdiction in a final, non-appealable judgment or order to have been caused by (i) the willful misconduct or gross negligence of such Issuing Lender in determining whether a request presented under any Letter of Credit issued by it complied with the terms of such Letter of Credit or (ii) such Issuing Lender's failure to pay under any Letter of Credit issued by it after the presentation to it of a request strictly complying with the terms and conditions of such Letter of Credit. Nothing in this Section 3.12 is intended to limit the obligations of the Borrower under any other provision of this Agreement.

Section 3.13. ISP98. The rules of the "International Standby Practices 1998" as published by the International Chamber of Commerce most recently at the time of issuance of any Letter of Credit shall apply to such Letter of Credit unless otherwise expressly provided in such Letter of Credit.

ARTICLE IV
CONDITIONS

Section 4.01. Conditions to Closing. The obligation of each Lender to make a Loan or issue a Letter of Credit on the occasion of the first Credit Event hereunder is subject to the satisfaction of the following conditions:

(a) This Agreement. The Administrative Agent shall have received counterparts hereof signed by each of the parties hereto or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Administrative Agent in form satisfactory to it of telegraphic, telex, facsimile or other written confirmation from such party of execution of a counterpart hereof by such party) to be held in escrow and to be delivered to the Borrower upon satisfaction of the other conditions set forth in this Section 4.01.

(b) Notes. On or prior to the Effective Date, the Administrative Agent shall have received a duly executed Note for the account of each Lender requesting delivery of a Note pursuant to Section 2.05.

(c) Officers' Certificates. The Administrative Agent shall have received a certificate dated the Effective Date signed on behalf of the Borrower by the Chairman of the Board, the President, any Vice President, the Treasurer or any Assistant Treasurer of the Borrower stating that (A) on the Effective Date and after giving effect to the Loans and Letters of Credit being made or issued on the Effective Date, no Default shall have occurred and be continuing and (B) the representations and warranties of the Borrower contained in the Loan Documents are true and correct on and as of the Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they were true and correct as of such earlier date.

(d) Proceedings. On the Effective Date, the Administrative Agent shall have received (i) a certificate of the Secretary of State of the Commonwealth of Kentucky, dated as of a recent date, as to the good standing of the Borrower and (ii) a certificate of the Secretary or an Assistant Secretary of the Borrower dated the Effective Date and certifying (A) that attached thereto is a true, correct and complete copy of (x) the Borrower's articles of incorporation certified by the Secretary of State of the Commonwealth of Kentucky and (y) the bylaws of the Borrower, (B) as to the absence of dissolution or liquidation proceedings by or against the Borrower, (C) that attached thereto is a true, correct and complete copy of resolutions adopted by the board of directors of the Borrower authorizing the execution, delivery and performance of the Loan Documents to which the Borrower is a party and each other document delivered in connection herewith or therewith and that such resolutions have not been amended and are in full force and effect on the date of such certificate and (D) as to the incumbency and specimen signatures of each officer of the Borrower executing the Loan Documents to which the Borrower is a party or any other document delivered in connection herewith or therewith.

(e) Opinions of Counsel. On the Effective Date, the Administrative Agent shall have received from counsel to the Borrower, opinions addressed to the Administrative Agent and each Lender, dated the Effective Date, substantially in the form of Exhibit D hereto.

(f) Consents. All necessary governmental (domestic or foreign), regulatory and third party approvals, including, without limitation, the order of the KPSC (the "KPSC Order") and any required approvals of the FERC, authorizing borrowings hereunder in connection with the transactions contemplated by this Agreement and the other Loan Documents shall have been obtained and remain in full force and effect, in each case without any action being taken by any competent authority which could restrain or prevent such transaction or impose, in the reasonable judgment of the Administrative Agent, materially adverse conditions upon the consummation of such transactions.

(g) Payment of Fees. All costs, fees and expenses due to the Administrative Agent, the Joint Lead Arrangers and the Lenders accrued through the Effective Date (including Commitment Fees and Letter of Credit Fees) shall have been paid in full.

(h) Counsel Fees. The Administrative Agent shall have received full payment from the Borrower of the fees and expenses of Davis Polk & Wardwell LLP described in Section 9.03 which are billed through the Effective Date and which have been invoiced one Business Day prior to the Effective Date.

(i) Amendment Fee. The Borrower shall have paid to the Administrative Agent for the account of each Lender a non-refundable and fully earned fee (the "Amendment Fee") as set forth in the Fee Letter on or before the Effective Date.

Section 4.02. Conditions to All Credit Events. The obligation of any Lender to make any Loan, and the obligation of any Issuing Lender to issue (or renew or extend the term of) any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) receipt by the Administrative Agent of a Notice of Borrowing as required by Section 2.03, or receipt by an Issuing Lender of a Letter of Credit Request as required by Section 3.03;

(b) the fact that, immediately before and after giving effect to such Credit Event, no Default shall have occurred and be continuing; and

(c) the fact that the representations and warranties of the Borrower contained in this Agreement and the other Loan Documents shall be true and correct on and as of the date of such Credit Event, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they were true and correct as of such earlier date and except for the representations in Section 5.04(c), Section 5.05 and Section 5.13, which shall be deemed only to relate to the matters referred to therein on and as of the Effective Date.

Each Credit Event under this Agreement shall be deemed to be a representation and warranty by the Borrower on the date of such Credit Event as to the facts specified in clauses (b) and (c) of this Section.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

Section 5.01. Status. The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Kentucky and has the corporate authority to make and perform this Agreement and each other Loan Document to which it is a party.

Section 5.02. Authority; No Conflict. The execution, delivery and performance by the Borrower of this Agreement and each other Loan Document to which it is a party have been duly authorized by all necessary corporate action and do not violate (i) any provision of law or regulation, or any decree, order, writ or judgment, (ii) any provision of its articles of incorporation or bylaws, or (iii) result in the breach of or constitute a default under any indenture or other agreement or instrument to which the Borrower is a party.

Section 5.03. Legality; Etc. This Agreement and each other Loan Document (other than the Notes) to which the Borrower is a party constitute the legal, valid and binding obligations of the Borrower, and the Notes, when executed and delivered in accordance with this Agreement, will constitute legal, valid and binding obligations of the Borrower, in each case enforceable against the Borrower in accordance with their terms except to the extent limited by (a) bankruptcy, insolvency, fraudulent conveyance or reorganization laws or by other similar laws relating to or affecting the enforceability of creditors' rights generally and by general equitable principles which may limit the right to obtain equitable remedies regardless of whether enforcement is considered in a proceeding of law or equity or (b) any applicable public policy on enforceability of provisions relating to contribution and indemnification.

Section 5.04. Financial Condition.

(a) Audited Financial Statements. The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 2011 and the related consolidated statements of income and cash flows for the fiscal year then ended, reported on by PricewaterhouseCoopers LLP, copies of which have been delivered to each of the Administrative Agent and the Lenders, fairly present, in conformity with GAAP, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year.

(b) Interim Financial Statements. The unaudited consolidated balance sheet of the Borrower and its Consolidated

Subsidiaries as of June 30, 2012 and the related unaudited consolidated statements of income and cash flows for the six months then ended fairly present, in conformity with GAAP applied on a basis consistent with the financial statements referred to in subsection (a) of this Section, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such six-month period (subject to normal year-end audit adjustments).

(c) Material Adverse Change. Since December 31, 2011 there has been no change in the business, assets, financial condition or operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, that would materially and adversely affect the Borrower's ability to perform any of its obligations under this Agreement, the Notes or the other Loan Documents.

Section 5.05. Litigation. Except as disclosed in or contemplated by the financial statements referenced in Sections 5.04(a) and 5.05 (b) above, or in any subsequent report of the Borrower filed with the SEC on Form 10-K, 10-Q or 8-K, or otherwise furnished in writing to the Administrative Agent and each Lender, no litigation, arbitration or administrative proceeding against the Borrower is pending or, to the Borrower's knowledge, threatened, which would reasonably be expected to materially and adversely affect the ability of the Borrower to perform any of its obligations under this Agreement, the Notes or the other Loan Documents. There is no litigation, arbitration or administrative proceeding pending or, to the knowledge of the Borrower, threatened which questions the validity of this Agreement or the other Loan Documents to which it is a party.

Section 5.06. No Violation. No part of the proceeds of the borrowings by hereunder will be used, directly or indirectly by the Borrower for the purpose of purchasing or carrying any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, or for any other purpose which violates, or which conflicts with, the provisions of Regulations U or X of said Board of Governors. The Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any such "margin stock".

Section 5.07. ERISA. Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Material Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Material Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Material Plan, (ii) failed to make any contribution or payment to any Material Plan, or made any amendment to any Material Plan, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Internal Revenue Code or (iii) incurred any material liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

Section 5.08. Governmental Approvals. No authorization, consent or approval from any Governmental Authority is required for the execution, delivery and performance by the Borrower of this Agreement, the Notes and the other Loan Documents to which it is a party and except such authorizations, consents and approvals, including, without limitation, the KPSC Order, as shall have been obtained prior to the Effective Date and shall be in full force and effect.

Section 5.09. Investment Company Act. The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 5.10. Tax Returns and Payments. The Borrower has filed or caused to be filed all Federal, state, local and foreign income tax returns required to have been filed by it and has paid or caused to be paid all income taxes shown to be due on such returns except income taxes that are being contested in good faith by appropriate proceedings and for which the Borrower shall have set aside on its books appropriate reserves with respect thereto in accordance with GAAP or that would not reasonably be expected to have a Material Adverse Effect.

Section 5.11. Compliance with Laws. To the knowledge of the Borrower, the Borrower is in compliance with all applicable laws, regulations and orders of any Governmental Authority, domestic or foreign, in respect of the conduct of its business and the ownership of its property (including, without limitation, compliance with all applicable ERISA and Environmental Laws and the requirements of any permits issued under such Environmental Laws), except to the extent (a) such compliance is being contested in good faith by appropriate proceedings or (b) non-compliance would not reasonably be expected to materially and adversely affect its ability to perform any of its obligations under this Agreement, the Notes or any other Loan Document to which it is a party.

Section 5.12. No Default. No Default has occurred and is continuing.

Section 5.13. Environmental Matters.

(a) Except (i) as disclosed in or contemplated by the financial statements referenced in Sections 5.04(a) and 5.04(b) above, or in any subsequent report of the Borrower filed with the SEC on Form 10-K, 10-Q or 8-K, or otherwise furnished in writing to the Administrative Agent and each Lender, or (ii) to the extent that the liabilities of the Borrower and its Subsidiaries, taken as a whole, that relate to or could reasonably be expected to result from the matters referred to in clauses (i) through (iii) of this Section 5.13(a), inclusive, would not reasonably be expected to result in a Material Adverse Effect:

(i) no notice, notification, citation, summons, complaint or order has been received by the Borrower or any of its Subsidiaries, no penalty has been assessed nor is any investigation or review pending or, to the Borrower's or any of its Subsidiaries' knowledge, threatened by any governmental or other entity with respect to any (A) alleged violation by or liability of the Borrower or any of its Subsidiaries of or under any Environmental Law, (B) alleged failure by the Borrower or any of its Subsidiaries to have any environmental permit, certificate, license, approval, registration or authorization required in connection with the conduct of its business or (C) generation, storage, treatment, disposal, transportation or release of Hazardous Substances;

(ii) to the Borrower's or any of its Subsidiaries' knowledge, no Hazardous Substance has been released (and no written notification of such release has been filed) (whether or not in a reportable or threshold planning quantity) at, on or under any property now or previously owned, leased or operated by the Borrower or any of its Subsidiaries; and

(iii) no property now or previously owned, leased or operated by the Borrower or any of its Subsidiaries or, to the Borrower's or any of its Subsidiaries' knowledge, any property to which the Borrower or any of its Subsidiaries has, directly or indirectly, transported or arranged for the transportation of any Hazardous Substances, is listed or, to the Borrower's or any of its Subsidiaries' knowledge, proposed for listing, on the National Priorities List promulgated pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (" CERCLA "), on CERCLIS (as defined in CERCLA) or on any similar federal, state or foreign list of sites requiring investigation or clean-up.

(b) Except as disclosed in or contemplated by the financial statements referenced in Sections 5.04(a) and 5.04(b) above, or in any subsequent report of the Borrower filed with the SEC on Form 10-K, 10-Q or 8-K, or otherwise furnished in writing to the Administrative Agent and each Lender, to the Borrower's or any of its Subsidiaries' knowledge, there are no Environmental Liabilities that have resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) For purposes of this Section 5.13, the terms "the Borrower" and "Subsidiary" shall include any business or business entity (including a corporation) which is a predecessor, in whole or in part, of the Borrower or any of its Subsidiaries from the time such business or business entity became a Subsidiary of PPL Corporation, a Pennsylvania corporation.

Section 5.14. OFAC . None of the Borrower, any Subsidiary of the Borrower or any Affiliate of the Borrower: (i) is a Sanctioned Person, (ii) has more than 10% of its assets in Sanctioned Entities, or (iii) derives more than 10% of its operating income from investments in, or transactions with Sanctioned Persons or Sanctioned Entities. The proceeds of any Loan will not be used and have not been used to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Person or a Sanctioned Entity.

ARTICLE VI
COVENANTS

The Borrower agrees that so long as any Lender has any Commitment hereunder or any amount payable hereunder or under any Note or other Loan Document remains unpaid or any Letter of Credit Liability remains outstanding:

Section 6.01. Information . The Borrower will deliver or cause to be delivered to each of the Lenders (it being understood that the posting of the information required in clauses (a), (b) and (f) of this Section 6.01 on the Borrower's website or PPL Corporation's website (http://www.pplweb.com) or making such information available on IntraLinks, Syndtrak (or similar service) shall be deemed to be effective delivery to the Lenders):

(a) Annual Financial Statements . Promptly when available and in any event within ten (10) days after the date such information is required to be delivered to the SEC (or, if the Borrower is not a Public Reporting Company, within one hundred and five (105) days after the end of each fiscal year of the Borrower), a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of income and cash flows for such fiscal year and accompanied by an opinion thereon by independent public accountants of recognized national standing, which opinion shall state that such consolidated financial statements present fairly the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of the date of such financial statements and the results of their operations for the period covered by such financial statements in conformity with GAAP applied on a consistent basis.

(b) Quarterly Financial Statements . Promptly when available and in any event within ten (10) days after the date such information is required to be delivered to the SEC (or, if the Borrower is not a Public Reporting Company, within sixty (60) days after the end of each quarterly fiscal period in each fiscal year of the Borrower (other than the last quarterly fiscal period of the Borrower)), a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such quarter and the related consolidated statements of income and cash flows for such fiscal quarter, all certified (subject to normal year-end audit adjustments) as to fairness of presentation, GAAP and consistency by any vice president, the treasurer or the controller of the Borrower.

(c) Officer's Certificate . Simultaneously with the delivery of each set of financial statements referred to in subsections (a) and (b) above, a certificate of the chief accounting officer or controller of the Borrower, (i) setting forth in reasonable detail the calculations required to establish compliance with the requirements of Section 6.09 on the date of such financial statements and (ii) stating whether there exists on the date of such certificate any Default and, if any Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto.

(d) Default . Forthwith upon acquiring knowledge of the occurrence of any (i) Default or (ii) Event of Default, in either case a certificate of a vice president or the treasurer of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto.

(e) Change in Borrower's Ratings . Promptly, upon the chief executive officer, the president, any vice president or any senior financial officer of the Borrower obtaining knowledge of any change in a Borrower's Rating, a notice of such Borrower's Rating in effect after giving effect to such change.

(f) Securities Laws Filing . To the extent the Borrower is a Public Reporting Company, promptly, when available and in any event within ten (10) days after the date such information is required to be delivered to the SEC, a copy of any Form 10-K Report to the SEC and a copy of any Form 10-Q Report to the SEC, and promptly upon the filing thereof, any other filings with the SEC.

(g) ERISA Matters. If and when any member of the ERISA Group: (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Material Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Material Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives, with respect to any Material Plan that is a Multiemployer Plan, notice of any complete or partial withdrawal liability under Title IV of ERISA, or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose material liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Material Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code with respect to a Material Plan, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA; or (vii) fails to make any payment or contribution to any Plan or makes any amendment to any Plan which has resulted or could result in the imposition of a Lien or the posting of a bond or other security, a copy of such notice, a certificate of the chief accounting officer or controller of the Borrower setting forth details as to such occurrence and action, if any, which the Borrower or applicable member of the ERISA Group is required or proposes to take.

(h) Other Information. From time to time such additional financial or other information regarding the financial condition, results of operations, properties, assets or business of the Borrower or any of its Subsidiaries as any Lender may reasonably request.

The Borrower hereby acknowledges that (a) the Administrative Agent will make available to the Lenders and each Issuing Lender materials and/or information provided by or on behalf of the Borrower hereunder (collectively, " Borrower Materials ") by posting the Borrower Materials on IntraLinks or another similar electronic system (the " Platform ") and (b) certain of the Lenders may be "public-side" Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to the Borrower or its securities) (each, a " Public Lender "). The Borrower hereby agrees that it will use commercially reasonable efforts to identify that portion of the Borrower Materials that may be distributed to the Public Lenders and that (w) all such Borrower Materials shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," the Borrower shall be deemed to have authorized the Administrative Agent, the Issuing Lenders and the Lenders to treat such Borrower Materials as not containing any material non-public information (although it may be sensitive and proprietary) with respect to the Borrower or its securities for purposes of United States Federal and state securities laws (provided , however , that to the extent such Borrower Materials constitute Information (as defined below), they shall be treated as set forth in Section 9.12); (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor;" and (z) the Administrative Agent shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting (subject to Section 9.12) on a portion of the Platform not designated "Public Investor." " Information " means all information received from the Borrower or any of its Subsidiaries relating to the Borrower or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Administrative Agent, any Lender or any Issuing Lender on a nonconfidential basis prior to disclosure by the Borrower or any of its Subsidiaries; provided that, in the case of information received from the Borrower or any of its Subsidiaries after the Effective Date, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Section 6.02. Maintenance of Property; Insurance.

(a) Maintenance of Properties. The Borrower will keep all property useful and necessary in its businesses in good working order and condition, subject to ordinary wear and tear, unless the Borrower determines in good faith that the continued maintenance of any of such properties is no longer economically desirable and so long as the failure to so maintain such properties would not reasonably be expected to have a Material Adverse Effect.

(b) Insurance. The Borrower will maintain, or cause to be maintained, insurance with financially sound (determined in the reasonable judgment of the Borrower) and responsible companies in such amounts (and with such risk retentions) and against such risks as is usually carried by owners of similar businesses and properties in the same general areas in which the Borrower operates.

Section 6.03. Conduct of Business and Maintenance of Existence. The Borrower will (i)continue to engage in businesses of the same general type as now conducted by the Borrower and its Subsidiaries and businesses related thereto or arising out of such businesses, except to the extent that the failure to maintain any existing business would not have a Material Adverse Effect and (ii) except as otherwise permitted in Section 6.07, preserve, renew and keep in full force and effect, and will cause each of its Subsidiaries to preserve, renew and keep in full force and effect, their respective corporate (or other entity) existence and their respective rights, privileges and franchises necessary or material to the normal conduct of business, except, in each case, where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

Section 6.04. Compliance with Laws, Etc. The Borrower will comply with all applicable laws, regulations and orders of any Governmental Authority, domestic or foreign, in respect of the conduct of its business and the ownership of its property (including, without limitation, compliance with all applicable ERISA and Environmental Laws and the requirements of any permits issued under such Environmental Laws), except to the extent (a) such compliance is being contested in good faith by appropriate proceedings or (b) non-compliance could not reasonably be expected to have a Material Adverse Effect.

Section 6.05. Books and Records. The Borrower (i) will keep, and will cause each of its Subsidiaries to keep, proper books of record and account in conformity with GAAP and (ii) will permit representatives of the Administrative Agent and each of the Lenders to visit and inspect any of their respective properties, to examine and make copies from any of their respective books and records and to discuss their respective affairs, finances and accounts with their officers, any employees and independent public accountants, all at such reasonable times and as often as may reasonably be desired; provided, that, the rights created in this Section 6.05 to "visit", "inspect", "discuss" and copy shall not extend to any matters which the Borrower deems, in good faith, to be confidential, unless the Administrative Agent and any such Lender agree in writing to keep such matters confidential.

Section 6.06. Use of Proceeds. The proceeds of the Loans made under this Agreement will be used by the Borrower to repay loans under the Existing Credit Agreement on the Effective Date and for general corporate purposes of the Borrower and its Subsidiaries, including for working capital purposes and for making investments in or loans to Subsidiaries. The Borrower will request the issuance of Letters of Credit solely for general corporate purposes of the Borrower and its Subsidiaries including to support issuances of tax-exempt pollution control bonds issued on behalf of the Borrower and/or its Subsidiaries. No such use of the proceeds for general corporate purposes will be, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any Margin Stock within the meaning of Regulation U.

Section 6.07. Merger or Consolidation. The Borrower will not merge with or into or consolidate with or into any other corporation or entity, unless (i) immediately after giving effect thereto, no event shall occur and be continuing which constitutes a Default, (ii) the surviving or resulting Person, as the case may be, assumes and agrees in writing to pay and perform all of the obligations of the Borrower under this Agreement, (iii) substantially all of the consolidated assets and consolidated revenues of the surviving or resulting Person, as the case may be, are anticipated to come from the utility or energy businesses and (iv) the senior long-term debt ratings from both Rating Agencies of the surviving or resulting Person, as the case may be, immediately following the merger or consolidation is equal to or greater than the senior long-term debt ratings from both Rating Agencies of the Borrower immediately preceding the announcement of such consolidation or merger.

Section 6.08. Asset Sales. Except for the sale of assets required to be sold to conform with governmental requirements, the Borrower shall not consummate any Asset Sale, if the aggregate net book value of all such Asset Sales consummated during the four calendar quarters immediately preceding any date of determination would exceed 25% of the total assets of the Borrower and its Consolidated Subsidiaries as of the beginning of the Borrower's most recently ended full fiscal quarter; provided, however, that any such Asset Sale will be disregarded for purposes of the 25% limitation specified above: (a) if any such Asset Sale is in the ordinary course of business of the Borrower (b) if the assets subject to any such Asset Sale are worn out or are no longer useful or necessary in connection with the operation of the businesses of the Borrower; (c) if the assets subject to any such Asset Sale are being transferred to a Wholly Owned Subsidiary of the Borrower; (d) if the proceeds from any such Asset Sale (i) are, within twelve (12) months of such Asset Sale, invested or reinvested by the Borrower in a Permitted Business, (ii) are used by the Borrower to repay Debt of the Borrower, or (iii) are retained by the Borrower; or (e) if, prior to any such Asset Sale, both Rating Agencies confirm the then-current Borrower Ratings after giving effect to any such Asset Sale.

Section 6.09. Consolidated Debt to Consolidated Capitalization Ratio. The ratio of Consolidated Debt of the Borrower to Consolidated Capitalization of the Borrower shall not exceed 70%, measured as of the end of each fiscal quarter.

ARTICLE VII
DEFAULTS

Section 7.01. Events of Default. If one or more of the following events (each an "Event of Default") shall have occurred and be continuing:

(a) the Borrower shall fail to pay when due any principal on any Loans or Reimbursement Obligations; or

(b) the Borrower shall fail to pay when due any interest on the Loans and Reimbursement Obligations, any fee or any other amount payable hereunder or under any other Loan Document for five (5) days following the date such payment becomes due hereunder; or

(c) the Borrower shall fail to observe or perform any covenant or agreement contained in clause (ii) of Section 6.05, or Sections 6.06, 6.07, 6.08 or 6.09; or

(d) the Borrower shall fail to observe or perform any covenant or agreement contained in Section 6.01(d)(i) for 30 days after any such failure or in Section 6.01(d)(ii) for ten (10) days after any such failure; or

(e) the Borrower shall fail to observe or perform any covenant or agreement contained in this Agreement or any other Loan Document (other than those covered by clauses (a), (b), (c) or (d) above) for thirty (30) days after written notice thereof has been given to the defaulting party by the Administrative Agent, or at the request of the Required Lenders; or

(f) any representation, warranty or certification made by the Borrower in this Agreement or any other Loan Document or in any certificate, financial statement or other document delivered pursuant hereto or thereto shall prove to have been incorrect in any material respect when made or deemed made; or

(g) the Borrower shall (i) fail to pay any principal or interest, regardless of amount, due in respect of any Material Debt beyond any period of grace provided with respect thereto, or (ii) fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any such Material Debt beyond any period of grace provided with respect thereto if the effect of any failure referred to in this clause (ii) is to cause, or to permit the holder or holders of such Debt or a trustee on its or their behalf to cause, such Debt to become due prior to its stated maturity; or

(h) the Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay, or shall admit in writing its inability to pay, its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(i) an involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Borrower under the Bankruptcy Code; or

(j) any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of $50,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could reasonably be expected to cause one or more members of the ERISA Group to incur a current payment obligation in excess of $50,000,000; or

(k) the Borrower shall fail within sixty (60) days to pay, bond or otherwise discharge any judgment or order for the payment of money in excess of $20,000,000, entered against the Borrower that is not stayed on appeal or otherwise being appropriately contested in good faith; or

(l) a Change of Control shall have occurred;

then, and in every such event, while such event is continuing, the Administrative Agent may (A) if requested by the Required Lenders, by notice to the Borrower terminate the Commitments, and the Commitments shall thereupon terminate, and (B) if requested by the Lenders holding more than 50% of the sum of the aggregate outstanding principal amount of the Loans and Letter of Credit Liabilities at such time, by notice to the Borrower declare the Loans and Letter of Credit Liabilities (together with accrued interest and accrued and unpaid fees thereon and all other amounts due hereunder) to be, and the Loans and Letter of Credit Liabilities shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind (except as set forth in clause (A) above), all of which are hereby waived by the Borrower and require the Borrower to, and the Borrower shall, cash collateralize (in accordance with Section 2.09(a)(ii)) all Letter of Credit Liabilities then outstanding; provided, that, in the case of any Default or any Event of Default specified in clause 7.01(h) or 7.01(i) above with respect to the Borrower, without any notice to the Borrower or any other act by the Administrative Agent or any Lender, the Commitments shall thereupon terminate and the Loans and Letter of Credit Liabilities (together with accrued interest and accrued and unpaid fees thereon and all other amounts due hereunder) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower, and the Borrower shall cash collateralize (in accordance with Section 2.09(a)(ii)) all Letter of Credit Liabilities then outstanding.

ARTICLE VIII
THE AGENTS

Section 8.01. Appointment and Authorization. Each Lender hereby irrevocably designates and appoints the Administrative Agent to act as specified herein and in the other Loan Documents and to take such actions on its behalf under the provisions of this Agreement and the other Loan Documents and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. The Administrative Agent agrees to act as such upon the express conditions contained in this Article VIII. Notwithstanding any provision to the contrary elsewhere in this Agreement or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein or in the other Loan Documents, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Administrative Agent. The provisions of this Article VIII are solely for the benefit of the Administrative Agent and Lenders, and no other Person shall have any rights as a third party beneficiary of any of the provisions hereof. For the sake of clarity, the Lenders hereby agree that no Agent other than the Administrative Agent shall have, in such capacity, any duties or powers with respect to this Agreement or the other Loan Documents.

Section 8.02. Individual Capacity. The Administrative Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower and its Affiliates as though the Administrative Agent were not an Agent. With respect to the Loans made by it and all obligations owing to it, the Administrative Agent shall have the same rights and powers under this Agreement as any Lender and may exercise the same as though it were not an Agent, and the terms "Required Lenders", "Lender" and "Lenders" shall include the Administrative Agent in its individual capacity.

Section 8.03. Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents or attorneys-in-fact. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care except to the extent otherwise required by Section 8.07.

Section 8.04. Reliance by the Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy or other electronic facsimile transmission, telex, telegram, cable, teletype, electronic transmission by modem, computer disk or any other message, statement, order or other writing or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders, or all of the Lenders, if applicable, as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders or all of the Lenders, if applicable, and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders.

Section 8.05. Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default hereunder unless the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default and stating that such notice is a "notice of default". If the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default as shall be reasonably directed by the Required Lenders; provided, that, unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable in the best interests of the Lenders.

Section 8.06. Non-Reliance on the Agents and Other Lenders. Each Lender expressly acknowledges that no Agent or officer, director, employee, agent, attorney-in-fact or affiliate of any Agent has made any representations or warranties to it and that no act by any Agent hereafter taken, including any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by such Agent to any Lender. Each Lender acknowledges to the Agents that it has, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, assets, operations, property, financial and other condition, prospects and creditworthiness of the Borrower and made its own decision to make its Loans hereunder and to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, assets, operations, property, financial and other condition, prospects and creditworthiness of the Borrower. No Agent shall have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, assets, property, financial and other condition, prospects or creditworthiness of the Borrower which may come into the possession of such Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

Section 8.07. Exculpatory Provisions. The Administrative Agent shall not, and no officers, directors, employees, agents, attorneys-in-fact or affiliates of the Administrative Agent, shall (i) be liable for any action lawfully taken or omitted to be taken by it under or in connection with this Agreement or any other Loan Document (except for its own gross negligence, willful misconduct or bad faith) or (ii) be responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower or any of its officers contained in this Agreement, in any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document or for any failure of the Borrower or any of its officers to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower. The Administrative Agent shall not be responsible to any Lender for the effectiveness, genuineness, validity, enforceability, collectibility or sufficiency of this Agreement or any other Loan Document or for any representations, warranties, recitals or statements made by any other Person herein or therein or made by any other Person in any written or oral statement or in any financial or other statements, instruments, reports, certificates or any other documents in connection herewith or therewith furnished or made by the Administrative Agent to the Lenders or by or on behalf of the Borrower to the Administrative Agent or any Lender or be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained herein or therein or as to the use of the proceeds of the Loans or of the existence or possible existence of any Default.

Section 8.08. Indemnification. To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under Sections 9.03(a), (b) or (c) to be paid by it to the Administrative Agent (or any sub-agent thereof), the Lenders severally agree to indemnify the Administrative Agent, in its capacity as such, and hold the Administrative Agent, in its capacity as such, harmless ratably according to their respective Commitments from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and reasonable expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the full payment of the obligations of the Borrower hereunder) be imposed on, incurred by or asserted against the Administrative Agent, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Document, or any documents contemplated hereby or referred to herein or the transactions contemplated hereby or any action taken or omitted to be taken by the Administrative Agent under or in connection with any of the foregoing, but only to the extent that any of the foregoing is not paid by the Borrower; provided, that no Lender shall be liable to the Administrative Agent for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs or expenses or disbursements resulting from the gross negligence, willful misconduct or bad faith of the Administrative Agent. If any indemnity furnished to the Administrative Agent for any purpose shall, in the reasonable opinion of the Administrative Agent, be insufficient or become impaired, the Administrative Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished. The agreement in this Section 8.08 shall survive the payment of all Loans, Letter of Credit Liabilities, fees and other obligations of the Borrower arising hereunder.

Section 8.09. Resignation; Successors. The Administrative Agent may resign as Administrative Agent upon twenty (20) days notice to the Lenders. Upon the resignation of the Administrative Agent, the Required Lenders shall have the right to appoint from among the Lenders a successor to the Administrative Agent, subject to prior approval by the Borrower (so long as no Event of Default exists) (such approval not to be unreasonably withheld), whereupon such successor Administrative Agent shall succeed to and become vested with all the rights, powers and duties of the retiring Administrative Agent, and the term "Administrative Agent" shall include such successor Administrative Agent effective upon its appointment, and the retiring Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any other Loan Document. If no successor shall have been appointed by the Required Lenders and approved by the Borrower and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may at its election give notice to the Lenders and the Borrower of the immediate effectiveness of its resignation and such resignation shall thereupon become effective and the Lenders collectively shall perform all of the duties of the Administrative Agent hereunder and under the other Loan Documents until such time, if any, as the Required Lenders appoint a successor agent as provided for above. After the retiring

Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement or any other Loan Document.

Section 8.10. Administrative Agent's Fees . The Borrower shall pay to the Administrative Agent for its own account fees in the amount and at the times agreed to and accepted by the Borrower pursuant to the Fee Letter.

ARTICLE IX
MISCELLANEOUS

Section 9.01. Notices . Except as otherwise expressly provided herein, all notices and other communications hereunder shall be in writing (for purposes hereof, the term "writing" shall include information in electronic format such as electronic mail and internet web pages) or by telephone subsequently confirmed in writing; provided that the foregoing shall not apply to notices to any Lender, the Swingline Lender or Issuing Lender pursuant to Article II or Article III, as applicable, if such Lender, Swingline Lender or Issuing Lender, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Article in electronic format. Any notice shall have been duly given and shall be effective if delivered by hand delivery or sent via electronic mail, telecopy, recognized overnight courier service or certified or registered mail, return receipt requested, or posting on an internet web page, and shall be presumed to be received by a party hereto (i) on the date of delivery if delivered by hand or sent by electronic mail, posting on an internet web page, or telecopy, (ii) on the Business Day following the day on which the same has been delivered prepaid (or on an invoice basis) to a reputable national overnight air courier service or (iii) on the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid, in each case to the respective parties at the address or telecopy numbers, in the case of the Borrower and the Administrative Agent, set forth below, and, in the case of the Lenders, set forth on signature pages hereto, or at such other address as such party may specify by written notice to the other parties hereto:

if to the Borrower:

Louisville Gas and Electric Company
220 West Main Street
Louisville, Kentucky 40202
Attention: Treasurer
Telephone: 502-627-4956
Facsimile: 502-627-4742

with copies to:

Louisville Gas and Electric Company
220 West Main Street
Louisville, Kentucky 40202
Attention: General Counsel
Telephone: 502-627-3450
Facsimile: 502-627-3367

PPL Services Corporation
Two North Ninth Street (GENTW4)
Allentown, Pennsylvania 18101-1179
Attention: Frederick C. Paine, Esq.
Telephone: 610-774-7445
Facsimile: 610-774-6726

PPL Services Corporation
Two North Ninth Street (GENTW14)
Allentown, Pennsylvania 18101-1179
Attention: Russell R. Clelland
Telephone: 610-774-5151
Facsimile: 610-774-5235

if to the Administrative Agent:

Wells Fargo Bank, National Association
1525 West W.T. Harris Boulevard
Mail Code: MAC D1109-019
Charlotte, NC 28262
Attention: Syndication Agency Services
Telephone: 704.590.2706
Telecopier: 704.590.2790
Electronic Mail: agencyservices.requests@wellsfargo.com

with a copy to:

Wells Fargo Bank, National Association
90 S 7th Street, MAC: N9305-070

Minneapolis, MN 55402
Attention: Keith Luettel
Telephone: 612-667-4747
Facsimile: 602-316-0506

with a copy to:

Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York 10017
Attention: Jason Kyrwood
Telephone : 212-450-4653
Facsimile: 212-450-5653

Section 9.02. No Waivers; Non-Exclusive Remedies. No failure by any Agent or any Lender to exercise, no course of dealing with respect to, and no delay in exercising any right, power or privilege hereunder or under any Note or other Loan Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided herein and in the other Loan Documents shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 9.03. Expenses; Indemnification.

(a) Expenses. The Borrower shall pay (i) all out-of-pocket expenses of the Agents, including legal fees and disbursements of Davis Polk & Wardwell LLP and any other local counsel retained by the Administrative Agent, in its reasonable discretion, in connection with the preparation, execution, delivery and administration of the Loan Documents, the syndication efforts of the Agents with respect thereto, any waiver or consent thereunder or any amendment thereof or any Default or alleged Default thereunder and (ii) all reasonable out-of-pocket expenses incurred by the Agents and each Lender, including (without duplication) the fees and disbursements of outside counsel, in connection with any restructuring, workout, collection, bankruptcy, insolvency and other enforcement proceedings in connection with the enforcement and protection of its rights; provided, that the Borrower shall not be liable for any legal fees or disbursements of any counsel for the Agents and the Lenders other than Davis Polk & Wardwell LLP associated with the preparation, execution and delivery of this Agreement and the closing documents contemplated hereby.

(b) Indemnity in Respect of Loan Documents. The Borrower agrees to indemnify the Agents and each Lender, their respective Affiliates and the respective directors, officers, trustees, agents, employees, trustees and advisors of the foregoing (each an "Indemnitee") and hold each Indemnitee harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and expenses or disbursements of any kind whatsoever (including, without limitation, the reasonable fees and disbursements of counsel and any civil penalties or fines assessed by OFAC), which may at any time (including, without limitation, at any time following the payment of the obligations of the Borrower hereunder) be imposed on, incurred by or asserted against such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) brought or threatened (by any third party, by the Borrower or any Subsidiary of the Borrower) in any way relating to or arising out of this Agreement, any other Loan Document or any documents contemplated hereby or referred to herein or any actual or proposed use of proceeds of Loans hereunder; provided, that no Indemnitee shall have the right to be indemnified hereunder for such Indemnitee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final, non-appealable judgment or order.

(c) Indemnity in Respect of Environmental Liabilities. The Borrower agrees to indemnify each Indemnitee and hold each Indemnitee harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs and expenses or disbursements of any kind whatsoever (including, without limitation, reasonable expenses of investigation by engineers, environmental consultants and similar technical personnel and reasonable fees and disbursements of counsel) which may at any time (including, without limitation, at any time following the payment of the obligations of the Borrower hereunder) be imposed on, incurred by or asserted against such Indemnitee in respect of or in connection with any actual or alleged presence or release of Hazardous Substances on or from any property now or previously owned or operated by the Borrower or any of its Subsidiaries or any predecessor of the Borrower or any of its Subsidiaries, or any and all Environmental Liabilities. Without limiting the generality of the foregoing, the Borrower hereby waives all rights of contribution or any other rights of recovery with respect to liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and expenses and disbursements in respect of or in connection with Environmental Liabilities that it might have by statute or otherwise against any Indemnitee.

(d) Waiver of Damages. To the fullest extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in clause (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby; provided that nothing in this Section 9.03(d) shall relieve any Lender from its obligations under Section 9.12.

Section 9.04. Sharing of Set-Offs. Each Lender agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest due with respect to any Loan made or Note held by it and any Letter of Credit Liabilities which is greater than the proportion received by any other Lender in respect of the aggregate amount of principal and interest due with respect to any Loan, Note and Letter of Credit Liabilities made or held by such other Lender, the Lender receiving such proportionately greater payment shall purchase such participations in the Loan made or Notes and Letter of Credit Liabilities held by the other

Lenders, and such other adjustments shall be made, in each case as may be required so that all such payments of principal and interest with respect to the Loan made or Notes and Letter of Credit Liabilities made or held by the Lenders shall be shared by the Lenders pro rata; provided, that nothing in this Section shall impair the right of any Lender to exercise any right of set-off or counterclaim it may have for payment of indebtedness of the Borrower other than its indebtedness hereunder.

Section 9.05. Amendments and Waivers . Any provision of this Agreement or the Notes may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Required Lenders (and, if the rights or duties of the Administrative Agent, Swingline Lender or any Issuing Lenders are affected thereby, by the Administrative Agent, Swingline Lender or such Issuing Lender, as relevant); provided, that no such amendment or waiver shall, (a) unless signed by each Lender adversely affected thereby, (i) increase the Commitment of any Lender or subject any Lender to any additional obligation (it being understood that waivers or modifications of conditions precedent, covenants, Defaults or of mandatory reductions in the Commitments shall not constitute an increase of the Commitment of any Lender, and that an increase in the available portion of any Commitment of any Lender as in effect at any time shall not constitute an increase in such Commitment), (ii) reduce the principal of or rate of interest on any Loan (except in connection with a waiver of applicability of any post-default increase in interest rates) or the amount to be reimbursed in respect of any Letter of Credit or any interest thereon or any fees hereunder, (iii) postpone the date fixed for any payment of interest on any Loan or the amount to be reimbursed in respect of any Letter of Credit or any interest thereon or any fees hereunder or for any scheduled reduction or termination of any Commitment or (except as expressly provided in Article III) expiration date of any Letter of Credit, (iv) postpone or change the date fixed for any scheduled payment of principal of any Loan, (v) change any provision hereof in a manner that would alter the pro rata funding of Loans required by Section 2.04(b), the pro rata sharing of payments required by Sections 2.11(a), 2.09(b) or 9.04 or the pro rata reduction of Commitments required by Section 2.08(a) or (vi) change the currency in which Loans are to be made, Letters of Credit are to be issued or payment under the Loan Documents is to be made, or add additional borrowers or (b) unless signed by each Lender, change the definition of Required Lender or this Section 9.05 or Section 9.06(a).

Section 9.06. Successors and Assigns .

(a) Successors and Assigns . The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or otherwise transfer any of its rights under this Agreement without the prior written consent of all of the Lenders, except to the extent any such assignment results from the consummation of a merger or consolidation permitted pursuant to Section 6.07 of this Agreement.

(b) Participations . Any Lender may at any time grant to one or more banks or other financial institutions or special purpose funding vehicle (each a " Participant ") participating interests in its Commitments and/or any or all of its Loans and Letter of Credit Liabilities. In the event of any such grant by a Lender of a participating interest to a Participant, whether or not upon notice to the Borrower and the Administrative Agent, such Lender shall remain responsible for the performance of its obligations hereunder, and the Borrower, the Issuing Lenders, Swingline Lender and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which any Lender may grant such a participating interest shall provide that such Lender shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided , that such participation agreement may provide that such Lender will not agree to any modification, amendment or waiver of this Agreement which would (i) extend the Termination Date, reduce the rate or extend the time of payment of principal, interest or fees on any Loan or Letter of Credit Liability in which such Participant is participating (except in connection with a waiver of applicability of any post-default increase in interest rates) or reduce the principal amount thereof, or increase the amount of the Participant's participation over the amount thereof then in effect (it being understood that a waiver of any Default or of a mandatory reduction in the Commitments shall not constitute a change in the terms of such participation, and that an increase in any Commitment or Loan or Letter of Credit Liability shall be permitted without the consent of any Participant if the Participant's participation is not increased as a result thereof) or (ii) allow the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement, without the consent of the Participant, except to the extent any such assignment results from the consummation of a merger or consolidation permitted pursuant to Section 6.07 of this Agreement. The Borrower agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article II with respect to its participating interest to the same extent as if it were a Lender, subject to the same limitations, and in no case shall any Participant be entitled to receive any amount payable pursuant to Article II that is greater than the amount the Lender granting such Participant's participating interest would have been entitled to receive had such Lender not sold such participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b). Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register (solely for tax purposes) on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the " Participant Register "). The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary.

(c) Assignments Generally . Any Lender may at any time assign to one or more Eligible Assignees (each, an " Assignee ") all, or a proportionate part (equivalent to an initial amount of not less than $5,000,000 or any larger integral multiple of $1,000,000), of its rights and obligations under this Agreement and the Notes with respect to its Loans and, if still in existence, its Commitment, and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit C attached hereto executed by such Assignee and such transferor, with (and subject to) the consent of the Borrower, which shall not be unreasonably withheld or delayed, the Administrative Agent, Swingline Lender and the Issuing Lenders, which consent shall not be unreasonably withheld or delayed; provided , that if an Assignee is an Affiliate of such transferor Lender or was a Lender immediately prior to such assignment, no such consent of the Borrower or the Administrative Agent shall be required; provided , further , that if at the time of such assignment a Default or an Event of Default has occurred and is continuing, no such consent of the Borrower shall be required; provided , further , that no such assignment may be made prior to the Effective Date without the prior written consent of the Joint Lead Arrangers; provided , further , that the provisions of Sections 2.12, 2.16, 2.17 and 9.03 of this Agreement shall inure to the benefit of a transferor with respect to any Loans made, any Letters of Credit issued or any other actions taken by such transferor while it was a Lender. Upon execution and delivery of such instrument and payment by such

Assignee to such transferor of an amount equal to the purchase price agreed between such transferor and such Assignee, such Assignee shall be a Lender party to this Agreement and shall have all the rights and obligations of a Lender with a Commitment, if any, as set forth in such instrument of assumption, and the transferor shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this subsection (c), the transferor, the Administrative Agent and the Borrower shall make appropriate arrangements so that, if required, a new Note is issued to the Assignee. In connection with any such assignment, the transferor shall pay to the Administrative Agent an administrative fee for processing such assignment in the amount of $3,500; provided that the Administrative Agent may, in its sole discretion, elect to waive such administrative fee in the case of any assignment. Each Assignee shall, on or before the effective date of such assignment, deliver to the Borrower and the Administrative Agent certification as to exemption from deduction or withholding of any United States Taxes in accordance with Section 2.17(e).

(d) Assignments to Federal Reserve Banks . Any Lender may at any time assign all or any portion of its rights under this Agreement and its Note to a Federal Reserve Bank. No such assignment shall release the transferor Lender from its obligations hereunder.

(e) Register . The Borrower hereby designates the Administrative Agent to serve as the Borrower's agent, solely for purposes of this Section 9.06(e), to (i) maintain a register (the " Register ") on which the Administrative Agent will record the Commitments from time to time of each Lender, the Loans made by each Lender and each repayment in respect of the principal amount of the Loans of each Lender and to (ii) retain a copy of each Assignment and Assumption Agreement delivered to the Administrative Agent pursuant to this Section. Failure to make any such recordation, or any error in such recordation, shall not affect the Borrower's obligation in respect of such Loans. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent, Swingline Lender, the Issuing Lenders and the other Lenders shall treat each Person in whose name a Loan and the Note evidencing the same is registered as the owner thereof for all purposes of this Agreement, notwithstanding notice or any provision herein to the contrary. With respect to any Lender, the assignment or other transfer of the Commitments of such Lender and the rights to the principal of, and interest on, any Loan made and any Note issued pursuant to this Agreement shall not be effective until such assignment or other transfer is recorded on the Register and, except to the extent provided in this subsection 9.06(e), otherwise complies with Section 9.06, and prior to such recordation all amounts owing to the transferring Lender with respect to such Commitments, Loans and Notes shall remain owing to the transferring Lender. The registration of assignment or other transfer of all or part of any Commitments, Loans and Notes for a Lender shall be recorded by the Administrative Agent on the Register only upon the acceptance by the Administrative Agent of a properly executed and delivered Assignment and Assumption Agreement and payment of the administrative fee referred to in Section 9.06(c). The Register shall be available for inspection by each of the Borrower, the Swingline Lender and each Issuing Lender at any reasonable time and from time to time upon reasonable prior notice. In addition, at any time that a request for a consent for a material or substantive change to the Loan Documents is pending, any Lender wishing to consult with other Lenders in connection therewith may request and receive from the Administrative Agent a copy of the Register. The Borrower may not replace any Lender pursuant to Section 2.08 (b) , unless, with respect to any Notes held by such Lender, the requirements of subsection 9.06(c) and this subsection 9.06(e) have been satisfied.

Section 9.07. Governing Law; Submission to Jurisdiction . This Agreement and each Note shall be governed by and construed in accordance with the internal laws of the State of New York. The Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Borrower irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such court and any claim that any such proceeding brought in any such court has been brought in an inconvenient forum.

Section 9.08. Counterparts; Integration; Effectiveness . This Agreement shall become effective on the Effective Date. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. On and after the Effective Date, this Agreement, the other Loan Documents and the Fee Letter constitute the entire agreement and understanding among the parties hereto and supersede any and all prior agreements and understandings, oral or written, relating to the subject matter hereof and thereof.

Section 9.09. Generally Accepted Accounting Principles . Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries most recently delivered to the Lenders; provided, that, if the Borrower notifies the Administrative Agent that the Borrower wishes to amend any covenant in Article VI to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Administrative Agent notifies the Borrower that the Required Lenders wish to amend Article VI for such purpose), then the Borrower's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Lenders.

Section 9.10. Usage . The following rules of construction and usage shall be applicable to this Agreement and to any instrument or agreement that is governed by or referred to in this Agreement.

(a) All terms defined in this Agreement shall have the defined meanings when used in any instrument governed hereby or referred to herein and in any certificate or other document made or delivered pursuant hereto or thereto unless otherwise defined therein.

(b) The words "hereof", "herein", "hereunder" and words of similar import when used in this Agreement or in any instrument or agreement governed here shall be construed to refer to this Agreement or such instrument or agreement, as applicable, in its entirety and not to any particular provision or subdivision hereof or thereof.

(c) References in this Agreement to "Article", "Section", "Exhibit", "Schedule" or another subdivision or attachment shall be construed to refer to an article, section or other subdivision of, or an exhibit, schedule or other attachment to, this Agreement unless the context otherwise requires; references in any instrument or agreement governed by or referred to in this Agreement to "Article", "Section", "Exhibit", "Schedule" or another subdivision or attachment shall be construed to refer to an article, section or other subdivision of, or an exhibit, schedule or other attachment to, such instrument or agreement unless the context otherwise requires.

(d) The definitions contained in this Agreement shall apply equally to the singular and plural forms of such terms. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The word "will" shall be construed to have the same meaning as the word "shall". The term "including" shall be construed to have the same meaning as the phrase "including without limitation".

(e) Unless the context otherwise requires, any definition of or reference to any agreement, instrument, statute or document contained in this Agreement or in any agreement or instrument that is governed by or referred to in this Agreement shall be construed (i) as referring to such agreement, instrument, statute or document as the same may be amended, supplemented or otherwise modified from time to time (subject to any restrictions on such amendments, supplements or modifications set forth in this Agreement or in any agreement or instrument governed by or referred to in this Agreement), including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and (ii) to include (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein. Any reference to any Person shall be construed to include such Person's successors and permitted assigns.

(f) Unless the context otherwise requires, whenever any statement is qualified by "to the best knowledge of" or "known to" (or a similar phrase) any Person that is not a natural person, it is intended to indicate that the senior management of such Person has conducted a commercially reasonable inquiry and investigation prior to making such statement and no member of the senior management of such Person (including managers, in the case of limited liability companies, and general partners, in the case of partnerships) has current actual knowledge of the inaccuracy of such statement.

Section 9.11. WAIVER OF JURY TRIAL. THE BORROWER HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 9.12. Confidentiality. Each Lender agrees to hold all non-public information obtained pursuant to the requirements of this Agreement in accordance with its customary procedure for handling confidential information of this nature and in accordance with safe and sound banking practices; provided, that nothing herein shall prevent any Lender from disclosing such information (i) to any other Lender or to any Agent, (ii) to any other Person if reasonably incidental to the administration of the Loans and Letter of Credit Liabilities, (iii) upon the order of any court or administrative agency, (iv) to the extent requested by, or required to be disclosed to, any rating agency or regulatory agency or similar authority (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (v) which had been publicly disclosed other than as a result of a disclosure by any Agent or any Lender prohibited by this Agreement, (vi) in connection with any litigation to which any Agent, any Lender or any of their respective Subsidiaries or Affiliates may be party, (vii) to the extent necessary in connection with the exercise of any remedy hereunder, (viii) to such Lender's or Agent's Affiliates and their respective directors, officers, employees and agents including legal counsel and independent auditors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such information and instructed to keep such information confidential), (ix) with the consent of the Borrower, (x) to Gold Sheets and other similar bank trade publications, such information to consist solely of deal terms and other information customarily found in such publications and (xi) subject to provisions substantially similar to those contained in this Section, to any actual or proposed Participant or Assignee or to any actual or prospective counterparty (or its advisors) to any securitization, swap or derivative transaction relating to the Borrower's Obligations hereunder. Notwithstanding the foregoing, any Agent, any Lender or Davis Polk & Wardwell LLP may circulate promotional materials and place advertisements in financial and other newspapers and periodicals or on a home page or similar place for dissemination of information on the Internet or worldwide web, in each case, after the closing of the transactions contemplated by this Agreement in the form of a "tombstone" or other release limited to describing the names of the Borrower or its Affiliates, or any of them, and the amount, type and closing date of such transactions, all at their sole expense.

Section 9.13. USA PATRIOT Act Notice. Each Lender that is subject to the Patriot Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub.L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Patriot Act.

Section 9.14. No Fiduciary Duty. Each Agent, each Lender and their respective Affiliates (collectively, solely for purposes of this paragraph, the "Lender Parties"), may have economic interests that conflict with those of the Borrower, its Affiliates and/or their respective stockholders (collectively, solely for purposes of this paragraph, the "Borrower Parties"). The Borrower agrees that nothing in the Loan Documents or otherwise will be deemed to create an advisory, fiduciary or agency relationship or fiduciary or other implied duty (other than any implied duty of good faith) between any Lender Party, on the one hand, and any Borrower Party, on the other. The Lender Parties acknowledge and agree that (a) the transactions contemplated by the Loan Documents (including the exercise of rights and remedies hereunder and thereunder) are arm's-length commercial transactions between the Lender Parties, on the one hand, and the Borrower, on the other and (b) in connection therewith and with the process leading thereto, (i) no Lender Party has assumed an advisory or fiduciary responsibility in favor of any Borrower Party with respect to the transactions contemplated hereby (or the exercise of rights or remedies with respect thereto) or the process leading thereto (irrespective of whether any Lender Party has advised, is currently advising or will advise any Borrower Party on other matters) or any other obligation to any Borrower Party except the obligations expressly set forth in the Loan Documents and (ii) each Lender Party is acting solely as principal and not as the agent or fiduciary of any Borrower Party. The Borrower acknowledges and agrees that the Borrower has consulted its own legal and financial advisors to the extent it deemed appropriate and that it is responsible for making its own independent judgment with respect to such transactions and the process leading thereto. The Borrower agrees that it will not claim that any Lender Party has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to any Borrower Party, in connection with such transaction or the process leading thereto.

Section 9.15. Amendment and Restatement of Existing Credit Agreement . Upon the execution and delivery of this Agreement, the Existing Credit Agreement shall be amended and restated to read in its entirety as set forth herein. With effect from and including the Effective Date, (i) the Commitments of each Lender party hereto (the " **Extending Lenders** ") shall be as set forth on the Commitment Appendix (and any Lender under the Existing Credit Agreement that is not listed on the Commitment Appendix shall cease to be a Lender hereunder; provided that, for the avoidance of doubt, such Lender under the Existing Credit Agreement shall continue to be entitled to the benefits of Section 9.03 of the Existing Credit Agreement), (ii) the Commitment Ratio of the Extending Lenders shall be redetermined based on the Commitments set forth in the Commitment Appendix and the participations of the Extending Lenders in, and the obligations of the Extending Lenders in respect of, any Letters of Credit or Swingline Loans outstanding on the Effective Date shall be reallocated to reflect such redetermined Commitment Ratio and (iii) each JLA Issuing Bank shall have the Fronting Sublimit set forth in the JLA L/C Fronting Sublimits Appendix.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

LOUISVILLE GAS AND ELECTRIC COMPANY

By: /s/ Daniel K. Arbough
Name: Daniel K. Arbough
Title: Treasurer

WELLS FARGO BANK, NATIONAL
as Administrative Agent, Issuing
Lender, Swingline Lender and Lender

By: /s/ Keith Luettel
Name: Keith Luettel
Title: Vice President

BANK OF AMERICA, N.A., as Issuing
Lender and Lender

By: /s/ Mike Mason
Name: Mike Mason
Title: Director

THE ROYAL BANK OF SCOTLAND
PLC, as Issuing Lender and Lender

By: /s/ Tyler J. McCarthy
Name: Tyler J McCarthy
Title: Director

BARCLAYS BANK PLC, as Issuing Lender and Lender

By: /s/ Ronnie Glenn
Name: Ronnie Glenn
Title: Vice President

THE BANK OF NOVA SCOTIA, as
Issuing Lender and Lender

By: /s/ Thane Rattew
Name: Thane Rattew
Title: Managing Director

THE BANK OF TOKYO-MITSUBISHI UFJ, INC.
as Issuing Lender and Lender

By: /s/ Alan Reiter
Name: Alan Reiter
Title: Vice President

UNION BANK, N.A., as a Lender

By: /s/ Carmelo Restifo
Name: Carmelo Restifo
Title: Director

BNP PARIBAS, as a Lender

By: /s/ Denis O'Meara
Name: Denis O'Meara
Title: Managing Director

BNP PARIBAS, as a Lender

By: /s/ Pasquale A. Perraglia IV
Name: Pasquale A. Perraglia IV
Title: Vice President

CITIBANK, N.A., as a Lender

By: /s/ Amit Vasani
Name: Amit Vasani
Title: Vice President

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as a Lender

By: /s/ Christopher Reo Day
Name: Christopher Reo Day
Title: Vice President

By: /s/ Vipul Dhadda
Name: Vipul Dhadda
Title: Associate

GOLDMAN SACHS BANK USA, as a Lender

By: /s/ Mark Walton
Name: Mark Walton
Title: Authorized Signatory

J.P. MORGAN CHASE BANK, N.A., as a Lender

By: /s/ Juan Javellana
Name: Juan Javellana
Title: Executive Director

MORGAN STANLEY BANK, N.A., as a Lender

By: /s/ Kelly Chin
Name: Kelly Chin
Title: Authorized Signatory

ROYAL BANK OF CANADA, as a Lender

By: /s/ Frank Lambrinos
Name: Frank Lambrinos
Title: Authorized Signatory

UBS LOAN FINANCE LLC, as a Lender

By: /s/ Irja R. Otsa
Name: Irja R. Otsa
Title: Associate Director

UBS LOAN FINANCE LLC, as a Lender

By: /s/ David Urban
Name: David Urban
Title: Associate Director

CREDIT AGRICOLE CORPORATE AND
INVESTMENT BANK, as a Lender

By: /s/ Dixon Schultz
Name: Dixon Schultz
Title: Managing Director

By: /s/ Sharada Manne
Name: Sharada Manne
Title: Managing Director

KEYBANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Craig A. Hanselman
Name: Craig A. Hanselman
Title: Vice President

LLOYDS TSB BANK PLC, as a Lender

By: /s/ Stephen Giacolone
Name: Stephen Giacolone
Title: Assistant Vice President –G011

LLOYDS TSB BANK PLC, as a Lender

By: /s/ Julia R. Franklin
Name: Julia R. Franklin
Title: Vice President –F014

MIZUHO CORPORATE BANK, LTD., as a Lender

By: /s/ Leon Mo
Name: Leon Mo
Title: Authorized Signatory

SUNTRUST BANK, as a Lender

By: /s/ Andrew Johnson
Name: Andrew Johnson
Title: Director

THE BANK OF NEW YORK MELLON, as a Lender

By: /s/ Mark W. Rogers
Name: Mark W. Rogers
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ John M. Eyerman
Name: John M. Eyerman
Title: Vice President

CANADIAN IMPERIAL BANK OF
COMMERCE, New York Agency, as a Lender

By: /s/ Robert Casey
Name: Robert Casey
Title: Authorized Signatory

By: /s/ Jonathan J. Kim
Name: Jonathan J. Kim
Title: Authorized Signatory

COMPASS BANK, as a Lender

By: /s/ Susana Campuzano
Name: Susana Campuzano
Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Edward M. Tessalone
Name: Edward M. Tessalone
Title: Senior Vice President PNC Bank, N.A.

SOVEREIGN BANK, N.A., as a Lender

By: /s/ William Maag

Name: William Maag

Title: Senior Vice President

SUMITOMO MITSUI BANKING
CORPORATION, as a Lender

By: /s/ Shugi Yabe
Name: Shugi Yabe
Title: Managing Director

THE NORTHERN TRUST COMPANY, as a Lender

By: /s/ Daniel Boote
Name: Daniel Boote
Title: Senior Vice President

Commitment Appendix

Lender	Revolving Commitment
Wells Fargo Bank, National Association	$25,714,285.70
Bank of America, N.A.	$25,714,285.70
The Royal Bank of Scotland plc	$25,714,285.70
Barclays Bank PLC	$23,511,904.76
The Bank of Nova Scotia	$23,511,904.76
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	$11,755,952.38
Union Bank, N.A.	$11,755,952.38
BNP Paribas	$23,511,904.76
Citibank, N.A.	$23,511,904.76
Credit Suisse AG, Cayman Islands Branch	$23,511,904.76
Goldman Sachs Bank USA	$23,511,904.76
JPMorgan Chase Bank, N.A.	$23,511,904.76
Morgan Stanley Bank, N.A.	$23,511,904.76
Royal Bank of Canada	$23,511,904.76
UBS Loan Finance LLC	$23,511,904.76
Credit Agricole Corporate & Investment Bank	$16,785,714.29
KeyBank National Association	$16,785,714.29
Lloyds Bank	$16,785,714.29
Mizuho Corporate Bank, Ltd.	$16,785,714.29
SunTrust Bank	$16,785,714.29
The Bank of New York Mellon	$16,785,714.29
U.S. Bank National Association	$16,785,714.29
Canadian Imperial Bank of Commerce	$8,154,761.91
Compass Bank	$8,154,761.91
PNC Bank, National Association	$8,154,761.91
Sovereign Bank, N.A.	$8,154,761.91
Sumitomo Mitsui Banking Corporation	$8,154,761.91
The Northern Trust Company	$5,952,380.96
Total	**$500,000,000.00**

JLA L/C Fronting Sublimits Appendix

Issuing Lender	L/C Fronting Sublimit
Wells Fargo Bank, National Association	$48,611,111.11
Bank of America, N.A.	$48,611,111.11
The Royal Bank of Scotland plc	$48,611,111.11
Barclays Bank PLC	$34,722,222.22
The Bank of Nova Scotia	$34,722,222.22
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	$34,722,222.22
Total	**$250,000,000.00**

EXHIBIT A-1

Form of Notice of Borrowing

Wells Fargo Bank, National Association,
as Administrative Agent
1525 W WT Harris Boulevard
Charlotte, NC 28262
Attention: Syndication Agency Services

Ladies and Gentlemen:

This notice shall constitute a "Notice of Borrowing" pursuant to Section 2.03 of the $500,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012 (the " Credit Agreement ") among Louisville Gas and Electric Company, the lending institutions party thereto from time to time and Wells Fargo Bank, National Association, as Administrative Agent. Terms defined in the Credit Agreement and not otherwise defined herein have the respective meanings provided for in the Credit Agreement.

1. The date of the Borrowing will be _______________, _____________. [1]

2. The aggregate principal amount of the Borrowing will be __________. [2]

3. The Borrowing will consist of **[** Revolving **]** **[** Swingline **]** Loans.

4. The Borrowing will consist of **[** Base Rate **]** **[** Euro-Dollar **]** Loans. [3]

5. The initial Interest Period for the Loans comprising such Borrowing shall be __________. [4]

[Insert appropriate delivery instructions, which shall include bank and account number **]** .

[1] Must be a Business Day.
[2] Revolving Borrowings must be an aggregate principal amount of $10,000,000 or any larger integral multiple of $1,000,000, except the Borrowing may be in the aggregate amount of the remaining unused Revolving Commitment. Swingline Borrowings must be an aggregate principal amount of $2,000,000 or any larger integral multiple of $500,000.
[3] Applicable for Revolving Loans only.
[4] Applicable for Euro-Dollar Loans only. Insert "one month", "two months", "three months" or "six months" (subject to the provisions of the definition of "Interest Period").

LOUISVILLE GAS AND ELECTRIC COMPANY

By: ______________________________

Name:

Title:

EXHIBIT A-2

Form of Notice of Converstion/Continuation

_____________, ____

Wells Fargo Bank, National Association,
as Administrative Agent
1525 W WT Harris Boulevard
Charlotte, NC 28262
Attention: Syndication Agency Services

Ladies and Gentlemen:

This notice shall constitute a "Notice of Conversion/Continuation" pursuant to Section 2.06(d)(ii) of the $500,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012 (the " Credit Agreement ") among Louisville Gas and Electric Company, the lending institutions party thereto from time to time and Wells Fargo Bank, National Association, as Administrative Agent. Terms defined in the Credit Agreement and not otherwise defined herein have the respective meanings provided for in the Credit Agreement.

1. The Group of Loans (or portion thereof) to which this notice applies is **[** all or a portion of all Base Rate Loans currently outstanding **] [** all or a portion of all Euro-Dollar Loans currently outstanding having an Interest Period of ___ months and ending on the Election Date specified below **]** .

2. The date on which the conversion/continuation selected hereby is to be effective is __________, ___________(the " Election Date ").[5]

3. The principal amount of the Group of Loans (or portion thereof) to which this notice applies is $_________________.[6]

4. [The Group of Loans (or portion thereof) which are to be converted will bear interest based upon the [Base Rate][Adjusted London Interbank Offered Rate].] [The Group of Loans (or portion thereof) which are to be continued will bear interest based upon the [Base Rate][Adjusted London Interbank Offered Rate].]

5. The Interest Period for such Loans will be _______________.[7]

LOUISVILLE GAS AND ELECTRIC COMPANY

---

[5] Must be a Business Day.

[6] May apply to a portion of the aggregate principal amount of the relevant Group of Loans; provided that (i) such portion is allocated ratably among the Loans comprising such Group and (ii) the portion to which such notice applies, and the remaining portion to which it does not apply, are each $10,000,000 or any larger integral multiple of $1,000,000.

[7] Applicable only in the case of a conversion to, or a continuation of, Euro-Dollar Loans. Insert "one month", "two months", "three months" or "six months" (subject to the provisions of the definition of Interest Period).

By: ______________________________
Name:
Title:

EXHIBIT A-3

Form of Letter of Credit Request

______________, ____

[Insert details of Issuing Lender]

Ladies and Gentlemen:

This notice shall constitute a "Letter of Credit Request" pursuant to Section 3.03 of the $500,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012 (the " Credit Agreement ") among Louisville Gas and Electric Company, the lending institutions party thereto from time to time and Wells Fargo Bank, National Association, as Administrative Agent. Terms defined in the Credit Agreement and not otherwise defined herein have the respective meanings provided for in the Credit Agreement.

The undersigned hereby requests that _______________ [8] issue a [Standby] Letter of Credit on _______________, ________ [9] in the aggregate amount of $________________. [This request is to extend a Letter of Credit previously issued under the Credit Agreement; Letter of Credit No. __________.]

The beneficiary of the requested Standby Letter of Credit will be ________________ [10] , and such Standby Letter of Credit will be in support of _____________________ [11] and will have a stated termination date of __________________ [12] .

Copies of all documentation with respect to the supported transaction are attached hereto.

---

[8] Insert name of Issuing Lender.

[9] Must be a Business Day.

[10] Insert name and address of beneficiary.

[11] Insert a description of the obligations, the name of each agreement and/or a description of the commercial transaction to which this Letter of Credit Request relates.

[12] Insert the last date upon which drafts may be presented (which may not be later than one year after the date of issuance specified above or beyond the fifth Business Day prior to the Termination Date).

LOUISVILLE GAS AND ELECTRIC COMPANY

By: ________________________________
Name:
Title:

APPROVED:

[ISSUING LENDER]

By: ________________________________
Name:
Title:

EXHIBIT B

Form of Note

FOR VALUE RECEIVED, the undersigned, LOUISVILLE GAS AND ELECTRIC COMPANY, a Kentucky corporation (the " Borrower "), promises to pay to the order of _________________ (hereinafter, together with its successors and assigns, called the " Holder "), at the Administrative Agent's Office or such other place as the Holder may designate in writing to the Borrower, the principal sum of ____________________ AND _______/100s DOLLARS ($______________), or, if less, the principal amount of all Loans advanced by the Holder to the Borrower pursuant to the Credit Agreement (as defined below), plus interest as hereinafter provided. Such Loans may be endorsed from time to time on the grid attached hereto, but the failure to make such notations shall not affect the validity of the Borrower's obligation to repay unpaid principal and interest hereunder.

All capitalized terms used herein shall have the meanings ascribed to them in that certain $500,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012 (as the same may be amended, modified or supplemented from time to time, the " Credit Agreement ") by and among the Borrower, the lenders party thereto (collectively, the " Lenders ") and Wells Fargo Bank, National Association, as administrative agent (the " Administrative Agent ") for itself and on behalf of the Lenders and the Issuing Lenders, except to the extent such capitalized terms are otherwise defined or limited herein.

The Borrower shall repay principal outstanding hereunder from time to time, as necessary, in order to comply with the Credit Agreement. All amounts paid by the Borrower shall be applied to the Obligations in such order of application as provided in the Credit Agreement.

A final payment of all principal amounts and other Obligations then outstanding hereunder shall be due and payable on the maturity date provided in the Credit Agreement, or such earlier date as payment of the Loans shall be due, whether by acceleration or otherwise.

The Borrower shall be entitled to borrow, repay, reborrow, continue and convert the Holder's Loans (or portion thereof) hereunder pursuant to the terms and conditions of the Credit Agreement. Prepayment of the principal amount of any Loan may be made as provided in the Credit Agreement.

The Borrower hereby promises to pay interest on the unpaid principal amount hereof as provided in Article II of the Credit Agreement. Interest under this Note shall also be due and payable when this Note shall become due (whether at maturity, by reason of acceleration or otherwise). Overdue principal and, to the extent permitted by law, overdue interest, shall bear interest payable on DEMAND at the default rate as provided in the Credit Agreement.

In no event shall the amount of interest due or payable hereunder exceed the maximum rate of interest allowed by applicable law, and in the event any such payment is inadvertently made by the Borrower or inadvertently received by the Holder, then such excess sum shall be credited as a payment of principal, unless the Borrower shall notify the Holder in writing that it elects to have such excess sum returned forthwith. It is the express intent hereof that the Borrower not pay and the Holder not receive, directly or indirectly in any manner whatsoever, interest in excess of that which may legally be paid by the Borrower under applicable law.

All parties now or hereafter liable with respect to this Note, whether the Borrower, any guarantor, endorser or any other Person or entity, hereby waive presentment for payment, demand, notice of non-payment or dishonor, protest and notice of protest.

No delay or omission on the part of the Holder or any holder hereof in exercising its rights under this Note, or delay or omission on the part of the Holder, the Administrative Agent or the Lenders collectively, or any of them, in exercising its or their rights under the Credit Agreement or under any other Loan Document, or course of conduct relating thereto, shall operate as a waiver of such rights or any other right of the Holder or any holder hereof, nor shall any waiver by the Holder, the Administrative Agent, the Required Lenders or the Lenders collectively, or any of them, or any holder hereof, of any such right or rights on any one occasion be deemed a bar to, or waiver of, the same right or rights on any future occasion.

The Borrower promises to pay all reasonable costs of collection, including reasonable attorneys' fees, should this Note be collected by or through an attorney-at-law or under advice therefrom.

This Note evidences the Holder's Loans (or portion therof) under, and is entitled to the benefits and subject to the terms of, the Credit Agreement, which contains provisions with respect to the acceleration of the maturity of this Note upon the happening of certain stated events, and provisions for prepayment.

This Note shall be governed by and construed in accordance with the internal laws of the State of New York.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned has caused this Note to be executed by its duly authorized representative as of the day and year first above written.

LOUISVILLE GAS AND ELECTRIC COMPANY

By: ______________________________
Name:
Title:

LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Loan	Type	Amount of Principal Repaid	Notation Made By

EXHIBIT C

Form of Assignment and Assumption Agreement

This Assignment and Assumption (the " Assignment and Assumption ") is dated as of the Effective Date set forth below and is entered into by and between [the] [each] [13] Assignor identified on the Schedules hereto as " Assignor " [or " Assignors " (collectively, the " Assignors " and each] an " Assignor ") and [the] [each] [14] Assignee identified on the Schedules hereto as " Assignee " or " Assignees " (collectively, the " Assignees " and each an " Assignee "). [It is understood and agreed that the rights and obligations of [the Assignors] [the Assignees] [15] hereunder are several and not joint.] [16] Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (the " Credit Agreement "), receipt of a copy of which is hereby acknowledged by [the] [each] Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, [the] [each] Assignor hereby irrevocably sells and assigns to [the Assignee] [the respective Assignees], and [the] [each] Assignee hereby irrevocably purchases and assumes from [the Assignor] [the respective Assignors], subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (a) all of [the Assignor's] [the respective Assignors'] rights and obligations in [its capacity as a Lender] [their respective capacities as Lenders] under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of [the Assignor] [the respective Assignors] under the respective facilities identified below (including without limitation any letters of credit, guarantees, and swingline loans included in such facilities) and (b) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of [the Assignor (in its capacity as a Lender)] [the respective Assignors (in their respective capacities as Lenders)] against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (a) above (the rights and obligations sold and assigned by [the] [any] Assignor to [the] [any] Assignee pursuant to clauses (a) and (b) above being referred to herein collectively as, the " Assigned Interest "). Each such sale and assignment is without recourse to [the] [any] Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by [the] [any] Assignor.

1. Assignor: *See Schedule attached hereto*

2. Assignee: *See Schedule attached hereto*

3. Borrower: Louisville Gas and Electric Company

4. Administrative Agent: Wells Fargo Bank, National Association, as the administrative agent under the Credit Agreement

5. Credit Agreement: The $500,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012, by and among Louisville Gas and Electric Company, as Borrower, the Lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent (as amended, restated, supplemented or otherwise modified)

6. Assigned Interest: *See Schedule attached hereto*

[7. Trade Date: ______________________] [1]

---

13 For bracketed language here and elsewhere in this form relating to the Assignor(s), if the assignment is from a single Assignor, choose the first bracketed language. If the assignment is from multiple Assignors, choose the second bracketed language.

14 For bracketed language here and elsewhere in this form relating to the Assignee(s), if the assignment is to a single Assignee, choose the first bracketed language. If the assignment is to multiple Assignees, choose the second bracketed language.

15 Select as appropriate.

16 Include bracketed language if there are either multiple Assignors or multiple Assignees.

17 To be completed if the Assignor(s) and the Assignee(s) intend that the minimum assignment amount is to be determined as of the Trade Date.

Effective Date: ______________, 20____

[TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By: ____
Title:

ASSIGNEE

See Schedule attached hereto

[Consented to and] [18] Accepted:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent, [Issuing Lender] and Swingline Lender

By ___________________________________
Title:

[Consented to:] [19]

LOUISVILLE GAS AND ELECTRIC COMPANY

By ____________________________________
Title:

[Consented to]:

[Issuing Lender] [20] ,
as Issuing Lender

By ______________________________________
Title:

[Consented to]:

[JOINT LEAD ARRANGERS] [21]

WELLS FARGO BANK, N.A.

By: ____
Title:

BANK OF AMERICA, N.A.

By: ____
Title:

---

18 To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

19 To be added only if the consent of the Borrower is required by the terms of the Credit Agreement.

20 Add all Issuing Lender signature blocks.

21 To be added if assignment is made before Effective Date.

SCHEDULE

To Assignment and Assumption

By its execution of this Schedule, the Assignee(s) agree(s) to the terms set forth in the attached Assignment and Assumption.

Assigned Interests:

Aggregate Amount of Commitment/ Loans for all Lenders [22]	Amount of Commitment/ Loans Assigned [23]	Percentage Assigned of Commitment/ Loans [24]	CUSIP Number
$	$	%	

[NAME OF ASSIGNEE] [25]

[and is an Affiliate of [*identify Lender*]] [26]

---

[22] Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

[23] Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

[24] Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

[25] Add additional signature blocks, as needed.

[26] Select as applicable.

ANNEX 1 to Assignment and Assumption

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT DATED AS OF NOVEMBER 6, 2012
BY AND AMONG
LOUISVILLE GAS AND ELECTRIC COMPANY, AS BORROWER,
THE LENDERS PARTY THERETO
AND WELLS FARGO BANK, NATIONAL ASSOCIATION,
AS ADMINISTRATIVE AGENT
STANDARD TERMS AND CONDITIONS FOR ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. [The] [Each] Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of [the] [the relevant] Assigned Interest, (ii) [the] [such] Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. [The] [Each] Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an Eligible Assignee under the Credit Agreement (subject to receipt of such consents as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 6.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the] [the relevant] Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, [the] [any] Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations that by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts that have accrued to but excluding the Effective Date and to the Assignee for amounts that have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by and construed in accordance with the internal laws of the State of New York.

EXHIBIT D

Forms of Opinions of Counsel for the Borrower

[Date]

To the Administrative Agent and
each of the Lenders party to the Revolving
Credit Agreement referred to below

Re: Louisville Gas and Electric Company
$500,000,000 Amended and Restated Revolving Credit Agreement

Ladies and Gentlemen:

We have acted as special counsel to Louisville Gas and Electric Company, a Kentucky corporation (the "Company"), in connection with the negotiation, execution and delivery of the $500,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012, among the Company, Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender, and the other Lenders from time to time party thereto (such Revolving Credit Agreement as so amended, the "Agreement"). This letter is being delivered to you at the request of the Company pursuant to Section 4.01(e) of the Agreement.

In preparing this letter, we have reviewed the Agreement[, and the Notes of the Company executed and delivered by the Company on the date hereof (the "Notes"),] and the other documents executed and delivered by the Company in connection with the Agreement. We have also reviewed the Orders of the Kentucky Public Service Commission ("KPSC") dated September 30, 2010, October 11, 2011 and __________, 2012 (Case Nos. 2010-00205, 2011-0038 and 2012-______), in connection with the Agreement (the "KPSC Orders").

Subject to the assumptions, qualifications and other limitations set forth below, it is our opinion that:

1. The Agreement constitutes the valid and legally binding agreement of the Company, enforceable against the Company in accordance with its terms.

2. [The Notes constitute the valid and legally binding obligations of the Company, enforceable against the Company in accordance with their terms.]

3. The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

4. The borrowings under the Agreement and the use of proceeds thereof as contemplated by the Agreement do not violate Regulation U or X of the Board of Governors of the Federal Reserve System.

In rendering our opinions, we have (a) without independent verification, relied, with respect to factual matters, statements and conclusions, on certificates, notifications and statements, whether written or oral, of governmental officials and individuals identified to us as officers and representatives of the Company and on the representations made by the Company in the Agreement and other documents delivered to you in connection therewith and (b) reviewed originals, or copies of such agreements, documents and records as we have considered relevant and necessary as a basis for our opinions. We note that, as counsel to the Company, we do not represent it generally and there may be facts relating to the Company of which we have no knowledge.

We have assumed (a) the accuracy and completeness of all certificates, agreements, documents, records and other materials submitted to us; (b) the authenticity of original certificates, agreements, documents, records and other materials submitted to us; (c) the conformity with the originals of any copies submitted to us; (d) the genuineness of all signatures; (e) the legal capacity of all natural persons; (f) that the Agreement constitutes the valid, legally binding and enforceable agreement of the parties thereto under all applicable law (other than, in the case of the Company, the law of the State of New York); (g) that the Company (i) is duly organized, validly existing and in good standing under the law of its jurisdiction of organization, (ii) has the power to execute and deliver, and to perform its obligations under, the Agreement [and the Notes], (iii) has duly taken or caused to be taken all necessary action to authorize the execution, delivery and performance by it of the Agreement [and the Notes] and (iv) has duly executed and delivered the Agreement [and the Notes;]; (h) that the execution and delivery by the Company of, and the performance by the Company of its obligations under, the Agreement and the Notes does not and will not (i) breach or violate (A) its Amended and Restated Articles of Incorporation or Bylaws, (B) any agreement or instrument to which the Company or any of its affiliates is a party or by which the Company or any of its affiliates or any of their respective properties may be bound, (C) any authorization, consent, approval or license (or the like) of, or exemption (or the like) from, or any registration or filing (or the like) with, or report or notice (or the like) to, any governmental unit, agency, commission, department or other authority granted to or otherwise applicable to the Company or any of its affiliates or any of their respective properties (each a "Governmental Approval"), (D) any order, decision, judgment or decree that may be applicable to the Company or any of its affiliates or any of their respective properties, or (E) any law (other than the law of the State of New York and the federal law of the United States), or (ii) require any Governmental Approval (other than the KPSC Orders, which we assume to have been duly granted and to remain in full force and effect); (h) that the Company is engaged only in the businesses described in its Annual Report on Form 10-K for the year ended December 31, 2011 filed with the Securities and Exchange Commission; (i) that there are no agreements, understandings or negotiations between the parties not set forth in the Agreement that would modify the terms thereof or the nights and obligations of the parties thereunder; and (j) for purposes of our opinion in paragraph 1 as it relates to the choice-of-law provisions in the Agreement, that the choice of law of the State of New

York as the governing law of the Agreement would not result in a violation of an important public policy of another state or country having greater contacts with the transactions contemplated by the agreement than the State of New York.

Our opinions are subject to and limited by the effect of (a) applicable bankruptcy, insolvency, fraudulent conveyance, fraudulent transfer, receivership, conservatorship, arrangement, moratorium and other similar laws affecting and relating to the rights of creditors generally; (b) general equitable principles; (c) requirements of reasonableness, good faith, fair dealing and materiality; (d) Article 9 of the Uniform Commercial Code regarding restrictions on assignment or transfer of rights; and (e) additionally in the case of (i) indemnities, a requirement that facts, known to the indemnitee but not the indemnitor, in existence at the time the indemnity becomes effective that would entitle the indemnitee to indemnification be disclosed to the indemnitor, and a requirement that an indemnity provision will not be read to impose obligations upon indemnitors which are neither disclosed at the time of its execution nor reasonably within the scope of its terms and overall intention of the parties at the time of its making, (ii) waivers, Sections 9-602 and 9-603 of the Uniform Commercial Code, and (iii) indemnities, waivers and exculpatory provisions, public policy.

We express no opinion with respect to the following sections of the Agreement: (i) Section 9.02 (cumulative remedies), (ii) provisions relating to rules of evidence or quantum of proof, (iii) Section 9.07 (submission to jurisdiction and waiver of inconvenient forum), insofar as such sections relate to federal courts (except as to the personal jurisdiction thereof), and (choice of venue, i.e., requiring actions to be commenced in a particular court in a particular jurisdiction), and (iv) Section 9.11 (waiver of jury trial), insofar as such section is sought to be enforced in a federal court.

We express no opinion as to the law of any jurisdiction other than the law of the State of New York and the federal law of the United States of America, and in each case, only such law that in our experience is normally applicable to transactions of the type contemplated by the Agreement and excluding (i) any law that is part of a regulatory regime applicable to specific assets or businesses of the lenders and (ii) the statutes and ordinances, the administrative decisions, and the rules and regulations of counties, towns, municipalities and special political subdivisions.

This letter speaks only as of the date hereof. We have no responsibility or obligation to update this letter or to take into account changes in law or facts or any other development of which we may later become aware.

This letter is delivered by us as special counsel for the Company solely for your benefit in connection with the transaction referred to herein and may not be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person or entity without our prior written consent.

Very truly yours,

__________ 20__

To the Administrative Agent
and each of the Lenders party to
the Credit Agreement referred to below

Re: $500,000,000 Amended and Restated Revolving Credit Agreement

Ladies and Gentlemen:

I am Vice President and Deputy General Counsel – Legal and Environmental Affairs of Louisville Gas and Electric Company (the "Borrower"), and have acted as counsel to the Borrower in connection with the $500,000,000 Amended and Restated Revolving Credit Agreement dated as of November 6, 2012, among the Borrower, Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender and the Lenders party thereto from time to time (the "Agreement"). Capitalized terms used but not defined herein have the meanings assigned to such terms in the Agreement.

I am familiar with the Agreement[, the Notes of the Borrower executed and delivered by the Borrower on the date hereof (the "Notes"),] and other documents executed and delivered by the Borrower in connection with the Agreement. I also have examined such other documents and satisfied myself as to such other matters as I have deemed necessary in order to render this opinion.

In rendering this opinion, I have assumed: (a) the genuineness of the signatures on all documents and instruments (other than the signatures of officers of the Borrower), the authenticity of all documents submitted as originals, the conformity to originals of all documents submitted as photostatic or certified copies, and the accuracy and completeness of all corporate records made available to me by the Borrower; (b) the due execution and delivery of the Agreement by the Lenders party thereto; and (c) that the Agreement constitutes the legal, valid and binding obligation of the Lenders party thereto.

Based on the foregoing, I am of the opinion that:

1. The Borrower is duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, and has the corporate power to make and perform the Agreement [and the Notes].

2. The execution, delivery and performance by the Borrower of the Agreement [and the Notes] have been duly authorized by the Borrower and do not violate any provision of law or regulation, or any decree, order, writ or judgment applicable to the Borrower, or any provision of the Borrower's certificate of incorporation, by-laws or board or shareholder resolutions, or result in the breach of or constitute a default under any indenture or other agreement or instrument known to me to which the Borrower is a party.

3. [Each of] [T][t]Agreement [and the Notes] has been duly executed and delivered by the Borrower.

4. Except as disclosed in or contemplated by the Agreement or the Borrower's financial statements referred to in Sections 5.04(a) or 5.04(b) of the Agreement, or otherwise furnished in writing to the Administrative Agent and the Lenders, no litigation, arbitration or administrative proceeding or inquiry is pending, or to my knowledge, threatened, which would reasonably be expected to materially adversely affect the ability of the Borrower to perform any of its obligations under the Agreement [or the Notes]. To my knowledge, there is no litigation, arbitration or administrative proceeding pending or threatened that questions the validity of the Agreement [or the Notes].

5. There have not been any "reportable events," as that term is defined in Section 4043 of the Employee Retirement Income Security Act of 1974, as amended, which would result in a material liability of the Borrower.

6. The ___________, 20__ and the ___________, 2012 Orders of the Kentucky Public Service Commission (the "KPSC") relating to the Agreement is in full force and effect, and no further authorization, consent or approval from any Governmental Authority is required for the execution, delivery and performance of the Agreement by the Borrower or for the borrowings by the Borrower thereunder, except such authorizations, consents and approvals as have been obtained prior to the date hereof, which authorizations, consents and approvals are in full force and effect.

In rendering its opinion to the addressee hereof, Pillsbury Winthrop Shaw Pittman LLP may rely as to matters of Kentucky law addressed herein upon this letter as if it were addressed directly to them. Except as aforesaid, without my prior written consent, this opinion may not be furnished or quoted to, or relied upon by, any other person or entity for any purpose.

Very truly yours,